

Subject: **Just What Does CFO Do?**

Dear Doctor,

Let me attempt to more fully describe we at CFO do. A caution is that while we can describe with some simplicity what we hope to achieve for a doctor-client with the **CFO Financial Treatment Plan for DoctorsSM** . . . getting there isn't quite so simple.

The **CFO Financial Treatment PlanSM** is designed to organize the doctor's business and personal cash flows such that taxes are reduced and the dollars "reduced" are allocated to savings to pay for future benefits.

Here is one way to express this phenomenon.

Personal Dollars only have *four* uses:

- A. Pay for past benefits (debt).
- B. Pay for social and government benefits (taxes).
- C. Pay for current benefits (lifestyle).
- D. Allocate surplus personal dollars to pay for future benefits (retirement savings & personal value systems).

The objectives are simple. Reduce or eliminate A & B, spend C wisely and save D in tax deferred, tax free or tax efficient accounts if possible.

Practice Dollars also have only *four* uses:

- A. Pay for the cost of doing business (overhead).
- B. Pay for social and government benefits (taxes).
- C. Pay for the salary and benefits of the owner (compensation & fringes).
- D. Allocate surplus practice dollars to pay for future benefits (pensions & retirement savings).

The objectives are simple. Maximize control and efficiency of A, minimize B, exercise judgment in C, and save D in tax deferred, tax free or tax efficient accounts if possible.

One objective is to assist the client to attain his/her retirement goals — to achieve financial success. One is financially successful when he or she can replace earned income with income from saved money without sacrificing lifestyle. At least that is our working definition of financial success.

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Clearly, it seems that the main ingredient in amassing enough cash savings to retire is your ability, *or propensity*, to save.

Professionals, no matter how successful, must realize the supply of money is finite and somewhat unpredictable. Our task, in the initial phase is to prepare a financial analysis specific to you in your circumstances, whereby we quantify and describe the limits. Sometimes we have to impress the client that money is finite and how to exercise control.

The result of the analysis is information which, in most cases, helps the client make an informed and self-interested decision in financial matters. All financial decisions have personal ramifications, and all personal decisions have financial ramifications. Our experience is that it seems that those who function well in this interface, who understand money and its uses, are more likely to have a lower stress life and an earlier and larger ability to retire. Those who are un-informed, ill-informed or who simply choose to ignore this reality will retire later and poorer.

The CFO program starts with an analysis of business and personal finances — an x-ray of the business and the wallet if you will.

The first step is for the CFO Financial AdvisorSM to meet with the potential client to:

1. Identify the issues from the clients' point of view. We need to be sure that we have the talent and experience requisite for the task.
2. See if we like the potential client. Are rapport and respect possible? If not, we won't work for the individual. (It's very difficult to do an excellent job for someone that we do not like or respect and we won't get involved when we cannot do an excellent job.)
3. See if the potential client likes us. We may rub some folk wrong. We are not the right person for every doctor, and the CFO Program is not for every doctor.

This first meeting can take as little as a half hour or as long as 2-3 hours.

If 1, 2 & 3 are positive, then we leave the Confidential Data Organizer for the client and his/her spouse to complete. (We prefer to meet with both husband and wife in this initial meeting. There is no charge for the initial meeting in case we do not get together.)

We visit the client again after they have completed the Confidential Data Organizer, usually in their home, to review all of the data. This second meeting takes from one to two or three hours. During these two meetings — both at the client's office and their home — we get an excellent picture of them as people. We get to flesh out the financial skeleton. These visits offer a great deal of non-verbal information which assist us in making recommendations which are truly specific to the client in the broadest of contexts, and not simply a sequence of manipulated numbers.

The preparation of the individualized **CFO Financial Treatment PlanSM** can take from one to four weeks (depending upon work load, amount of detail, etc.). After the report is completed, we meet with the client and spouse one more time to explain and clarify. Our report ranges from 12 to 20 pages and none of it "*boilerplate*." That is, we do not explain what stocks or bonds are, or what the difference is between whole life and universal life — that kind of silly, useless filler.

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Once the analysis report and follow-up explanation is given to the client, the course is clear.

1. Ignore the report.
2. Understand the report and attempt to implement the recommendations.
3. Retain us to implement the recommendations.

At the end of the explanation we usually know if we will be retained by the client. As we have gotten to know the client and spouse and their financial situation, we'll know what needs to be done and what it will take. We'll know their attitudes, energy and willingness to be a participant in their own success. Based on this rather intuitive process, we will then decide on a fee structure and an implementation budget for the various components.

There are a couple of things to say about our fee structure. In a sense our services are “free.” Whatever fee is determined to be fair for the engagement, you can generally more than recover several times over with various efficiencies realized during the first year alone. The second thing we can say is that we take responsibility to be profitable. If we misjudge the effort or complications involved, it's our problem.

Depending upon complexity, we determine and agree upon an appropriate consulting fee for the first two years plus, i.e. the remainder of the current year, all of the second year and until January of the third year. It takes at least a year to get things done right and it takes another year of monitoring and fine tuning to make sure that things stay right. We do this so no one feels abandoned at year's end or forced to spend more money for a just a little more effort.

There is no area of finance and financial planning/personal planning in which we do not become involved. The major areas include:

1. Investment management
2. Retirement planning — qualified pension plans and non-qualified employee benefit plans
3. Estate planning — for the here and hereafter
4. Insurance evaluation — maximum benefit for the lowest cost and cash flow
5. Business organization and management
6. Business transition — associates, partnerships and purchase/sale
7. Education planning
8. Home, auto, vacation home acquisition/financing
9. Encouragement — permission — provocation
10. Saying no

Items 9 & 10 may need some explaining.

Most of us, at some point, know what to do. What we lack, from time to time, is the courage, confidence or knowledge which moves us to action. Many times we need someone to coach or cheerlead or simply say, “good idea, go ahead.” Sometimes it takes just a bit more knowledge of how to go ahead or even challenge them (provoke to action). This part of an interpersonal

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relationship takes intimate knowledge of the client's financial circumstances and personal (intellectual, emotional and family) circumstances.

This same relationship to the client and spouse lets us know when to say no. No, that's not a good idea, not an appropriate plan or action.

Our relationship crosses many disciplines. Unlike lawyers, accountants, insurance and investment specialists (technical specialists), we get a much broader view — “the big picture.”

Now, good doctor, we do not want to sound grandiose about this niche of ours and yet it is “our calling.” It is “our ministry.” Should we need to boil down all of the verbiage, let us simply say that the purpose of CFO is to help make the client's life better qualitatively and quantitatively. Our job is to help the client get what they need and desire, not just their wants.

As one client put it, “You are dream catchers. You help people catch their dreams and make them a reality.” CFO Financial AdvisorsSM really want to make a positive difference. Our qualifications are two-fold; first are the experiential things, those items on our individual and collective vitae. The second (and perhaps more important) is our need-desire-energy-attitude to be helpers — that is, care-givers.

The next step is to meet with your CFO Financial AdvisorSM as described above to begin the data collection for your financial x-ray diagnostic — the **CFO Financial Treatment PlanSM**.

Please call your CFO Financial AdvisorSM if you have any questions. Also feel free to call me personally at 602-953-7742 if you would like to discuss any matters with me.

Warmest Regards,

CFO Solutions Inc.



J. Michael Stolp
President & CEO

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