Why it pays for financial advisors to up their marketing spend right now

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Putting dollars into marketing is hard to embrace for many financial advisors-turned-business owners.

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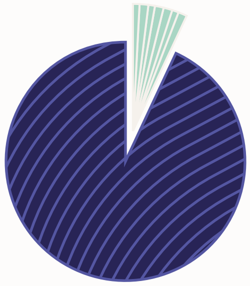
With so many outlets for sharing your voice and services at a wide array of price points, and an emphasis on being authentically "you" on social media, it can feel both accessible and personally demanding simultaneously. Trying to wear the two or three hats of owner, lead advisor, and marketing manager can overwhelm even a motivated high-achiever. Even for those who delegate the task to a professional, feeling the pressure to produce quality customer campaigns in a bull market is hard enough.



1%~7%

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The average advisory firm spends anywhere from 1% to 7% of revenue on marketing expenses, according to a wide range of industry experts. Bracing for the upcoming year, many advisors will consider pulling back on that marketing spend to secure tighter revenue stability. Still, the truth is, when done right, marketing is the most cost-effective way to grow your business. Here's how to define and allocate your marketing dollars thoughtfully heading into the new year:

First, identify growth goals

Begin with mapping your upcoming fiscal year goals, whether your focus is on adding overall AUM or increasing the number of clients served. Reflecting on past performance, service fees, overhead expenses, current client care and talent demands is vital to your success.

Now consider this – the growth you've experienced over the last five years will not be the trigger for the next five. Economic pressures aside, advisors who want to capture next generation clients are ramping up investments in both technology and marketing. With trillions of assets in play over the next decade, these firms are also doubling down on their accessibility, continuing to provide tailored advice, deepening client support in executing comprehensive financial plans, and building a relatable brand.

Deciding to invest 2% or 5% of your revenue on marketing is one way to do this, though it's probably not the best. Instead, we recommend advisors take a step back from setting a dollar amount until they've completed some groundwork. Setting aside the money question, how do you build a marketing budget?

Identify key channels

Depending on your niche, you'll need to consider who you are targeting and where you can find them. All marketing plans should be built upon the basics: who is your target audience, what do they care about, how do you offer a compelling solution, and where are they most likely to get their information? Where clients and prospective clients spend their time is where you need to be. Most consumers will be active on at least one of the leading social platforms: Facebook, LinkedIn, Twitter, Instagram, TikTok or YouTube.

Posting on social media is free. But creating excellent content could mean videos, which includes shooting and editing, transcribing, and closed captioning. You could run animated videos or create interesting images for your posts. Those might require a consultant, a gig worker, or an in-house marketing manager. Advertising on these platforms can also range in cost, but worth considering if that's a route you think makes sense for your audience. Especially if your organic follower numbers are low, paid social ads guarantee distribution of your content to exactly whom you're targeting. We recommend starting paid advertising with a single channel and closely monitoring performance before moving on to another.

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Internal and external branding

Additionally, look at all your communication and branding channels. These include your website and client communications such as emails, texts, direct mail, branded letterhead, onboarding toolkits and templates. It's essential to polish your client-facing marketing and branding elements. The first rule of marketing is to ensure your 'house' is in order before heavily targeting new clients. You always want to surprise and delight clients, and when introducing new clients to the firm, what they see inside should reflect the brand they fell in love with on social media.

Publishing a website that appeals to clients and prospects is of the utmost importance. If your website is outdated, not searchable or leaves out information that allows consumers to vet you, then you need to address and update it immediately. The website is where you want to drive all of your promotional traffic. If they like a LinkedIn post and click through to a poor website, you will probably lose this prospect. With so many options available at every price point, and the impact your site has on current and prospective clients, you can't afford to ignore this element.

Email marketing is another must-have. Your customer relationship manager (CRM) should sync with at least one or several popular email marketing platforms. Ensure your emails look and feel like your website and social marketing. If they don't, consider hiring someone to craft messages and create templates and graphics. That type of marketing support can be low-cost and yet highly effective. While you can get fancier with more tailored, dynamic messages based on client experience journeys, it does not have to be something you bite off this year. You can always revisit and optimize in the future. The great thing about email marketing and CRM databases is that most offer set-it-and-forget-it options. You can pre-set emails to be sent at specific intervals, when certain instances occur, or at different times of the year.

Who's going to do all this work?

Probably NOT you. Most advisors focus on financial planning, client relationships, and business operations. Marketing is just one more to-do every day, and to do it well requires dedicated time and resources. Plus, marketing without any measurement or insights into what is working is like throwing your money away. Marketing is a science and an art – just like financial planning.

Outsource this, not that

Your brand is you and the talented team (if you have one) that comprises your firm. What you offer is expertise, but what makes you unique is how you do it and how you connect your services with clients' goals. You cannot have a consultant decide what your unique value is. They can certainly make recommendations, but ultimately who your firm is at its core, well, that's entirely your domain. You can't outsource that.

But creating content, designing graphics, paid advertising, website development, email marketing, and analytics – can be easily outsourced. You can pay someone by the hour, retain a full agency team, or hire a single employee on a salary. A great rule of thumb may be that for every 150 clients, you add one marketing manager (or outsource one). If you speak at events or host a podcast, you might have an even lower threshold for bringing on marketing support.

Return on investment

The best approach is to determine your most pressing marketing needs and assess possible costs. A marketing salary could range from $50,000 to $250,000+ with benefits, whereas an outsourced consultant might charge $75-$150/hour or a retainer of $2,000 - $10,000+ per month. Bringing in a consultant at the start can help you navigate the goals and objectives while keeping your budget in mind.

Measuring the impact of your marketing can be complicated. There are some simplified equations for breaking down the benefit of your investments. Your Return on Investment (ROI) should include an aggregated view of all your time and monetary expenses in achieving your goals. This includes your time (your hourly rate), salary or contractor or agency fees, paid advertising fees, and any marketing technology platform fees. If your goal was to increase AUM or gain new clients, these goals are easily quantified and factored into your ROI equation.

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A recent Kitces study suggests it costs an average of $3,119 to acquire one new client (Client Acquisition Cost). However, the most important metric for advisors is Client Lifetime Value - the long-term view of acquiring, maintaining and growing revenues from this client relationship rather than immediately justifying or recouping the initial investment. Additionally, Kitces' team found that spending more on marketing up front, and relying less on owners/advisors to independently run marketing activities, can produce stronger results.

The amount you dedicate to your marketing budget should be unique to your firm. And while the U.S. Small Business Administration reports that B2C firms are spending 9.6% on marketing activities - higher than what we typically hear for RIAs - you shouldn't blindly follow the industry average because average just means you're somewhere in the middle of the pack. What your firm is hoping to accomplish will require thoughtful investments in the right marketing areas.

REMEMBER, ALL SUCCESSFUL MARKETING STARTS WITH A STRONG VISION FROM THE LEADERSHIP WITHIN YOUR FIRM.

Finalizing the budget

Remember, all successful marketing starts with a strong vision from the leadership within your firm. Nail that, and everything else is secondary. You will win clients because of your clear brand messaging, and those clients will be perfectly suited for your firm. Assessing what works could be as simple as looking at your current client roster: are they who you want to work with? Who are your best clients, and how can you attract more like them?

While great marketing does require spending money, the payoff is more capacity to serve your clients and the ability to attract only the right clients from the outset, which will soon far outweigh the costs.

Your 2023 marketing budget template

To help you keep track of your marketing spending for the year, we put together a 2023 marketing budget template that you can use. For a digital version, including the template in Microsoft Excel format, visit: https://tinyurl.com/3wn3p5sw.