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The Rose Company: A New Style of Financial Planning

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UNIVERSITY HONORS PROGRAM

SENIOR PROJECT - APPROVAL

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College: Business Department: Finance

Faculty Mentor: Dr. Cary Collins

PROJECT TITLE: The Rose Company: A New Style of
Financial Planning

I have reviewed this completed senior honors thesis with this student and certify that it is a project commensurate with honors level undergraduate research in this field.

Signed: M. Full Campbell, Faculty Mentor

Date: 05/07/02

Comments (Optional):

The Rose Company: A New Style of
Financial Planning

Byron Earnheart
University Honor's Project

Abstract

The Rose Company is a dream that I have had for several years now. Everyday, people need a coordinated investment, tax, and legal counsel plan put together. However, there is no company, to my knowledge, that offers all of these services under one roof. That is where The Rose Company comes onto the scene. My dream is to start a company that offers financial planning, tax work, and legal work all working together in unison for the good of the client.

At first, The Rose Company will be a leasing company owning the offices of a financial planner (myself), a CPA, and a lawyer. Each practice will be able to operate as they have before while saving some money on the overhead since it is split three ways. Each partner will be working under an informal agreement to refer clients to partners within the office. If the partners collaborate, then one bill will be sent with the sum total of the charges incurred. Eventually, The Rose Company will become a joint venture (shared equity) between these three firms.

As it stands now, this company is many years away. Attached in this project are materials that will help me when the time comes to start this venture: a paper going into more detail about the company, a presentation to the future partners, and a cost breakdown. I will need all of these in the next 10 years or so to help me on my way to accomplishing my dream.

The Rose Company: A New Style of Financial Planning

Thoreau said, "If you have built castles in the air your work need not be lost; that is where they should be. Now put foundations under them." This illustrates the reason why I have chosen financial planning as a career. Money should never be the reason why people cannot achieve their dreams. Financial planning is more than just being a insurance agent and stock broker; it is understanding the needs, wants, and fears of the client and structuring a financial plan that, not only maximizes wealth, but "puts foundations" under the clients highest dreams.

However, again, financial planning entails even more than that! It is built on trust. If the client does not trust his/her financial planner, then he/she will find one that they can trust. But it goes deeper than just the bottom line. A financial planner should know that trust is what his/her industry is built on and he/she should want to help people with their financial problems. The financial planning industry is basically financial altruism based on the client's trust in the planner's knowledge, ability, and character.

When I realized all of this, the entrepreneur in me wondered where, if anywhere else, does this trust come into play and can they be tied into financial planning. Then I realized that people have to trust their CPA and their lawyer to the same extent that they trust their financial planner. Therein was the inception of The Rose Company. Now, this company is at least 10 years down the road but people will need these planning services even 10 years from now.

The purpose of The Rose Company is to provide each client with a team of professionals whose primary motivation is to see ALL of the client's planning needs met at no additional cost. Essentially, each client will have any combination of a financial

planner, CPA, and lawyer working in sync with each other for the client. People need all of these services and all we provide them all in-house instead of referring our clients down the street to our buddy from college. That is one of our biggest selling points... the fact that we are building upon customer trust to provide superior planning services.

So, who would use this service and why? First, since this company is several years down the road, it is a fair assumption that I, as the financial planner, the CPA, and the lawyer would have built a decent sized client list in 10 years time. That is the first target market. They all need the services that The Rose Company provides and each partner has already established some degree of trust with the client. Next, we would target young families with children. This demographic is just starting to realize the need for future planning and may not have any contacts in these industries. The Rose Company can meet all their needs at once. Then, we move to high net worth individuals/families. There's an old adage in business that "it takes money to make money." While this is true, there's another reason. High net worth individuals have a huge need for our services. They are trying to protect their estates. Also, these people have families too and must plan for retirement, education, taxes, and estate planning. Finally, the last group we would target is young single professionals. This would be the hardest group to penetrate. Most of this group is fresh out of college and not really thinking about stocks and wills. However, they may need help with their taxes or need to buy some insurance. This is where The Rose Company comes in. We could offer what this group needs now, build a long lasting business with them, and provide our other services in the future.

Initially, The Rose Company will be nothing but a leasing company owning the offices of a financial planner, CPA, and a lawyer. This organization provides many advantages. First, there is flexibility. Each practice can still be run as it was before. Second, this arrangement allows for a lower overhead as each practice can move the overhead costs off of its books and share some of the costs with two other groups. Third, since I will probably approach two people that I have known through business contacts and would have referred my clients to them (and theirs to me) without some sort of referral fee, an informal agreement would arise that basically states we will refer our clients to the other partners in the office. While this seems idealistic, long-term it's the right thing to do. In the future, The Rose Company will probably become a joint venture between these three practices and this agreement simply paves the way for that.

So, what costs are associated with this venture? Attached to this paper is a cost breakdown with some prices at today's rates. However, most furniture, computer equipment, etc. are leased through a bank and financed over 24 months. After talking to a banker, I realized it was pointless to derive a cost for a company 10 years from now since the banks have no way of quoting me a leasing arrangement 10 years down the road. Some costs usually associated with running a business, such as workers compensation, salaries, etc., are not listed in the breakdown. That's because this is a cost breakdown for the leasing company. All of those costs will still stay on the books of each practice since each partner will still hire and manage any personnel needed. When the time comes for The Rose Company to form, I will simply add up the costs, divide by the square footage, add 10%, and charge each practice this price. This profit The Rose

Company makes will go into Retained Earnings to finance the time when it becomes a joint venture.

The compensation schedule is pretty easy... nothing changes. Each practice still bills the client based on their original prices. However, if the partner's collaborate with each other to provide multiple planning services, then one bill will be sent, under The Rose Company's name, which is the sum of the ordinary charges and then the payment will be divided as such. The reason for one bill being sent is to build up recognition for and trust in The Rose Company name. Each partner will still get the same amount of compensation.

I have already mentioned my future plan for The Rose Company is to become a joint venture between the three partners. However, I want to see if this style of planning is feasible. Under this "leasing company" structure, there is no initial additional risk. If the collaboration idea does not work out, then at least we all will have saved on the overhead. However, since people will always need these types of services, I fully expect to see this style of business to be profitable for us and valuable to the client. As far as expansion, I would expand The Rose Company as far, as is necessary and financially viable.

This company is my dream. If I'm fortunate enough to start this, everything attached will be used to help me implement these ideas into something tangible to convince the other partners to join and clients to come through our doors. I have learned an incalculable amount through doing this project. It is has provided me the arena to think in more detail about this company and things that I will need to do in order to put foundations under my dream.

The Rose Company

**"If you have built castles in the air
your work need not be lost; that is
where they should be. Now put
foundations under them."**

—Henry David Thoreau

Vision and Purpose

- **True One-Step Planning**
— Investments, Insurance, Tax Work, and Legal Counsel
- **Customer Trust—The Foundation of All Types of Financial Planning**
- **Provide Each Customer With a Team of Professionals Whose Primary Motivation is to See ALL of the Customer's Financial Needs Met at No Additional Cost.**

Potential Clients

- **Current Client List**
- **Young Families with Children**
- **High Net Worth Individuals**
- **Young Single Professionals**

Marketing—Why Come to The Rose Company?

- **TRUE One-Stop Planning**
 - Who else can do this for you?
- **Keep Planning Services In-House to Build Upon Customer Trust**
 - Why go down the street?
 - We can do that here!
- **Cross-Selling**
 - Our current clients need the other partners' services too
- **Contacts and References**
 - Quality customer service WILL bring quality customers

Organizational Structure

- **Leasing Company**
 - Own the building and pay rent + 10% premium
- **Flexibility**
 - You still run your practice your way
 - Informal Agreement to refer your clients to your partners in the office
 - This is what we have been doing anyway!

Cost Structure

- **Leasing Company**
 - All costs related to office are split
 - Best will be leased
- **All normal operating costs normally incurred will be on individual practice's books**
- **Basic office equipment needed, most will be leased through bank**

Compensation

- **Nothing Changes**
 - Still bill your regular clients as always
 - If collaborate with partners, then one bill is sent which is the sum of normal prices
 - Bill is divided based on practices' prices
- **Provides Name Recognition for future**

So, what's the point?

- **VALUE TO THE CLIENT**
 - Client knows you have his/her best interest in mind
 - Coordinating decisions in client's interest with no loss of compensation

- Keep the client in-house instead of down the street

Outlook for the Future

- People Will Always Need Planning Services**
- Hopefully, The Rose Company Will Grow to become a Joint Venture Between the Three Practices**
- Expand as Far as is Necessary to Provide Superior Planning to our Clients**

**Questions and, hopefully,
answers.**

The Rose Co. Estimated Cost Breakdown

3 offices 225 ft² 3.15x15
 Reception Area 200 ft²
 Conference Room 150 ft²
 575 ft² at \$20 per square foot with utility, maintenance, etc. included.

Lease \$11,500 Today's Prices

Computers* \$599 per desktop
 6 units

Cost \$3,594 Today's Prices

Network min. \$5.00 hrs/mnth
 \$65 per hour
 Est. 7 hrs/mnth
 Dial-Up \$25 per mnth
Cost \$5,760 \$10.02 /sq ft Today's Prices

Phone* 2 phone lines and a fax line per office
 Network \$10,000
 Lines \$50 9 lines
Cost \$10,450 \$18.17 /sq ft Today's Prices

Furniture*

Insurance **Liability \$1,100**

**For small companies, these are usually leased by a bank if there is a good working relationship between the business and the banker. Since, this company is, at the very least, 10 years down the road, no banker could give me any working numbers for this project. However, when it is time for this company's birth, I would find out the costs, go to the bank and get a lease, add up all the costs, divide by the square footage for the total cost, and charge a 10% premium. For example, if it were \$40 per sq. ft per year, then the total cost to the partners' practices would be \$44.*