



[Home](#) > [Current Issue](#) > [Table of Contents](#) > How to Build a Niche Practice

How to Build a Niche Practice

by *Jim Grote, CFP®*

In a profession that finds itself between a rock and a hard place—increasing client expectations and decreasing client assets—financial planners are taking a second look at niche practices as a potential solution to their economic woes. This concept is not a new one. In 2005, Mark Tibergien and Rebecca Pomeroy identified eight different strategies a planning practice could use to grow and to differentiate itself from the competition.

Their work, conducted in conjunction with Moss Adams LLP, found most advisory firms to be generalists. At the same time, one Moss Adams study revealed “niche market firms” as the most popular growth strategy among the eight differentiators, accounting for 25 percent of growth strategies deployed by advisory firms. Niche market firms focus on a particular client group, for example, business owners in transition or gay and lesbian clients.

Another differentiator, the distinct but similar “technical specialty firm” accounted for another 11 percent of strategies deployed. These firms focus on an internal specialty such as executive stock options or charitable gift planning. This article will consider both kinds of firms with an emphasis on the niche market firms.

Generalist or Specialist?

Ross Levin, CFP®, founding principal and president of Accredited Investors in Edina, Minnesota, understands the pros and cons of niche practices, but remains an unrepentant generalist. The advantage of the niche practice, according to Levin, is the deep understanding of their clients and their own services that advisers gain. However, this advantage is outweighed by the greater volatility a niche practice faces. The practice can build faster but also deteriorate faster than a general practice. Says Levin, “Diversification in a firm’s client base is just as important as diversification in a client’s investments.”

Rich Arzaga, CFP®, CCIM, concurs. Founder and CEO of Cornerstone Wealth Management Inc. in San Ramon, California, Arzaga has built a specialized practice around one major asset class, directly held real estate. Despite this technical specialty, Arzaga acknowledges, “When you are too centered on your niche, your business is subject to the economic base and seasonality of that niche.”

On the pro side of the opinion spectrum, Debra Neiman, CFP®, works with a client base in which over 50 percent of her clients are unmarried opposite sex couples and same sex couples. Principal and founder of Neiman and Associates Financial Services LLC in Arlington, Massachusetts, she believes that financial planners must specialize in order to stay competitive in the current economic climate. As she notes, “There are more new Certified Financial Planner™ [certificant]s entering the market every day. You need to distinguish yourself in order to survive.”

Kristin Harad, CFP®, founder and principal of VitaVie Financial Planning in San Francisco, California, voices an even stronger opinion. While the medical profession may have too many specialists and not enough generalists, Harad finds the financial planning community in the opposite predicament. She is candid: “Most planners I meet tell me they will work with anyone and everyone. They may narrow the field by imposing a minimum level of assets to manage, but this is not much of a differentiator and certainly not a true niche. I believe being generalists is the single biggest strategic mistake planners make in building their businesses.”

According to Harad the CFP mark is too broad to have any clear association in people’s minds. She recommends a different marketing approach, “I don’t tell people I’m a financial planner. I tell people that I help new and expectant parents eliminate their financial anxiety.” This “benefits statement” has attracted 100-plus clients to her practice that focuses on expectant parents and young families with children under the age of 5.

Her previous 14-year career in financial services marketing taught her the value of such benefit statements. This marketing background also helped Harad launch a side business in 2009, a consulting firm for financial planners called Next10Clients.com. Though still in its infancy, the firm has already trained 125 planners on how to build and market niche practices. Her advice to planners is simple—go small to grow big.

Niche Pioneers at All Stages of Development

The *Journal of Financial Planning* discovered advisers who have built niches at all stages of development in their practices, from the early to the more mature stages. Interestingly, all these advisers constructed niches around underserved demographic groups.

Rebecca Schreiber, CFP®, started her Solid Ground Financial Planning firm in Silver Spring, Maryland, as a niche firm. “I consciously pursued my niche all along.” Her niche? Young Gen-Xers and Gen-Yers employed by the federal government. Focusing on this demographic, Schreiber has grown her client base from 10 to 75 clients in the last five years.

She believes the culture of young federal employees is “highly conducive to building wealth.” As she continues, “These employees make the perfect financial planning clients because they have consistent, growing incomes and are generally patient people who love education and are used to paying for it.”

Schreiber bristles at the lack of service Gen-Xers and Gen-Yers receive from the financial planning community. “Everything in the financial services sector, even web-based retirement calculators, is targeted toward white men over 50 earning at least \$100,000 a year.”

Like Schreiber, Jonathan Lachowitz, CFP®, started a practice from scratch—in his case, a cross-border practice. In March 2006 with a business plan but no clients, he opened White Lighthouse Investment Management, primarily to serve Americans living overseas (although he has clients from several countries). He and his Dutch spouse had already settled in Lausanne, Switzerland, where he had worked for six years in corporate finance for the Swedish company Tetra Laval.

Today he holds the CFP marks in both the United States and Switzerland, serves over 50 clients, and was recently elected to the board of the Swiss Financial Planners Organization. His father, a CFP practitioner in the U.S., has been his principal mentor, but is much less cosmopolitan: “For my father, anything outside of Brooklyn (his birthplace) is cross-border planning!”

Living in Switzerland, Lachowitz learned first-hand how underserved U.S. expatriates were in the financial planning arena. Many U.S. advisers can do

more harm than good for their overseas clients if not aware of the limits of their expertise. Says Lachowitz, "In my opinion, in order to serve your overseas American clients well, it is imperative to understand the international tax regulations (including the tax treaty between the U.S. and your client's country of residence) to which your client may be subject. Furthermore, you have to be willing to spend lots of time reading and building relationships with other professionals."

Research gathered by the American Citizens Abroad advocacy group (www.aca.ch) estimates there are five to seven million Americans living overseas. The cross-border planning market is wide open, Lachowitz notes, but the complexity of the work is almost beyond comprehension. Imagine doing estate planning for an American married to an Italian living and working in France with property in the United States, Italy, and France. No unlimited marital deduction for starters.

Or consider a Swiss citizen who bought "x" shares of Microsoft for \$10,000 years ago, now valued at \$500,000, who faces a dilemma if he is considering moving to the U.S. with his American fiancée. If he sells the stock before moving, he owes no tax (no capital gains tax in Switzerland). If he sells the stock after moving, he owes tax on a gain of \$490,000.

The stakes involved in pre-immigration planning are enormous. Lachowitz suggests that planners considering this niche might thumb through IRS Publication 54: Tax Guide for U.S. Citizens and Resident Aliens Abroad for a small taste of the special tax laws for Americans living overseas.

Neiman's same sex (SS) and unmarried opposite sex (UMO) couples face many of the same tax problems as Lachowitz's expatriates (for example, no unlimited marital deduction). However, unlike Schreiber and Lachowitz, Neiman found her niche only after several years in practice. She began noticing what bad advice her SS/UMO clients were receiving, not only from financial advisers, but from financial software! For example, financial planning software assumes that couples are married. Says Neiman, "The standard tools were not accommodating the nuances of [my] clients. Once I saw the problem I said, 'That's my path.'"

Neiman began to see that without the unlimited marital deduction, SS/UMO couples' estates are taxed twice; without intestacy laws built around marriage, SS/UMO surviving partners do not inherit property if there is no will; and without the marriage certificate, non-employee SS/UMO partners are not eligible for COBRA benefits. SS/UMO couples are denied more than 1,140 different legal protections that come with a marriage license.

Niche practices are also attractive to planners who find themselves with an aging client base. Jon Yankee, CFP®, AIF, helped form Fox, Joss & Yankee LLC of Reston, Virginia, in 2006. All three principals had previously worked together as a team in another firm. They started out as generalists taking all comers, only to discover that more than 50 percent of their 200-plus clients were over the age of 60 and starting to draw down on their portfolios.

They had already hired Mark Tiberghien, at that time with Moss Adams, and Rebecca Pomeroy of Moss Adams as consultants to help them with strategic planning for their fledgling but rapidly growing firm. Today, former Moss Adams employees Dan Inveen and Eliza DePardo of the consulting firm FA Insight, act as their consultants.

With the help of FA Insight as well as a client advisory board, Yankee's firm has identified the niche of young technology business owners/entrepreneurs, in part based on the firm's geographic location in the technology corridor in Northern Virginia. Yankee affirms, "We believe this niche will be our long-term stabilizer to move us from accidental growth to targeted growth."

While the financial services industry tends to focus on baby boomers, Yankee has sub-divided his niche into two younger categories: young accumulators (ages 35–45) and not-so-young accumulators (ages 45–55). He has further narrowed his niche by applying what he calls "the rule of 250." He looks for clients with a portfolio of \$250,000 earning more than \$250,000 a year. "Finding clients in their 30s who fit this rule makes for great clients," he adds.

No matter the state of your planning practice, there is one piece of advice Neiman offers to all would-be niche practitioners: "Even niche practitioners need to be generalists to an extent. I was only able to see how my clients were discriminated against by having a general understanding of tax law." Arzaga echoes this sentiment. "I am a real estate specialist who uses the comprehensive planning process to make specific recommendations on real estate issues. I need to be enough of a generalist to understand the impact of my real estate recommendations on my client's total financial situation."

Drill Baby, Drill: Defining and Refining Your Niche

Building a successful niche practice not only entails discovering underserved demographics, but also learning to continually narrow and refine your niche. Yankee's subdivisions within his original niche provide a clue to the secret of niche practices. As Yankee's consultant Eliza DePardo argues, "In order to be effective, a niche must be very specific." DePardo smiles at the idea of firms targeting retirees. "Retirement is a life stage, not a niche market," she quips.

The average financial adviser might be shocked by how narrowly she defines niche markets. She has advised firms catering to airline pilots to narrow their focus to airline pilots close to retirement. When consulting with firms that want to build a niche around physicians, she counsels more specificity. Don't just target radiologists, target self-employed radiologists. Don't just target dermatologists, target dermatologists who are part of large medical practices.

For firms considering a niche, she advises they start with a niche and then drill down into segments within that market. DePardo carries Harad's "go small to grow big" to new levels. Alluding to Tiberghien and Pomeroy's aforementioned eight growth strategies, she finds this micro-niche approach an extremely cost-efficient choice.

For example, the expansion of services required in the "share of wallet" strategy takes a larger staff and ends up very expensive. Similarly, the "dominant local firm" strategy is labor intensive and expensive. In addition to requiring less staff and being easier to implement, niche practices make marketing more affordable. Small audiences are much cheaper to reach than large ones. The costs of broad marketing efforts can become exorbitant.

While DePardo has become an expert at refining your niche, Harad is becoming proficient at helping advisers discover what their ideal niche might look like. The trick is first to uncover the adviser's personal preferences, and then to match those preferences with the needs of a given niche market.

For advisers unsure of the first half of the equation (personal preferences), Harad has developed a method for finding your niche (see Table 1). This is the "possibility stage" of her niche consulting process. Advisers make lists of their favorite clients and their best clients (not the same demographic) as well as lists of their own skills and interests. The purpose is to cast as wide a net as possible. Once these lists are compiled and reviewed, she gives advisers one minute to write down as many niches as they can.

Table 1: Finding Your Niche (The Possibility Process)	
Strategy	Example
1. Identify your FAVORITE clients	Write down a description of these people including demographics (age, income, net worth, ethnicity, employment, etc.) and psychographics (savvy, clueless, involved, reserved, needy, etc.).
2. Identify your BEST clients	Write down a description of the clients who have brought in the most revenue for you and how they have generated revenue for you.
3. List the skills and technical knowledge base in the financial planning process where you EXCEL and where you ENJOY the work most	Are you a lawyer with an estate planning background, an equity research analyst who enjoys managing portfolios, or a whiz at helping people with budgets and cost containment?
4. Leverage your CREDENTIALS and areas where you can claim EXPERTISE	Write down all degrees and designations (CFP®, J.D., CPA, CLU, MBA, R.N.) and areas of expertise (former NFL player, massage therapist, etc.).
5. Leverage your PAST	What have you done for a living before you became a financial planner? What occupations do you already understand?
6. Leverage your LIFE STAGE	Are you a newlywed, new parent, divorcee, retiree, etc.?
7. Leverage your CULTURE, SEXUAL ORIENTATION, or RELIGION	Are you Hispanic, gay, Christian, Buddhist, etc.?
8. List your HOBBIES and INTERESTS	Sailing, travel, golf, pets, decorating? What organizations do you belong to?
9. Leverage the FINANCIAL EVENTS you have personally experienced	Inheritance, bankruptcy, paying down large credit card debt or school loans, etc.
Source: ©2010 Broderick Street Partners LLC (Kristin C. Harad, CFP®)	

From this list of possible niches, she asks advisers to pick one in order to test it in the “viability stage” of the process. (They can always pick a different niche later and resume the next process.) During this stage, Harad has advisers focus on three particular issues:

1. Market size: Is your tightly defined niche large enough to support your business?
2. Demand: Are your ideal clients actually interested in your services?
3. Competition: Is there a reasonable amount of competition that validates the demand for your services, but not so much that the field is glutted?

Harad practices what she preaches. She has a 5-year-old and a 2-year-old of her own, and helping clients with the new responsibility of caring for young children coupled with their angst around money was an obvious fit for her. The fact that her young parent niche has yet to build their nest egg does not deter her. As she says, “I manage zero assets; I do comprehensive personal financial plans and on-going money coaching. I am structured more like a coaching company than a traditional planning firm.” She fit her practice to her market, and with her consulting practice on the side, she is thriving.

Marketing to Your Niche

Once advisers narrow their possible niches down to their most viable niche, it's time to tackle the marketing “stage” of the process. Typically, DePardo notes, marketing is one of the weakest links in financial advisory firms. First, until recent years, most firms could grow without a marketing strategy. Second, most advisers do not have the skills, resources, or inclination to do marketing. Their natural bent is toward clients and technical work.

Harad agrees, “Most financial planners do not have marketing backgrounds. That's why I enjoy my consulting practice. Planners need help.” The marketing process she puts her clients through can be somewhat grueling. She begins her mini-marathon marketing process by reminding planners that “people need to be exposed to your brand seven times before they take action.”

When advisers complain to Harad, “I do market, but it has not worked well,” she asks them how many venues they use? And then she lowers the boom. Everyone in the seminar compiles a list of the 10 best, the next possible 10, and the bottom 10 ways to market to their niche. Just to get them rolling she shares a few of the ways she markets to her expectant and young parents:

- Co-lead workshops with estate planners
- Print ads in Bay Area Parent Resource Guide
- Article contributor to Southern Marin Mothers Club newsletter
- Facebook ads targeted to Bay area parents
- TV appearance on local talk shows and other shows her audience watches
- Weekly e-mail to prospects with anecdotes, information, or offers

Her examples show the wisdom of micro-niche marketing. Advertising in niche publications such as the Bay Area Parent Resource Guide is relatively inexpensive. Neiman has had the same experience. She advertises in local gay and lesbian newspapers for a fraction of what it would cost to advertise in the local daily newspaper.

Pushing the envelope a bit further, Schreiber has given up on print advertising altogether. Her undergraduate degree in broadcast media comes in handy. As she says, “I used to do print advertising, but not anymore. People are too bombarded by print media. Now I write guest posts for the *Federal Employee News Digest* and do guest spots on the Federal News Radio.”

What works best for Schreiber are e-mail lists, in particular the Presidential Management Fellowship (PMF) e-mail list that includes 6,000 alumni in the Washington, D.C., area who (1) have master's degrees in public administration and (2) have completed two-year internships with the federal government. Schreiber cannot pitch herself on this e-mail list, but her satisfied clients are free to recommend her services. Through the PMF, she also landed a contract with the Women's Bureau of the Department of Labor to do web-based financial education programs, a clear victory for micro-marketing.

These creative ideas prove that even a reluctant planner might come up with 30 different channels to market to their niche if pushed to do so. Once the planner has their list, Harad has them work on the top 10 marketing strategies. According to Harad, “A good rule of thumb is to consider 20–25 percent of gross revenues for the year as your total marketing budget, including retention efforts.”

The next step Harad teaches advisers is how to track their marketing efforts. Marketing without tracking is a waste of time and money. Says Harad, “You can only know what works when you track how it performs.” Some examples of how she suggests to track your marketing efforts include:

- Have a code that someone enters on a registration form that you correlate to a specific source.
- Ask or train your staff to ask when someone calls. This is the most important because you can say right out of the gate, “Whom can I thank for the referral?” Or don't be so formal—ask, “How did you hear about us?” The key with this method is to be sure you are recording it in your database in some manner.

- Ask as part of the intake process on a data questionnaire.
- Match back a person's name to a mailing list that you sent out.
- Track click-through on an e-mail.
- Use Google Analytics or another tool to tell you from where people come.

The final trick to marketing is persistence. According to Harad you can only know your marketing efforts are effective over time. If people need to be exposed to your brand seven times before they take action, you cannot analyze your efforts based on four weeks of a print ad. However, running an ad for four months while simultaneously getting your message out in nine other ways creates a "layered message" that will bring in results.

Conclusion

All the advisers interviewed by the Journal agreed that serving niche clients does not entail getting rid of your existing clients. Far from it. In fact, Neiman observes that her niche clients have had a positive effect on her traditional clients. She says, "As I've grown my niche of same sex and unmarried opposite sex clients, I've noticed my traditional married clients tend to be more liberal and open-minded. And these are the exact kind of clients I want to work with anyway!"

Furthermore, her niche has increased her networking with attorneys who share her values. Perhaps, a bit ironically, her niche has increased her exposure to non-niche clients and other professionals.

In closing we should note that our resolute generalist, Ross Levin, opines that it is convenient and profitable to build specialty niches inside a general practice. He has created pockets of expertise within his firm. For example, one of his planners has received the Chartered Adviser in Philanthropy (CAP) designation through the American College and specializes in helping clients with their philanthropic planning. Another planner completed the Certified Senior Adviser (CSA) designation and works with the firm's elderly clients. And another planner's background brings a family office expertise to Levin's firm.

Levin's advice on the niche strategy? He says, "It is difficult to have a successful business if you have to be an imposter to work with your clients. Don't join a country club if you are not a country club kind of guy. Ultimately you need to work with those people with whom you feel the most comfortable."

Perhaps the final word on niche marketing should go to the ancient Greek author, Aesop. He clinches the end of each of his fables with a one-sentence moral. At the end of one particular fable, he concludes: "Please all and you please none."

Jim Grote, CFP®, is a financial writer whose articles have also appeared in Bloomberg Wealth Manager, Family Business Review, Financial Advisor, MorningstarAdvisor.com, and Planned Giving Today. He can be reached at jjmgrote@hotmail.com.