Guide to Selling
Managed Futures

The broker's guide to marketing futures
Managed Accounts and Funds.

Dear securities brokers, futures brokers, introducing brokers, commodity trading advisors, commodity pool operators and futures marketers:

These sales ideas are meant for you. They are specifically about your business. Part of our business is helping yours grow. How to Sell Futures offers practical and proven ways for you to find, open and retain futures accounts including managed accounts and funds. Your success is the key to our success, and these marketing guidelines are simply our way of saying, "thank you for your support."

The Author

John Walsh has been conducting marketing research among futures prospects, clients, ex-clients, and brokers since 1976. He presents the findings of his research in How to Sell Futures workshops to new and experienced brokers, teaching them how to find, open and retain accounts. He has been hired to conduct these workshops for such firms as Merrill Lynch, Morgan Stanley Dean Witter, and ADM Investor Services. John has written several books and articles about futures including: Master Brokers: Interviews with Top Futures Brokers, Basic Training for Futures Traders, Why Most Futures Traders Lose Money, How to Sell Futures Funds and Raise Managed Money and Ethics Training Manual for Futures Professionals.

Introduction

Yours is a challenging, demanding, interesting, exciting profession. Done right, it can also be very profitable.

This guide is a compendium of the most important material found in my home study courses: How to Sell Futures and How to Raise managed Money, my books, How to Sell Futures Funds and Master Brokers, and more than twenty hours of video and audio tapes about selling futures.

The purpose of this material is to teach you how to do your job most effectively. How do we know what we teach is right? Because this material is based on more than twenty years' and more than one million dollars of research with more than 30,000 prospects who have told me precisely what they want from a broker.

They explain why they open accounts, why they don't, what they want from you, what gets them interested and what turns them off. They discuss why they opened accounts where they did, why they switched firms (surprisingly, loss of money was not the number one reason). The reason? Poor service by their broker. This course teaches you hundreds of tips, rules, and guidelines to increase your business through more, larger, and longer lasting accounts.

Knowing what to say to prospects, addressing unspoken fears, bringing up important questions prospects may be too hesitant to ask, pushing their unmentioned "hot buttons"--all can increase dramatically the number of prospects you convert into accounts.

Selling futures is not always easy. As you probably know, done right it is physically, mentally, and emotionally demanding, but it also can be extremely rewarding. Unfortunately, many brokers do not do their jobs right. The industry seems to attract some people who think they can make it with a quick mind, glib tongue, and not very much hard work. Nothing could be further from the truth. If you think you can succeed in this business primarily on your wits rather than with hard work, try this little test:

Contact several brokers in your area and make appointments to see two or three who have been doing client business for at least five years, preferably longer. When you talk with them, judge for yourself their approach to this demanding business. Ask them about their work habits (10-12 hour days are not uncommon), about how they sell their prospects on the idea of investing in futures (none tout "quick riches"), and what they feel it takes to be a successful, long-term, professional broker.

We've conducted hundreds of hours of interviews with successful brokers, studied them at work, listened to them prospecting on the phone, watched them conducting seminars, giving workshops, teaching adult education classes, opening and servicing accounts, and training other brokers. These findings have also been condensed into this material. It contains their advice to new brokers who are starting out, as well as advice and words of encouragement to more experienced brokers who simply want to get back on track or do better.

If you have any questions, please write to me at Walsh Agency, Inc., Box 37, Hastings, MI 49058

Best regards,

John Walsh

Contents

I. What Prospects Want from You

This section lays the foundation for this guide. Because everything builds from what your prospects have told us they want from you, it is important to get a clear picture of the research findings.

A prospect is **not** likely to say to you, "Dear broker these are my concerns, these are the areas you must address before I consider opening an account with you." Most prospects couldn't articulate these requirements even if they wanted to, but years of skilled, non-threatening probing by professional researchers have identified the concerns, the barriers to the sale to which you must be sensitive. When your prospects have concerns, you must deal with them and put them to rest before prospects will become clients.

Let's begin with the largest category of prospects in the futures business: investors who have never traded futures or invested in futures funds. What these people want first and foremost from you is HONESTY. Yes, honesty. People instinctively seem to know if you're not telling the truth. If you shade the truth, even a little, prospects say they can tell--even if they know very little about futures. When we asked people who were prospected yet did not open an account, "why not?" the answers were almost always the same, in one form or another:

"We didn’t trust the broker."

"What he was promising didn’t sound plausible."

"She told me all the good and none of the bad. I know there is some bad stuff about futures."

If you want to succeed for the long-term, it's vital that you incorporate this finding of the importance of HONESTY into all your prospecting. The prospects surveyed consisted of referrals; people who had answered ads or direct mail; seminar attendees; exchange leads; people who bought books, trading advice, newsletters, and other literature--virtually all types of legitimate prospects.

Here are a few more answers from prospects as to why they didn't open. They are representative of thousands of responses.

"Just once I'd like to hear a broker say: “if I really knew what was going to happen to prices, I wouldn't be a broker.'"

"What did he think I was, some kind of an imbecile or something? There's no such thing as an 'almost sure thing' in futures or any investment for that matter."

"After all the warnings you read about dishonest, high pressure phone salesmen--I said 'no.'"

"Is a truly honest professional going to try to high pressure someone into sending in $10,000 or $25,000 or $50,000 right away?"

"The number one reason I didn't open an account? I didn't think I could trust him with my money."

"I asked him if his clients were making money, and he said, 'Sure,' but he didn't sound so sure."

"It sounded too good to be true."

"She seemed too anxious, too much in a hurry, too willing to please."

"I don't buy from people I don't know."

You must overcome these barriers if you are going to sell futures, funds, or raise managed money. You must establish trust. You must get your prospects to believe you. Of course, to get someone to believe you, you must tell the truth--even when it hurts, or better yet, especially when it hurts.

There are ways to establish trust quickly, directly, and honestly. The best way to demonstrate this is to cite a few examples of comments from prospects who did become clients. The researchers asked hundreds of prospects the question, "When you opened your account, what did the broker say that convinced you he or she was someone you could trust--someone you could believe?" Note: Some of these answers are rather long because, in most cases, this information came from surveys where the respondents were permitted open-ended answers with no time or space limit--as long as they were answering the question.

"I opened my account (with a major wire house) the day after a seminar. I'd talked with the account man three or four times before on the phone; he didn't pressure me. The thing that impressed me, as I look back, was that he said on the first or second call that money invested in futures should be risk capital because I conceivably could lose it all. Of course, I knew that; I'd heard stories of people losing their shirts, even their houses in futures. He said his company had minimum financial requirements for clients. I had to have a certain net worth and have money to invest that I wasn't saving as a college fund or for an emergency. Anyway, at the seminar, he explained how and why most futures traders lose money. If you were smart, patient, and not greedy, there was a chance to make solid profits because of leverage. I guess you could say, when he said that most people lost, which I already knew, I felt I could trust him. I opened an account for $20,000 and lost it all; all but $3,000, that is. That's o.k., though, I feel I had a fair shot, and that's what counts. I'm going back in with the same company and the same broker, but no more stock indexes for me."

"What made me open an account with my broker? Well, I trusted her felt no pressure".

After a couple of phone conversations, she offered to come over to my office and make a short presentation. She came over and showed me a chart, a pyramid-shaped sort of allocation of investment funds. Across the bottom were listed fundamental investments: home, some insurance, I can't remember what else. On the next layer, there was a college fund and a rainy day fund, I think. Now the layers weren't as wide as you moved up the pyramid, meaning a smaller percentage of your net worth should go into each higher layer. The very top layer, a small triangle, was for speculative investments like futures; it was five per cent. She came right out and asked how much was five per cent of my net worth, which I told her was about $80,000. Then she went over the account papers, and left them with me. She invited me over for an office tour, and to meet the manager, which I did. I sent her a check for $25,000 the next day, but she still had to fill out her company's form about my financial suitability. I really liked that. Then she convinced me to put the whole thing into one of their managed accounts. I've had it for almost two years, and it's doing about as well as a CD. I've also moved some of my stock business there. Their stock department is giving me a better return than their futures department."

"Why did I open an account with (a major wire house)? Because when I asked how much I could lose if I opened an account with $10,000, he came right back and said 'all of it and maybe more.'"

"I opened my futures account with $20,000, and I picked the broker I did because a good friend had an account there and said he was honest."

"The broker said he was looking for returns of 20 to 30 per cent a year, not 50 to 100 per cent like all the others were promising."

"I'm in sales--a sales manager as a matter of fact. Their financial consultant let me talk, was not too anxious to prove to me how smart he was, he wasn't in a big hurry to make his point, but most of all, he believed in himself, in his product, and his company, and it showed!"

"I opened where I did because they wore me down. I received several phone calls and material, research reports mostly, in the mail. Then I went to one of their seminars and met some of their people. They seemed smart and fairly honest. I liked the manager, he made me feel secure doing business with his company, which I didn't know anything about."

These answers are typical of the majority of the answers to the question, "Why did you open where you did?" As you've just read, one common, dominant theme runs through these answers: **honesty, integrity, trust, believability.**

You may want to try a little test research yourself. Ask ten of your clients why they opened their accounts with you and your firm. Then take a list of twenty or thirty old leads who haven't opened, survey them and find out why they didn't. The respondents must be able to answer anonymously (mail or phone survey), and your company should not be identified. Statistically, the odds are overwhelming that the reason an account wasn't opened was because **trust and believability** were not established.

In summary, this is the most important finding of the research: if you are scrupulously honest as a broker, you will be giving your prospects **exactly** what they want, what they've asked for and, as your clients, what they deserve. You vastly improve your chances of opening more, larger accounts.

There are two other major advantages to this "squeaky clean" approach to prospecting and client service.

1. You maintain your self-esteem when you tell the truth. Prospects can tell if you're not being completely up front. This honest approach is what your compliance department wants, and it is the best and fastest way for you to demonstrate your integrity to your prospects.
2. Many of you work for companies that also sell securities. Everything you do in the futures area reflects either positively or negatively on the rest of your company's business.

There you have it; the number one attribute prospects want from you is honesty. The number one reason prospects become clients, is honesty. The number one reason prospects don't become clients is lack of honesty.

There are several other things your prospects want from you. Here's a list of the important ones (in descending order of importance) for you to remember about selling futures, funds, or raising managed money. . . or any of your selling opportunities:

1. Honesty (already mentioned)
2. Financial soundness
3. Knowledgeable broker
4. Opportunity for profit
5. Local branch office
6. Sales literature

Let's examine these important criteria one by one:

Honesty

This is the most important factor when selling futures, funds, and raising managed money. Perseverance is also critical. On average it takes just over fifteen contacts to open an account. Most brokers give up after two or three contacts.

Financial Soundness

Prospects invest money in futures to make money. They want to make sure the company with whom they are doing business is financially solid. This is a genuine fear uncovered in personal interviews and focus groups. Here are some of the comments concerning financial soundness:

- "I only deal with well-known, blue chip brokerage houses."
- "Futures are shaky enough. I want to make sure I'll get any money I have coming to me."
- "You read about futures crooks. How about that guy in California who ran away with all those millions from his clients?"

While it is not likely a prospect is going to cross-examine you about the financial soundness of your company, it is imperative you address it as part of your normal sales presentation. You must be specific; you can't simply say, "We're financially sound." You must emphasize and enumerate every strength you have in this area, such as:

1. How long you’ve been in business
2. Your company’s capitalization (if impressive)
3. Your company's annual gross
4. Your company's net worth
5. Give your prospects a copy of your company’s financial statement and/or annual report if appropriate.
6. If your firm is a clearing member, spend time explaining this advantage. Show how the financial integrity and responsibility of every clearing member is backed by every other clearing member. If necessary, tell your prospect how no client of a clearing member has ever lost even one penny that was due him or her--for any reason. Explain the additional financial requirements for a clearing member. Explain how the clearinghouse works. Tell your prospect how every trade is matched with every other trade at the close of business everyday. Explain how all member firms must come up with any money they owe before the start of trading the next day. Explain the segregated funds rules. Do all this, not defensively, but professionally, just as you would any other aspect of prospecting. The National Futures Association (NFA) has an excellent brochure on this topic, *The Story Behind the Financial Integrity of the U.S. Futures Markets*. For a free copy call the NFA at (800) 621-3570 or (800) 572-9400 in Illinois.

Remember, your prospects probably won't tell you financial soundness is important to them, but if you don't address it, you let a major barrier to the sale remain. Financial soundness is **very** important to 70 per cent of prospects, and important to another 19 per cent. Here are some additional quotes from prospects which demonstrate this:

"Some brokerage houses and futures outfits have gone under, or had to merge or be acquired to survive. I wonder what happened. Did their clients get all the money they had coming?"

"Of course, I'd never give any money to any company unless I felt they were absolutely trustworthy, and that my money would be absolutely safe."

"I’d feel sick if I made money only to find out my broker, or his company rather, went under and I couldn’t collect."

"They not only have to **be** financially strong, they have to **look** financially strong. Appearances are important."

"If I saw they weren't in good shape on their balance sheet, I'd never consider them, no matter what."

Financial soundness then, is the second most important thing to stress to your prospects. It's not necessary to give them your full financial capability story during your first phone call, personal visit, or seminar, but do make the necessary points as your relationship and the sales process unfold. It's vital. If you're a substantial firm, it's also possible to plant seeds of doubt in your prospects' minds about some of the fringe operators in this business who aren't financially sound. We are not suggesting that you knock your competition. When you tear down someone else, you're only diminishing yourself. Our industry has enough critics without internal critics. The next "buying criterion" of your prospects is:

Knowledgeable Broker

This refers to how well you know transactional futures, the fund(s) or CTA(s) you are marketing. This may seem basic, but our surveys indicate many prospects feel the broker simply isn't knowledgeable enough. Learn all you can about the products you are selling. Study the literature. Learn what's going on in the industry. Become familiar with the more well-known funds and managed programs. Study their performance. Many prospects shop. You need to know about your competition. Study the prospectuses, study the Disclosure Documents. Many of your prospects do. Even if you know your fund offerings and CTA(s) quite well, it's equally important that you be able to convey this knowledge to your prospects. You must be in control. You must **appear** competent. You must **be** competent. One of the precepts of courses on salesmanship is: knowledge leads to confidence; confidence leads to enthusiasm; enthusiasm leads to sales. Here are some relevant quotes about knowledgeability:

"I really was pretty sure I was going to open an account. I was going over the prospectus and account papers and had a couple of questions. I called the broker and asked him about something in the risk statement. He didn't seem all that familiar with it, but worse, tried to fake it, as if he knew it. He said, 'Oh, they keep changing these things,' or something like that. Anyway, it was a turn-off. Not being familiar with the material was bad enough, but then trying to pretend he was, well that finished him as far as I was concerned. I didn't buy."

"I went to a seminar they gave; it was a' disaster. They just didn't seem to know what they were talking about, they kept making mistakes, I couldn't read the slides (there was too much light in the room and the printing was too small). I left at the coffee break. When they called me a couple days later, I didn't tell them what I thought of their so-called seminar, but I asked them to take me off their prospect list, which they did."

"I sent away for a book about the basics of futures trading, and most of the telephone jockeys who got my name from the book company didn't even know the basics that were covered in the book. You'd think if a salesman knew I was learning about futures from a certain book, he'd at least read the book, too. It wasn't that big, it was a paperback, *Getting Started in Commodities*, I think."

"I opened an account with (large well-known company). I made a reservation, but then couldn't go to one of their seminars. Then an account executive called me, and asked if he could come over and make a thirty-minute presentation about futures. I said 'okay.' He came over in a dark business suit, quiet tie, shined shoes, with clean nails and well-trimmed hair, and made a very professional desk-top presentation. I put $25,000 in a fund with him two days later, and have given him two more referrals who also opened accounts. We're all a little behind now, but that's all right; he treats us very professionally, gives us written reports every month. I thought he'd been in the business at least, oh, five years. He seemed confident. He's about thirty. I found out later he'd been in the business one month when I met him. I was his first account. He has more than twenty now. He's very disciplined. He's certainly not your typical broker. He's great."

Note: as a broker, you are a salesperson. Learn how to sell, if you don't know already. Learn how to phrase questions and answer objections. Also, listen to your prospects. They will give you clues about how to sell them. If you haven't taken any courses, read any books, or listened to any tapes about selling, you should. As a good salesperson, know your product. **You** must know and believe in your product before you can expect **your prospect** to know and believe in your product. Sell yourself on your product before you try to sell anyone else on it. There's an old saying in selling that applies here. It is: "No one ever sold anyone anything unless he (she) sold himself or herself on it first."

Opportunity for Profit

As you know, you can not always deliver profit; therefore, you should not even attempt to sell that which you cannot deliver. If you try and fail, it will reduce your self-confidence and self-esteem, which are critical to your success as a broker; therefore, remember you are not selling profit. You are selling an **opportunity for profit**. This is *not* a word game. There is a world of difference between "profit" and "opportunity for profit." You must make this clear to your prospects. They must know, going in, that they are buying an *opportunity for profit*, not profit. You cannot stress this point enough. Emphasize it, and it will add to your credibility. Brokers who promise profits are asking for sleepless nights, nervous tics, upset stomachs, ulcers, possibly uncollectible deficits, and even lawsuits.

Local Branch Office

This is one of the most important benefits many brokers have to offer a prospect, yet it does not seem to be stressed very much. After analyzing thousands of accounts and comparing them with the prospect lists that led to those accounts, an irrefutable fact surfaces: **the farther prospects have to send money, the less likely they are to send it.** This isn't too surprising when you consider that prospects want financial soundness. When there's a local office, the prospect can visit it, and (assuming it's presentable) will feel more secure about the company's financial soundness. When evaluating the importance of a local office, try this test: write down the number of prospects who have **never** visited your office. What percentage became clients? Now, write down the number of prospects who **have** visited your office. What percentage became clients? Clients who first visited a branch office said it gave them a more secure feeling. When you get prospects into your office, show them the quote machines, explain how you get comments from research every morning via your squawk box (if you have one), let them see the newswire machines, show them your reference books, chart service publications, and research reports. Introduce them to other brokers in your office, support personnel, and your branch manager. Although this may seem rather basic, don't overlook its importance. It adds to the overall image of strength and depth you are creating and conveying. Appearing successful is very important. The specific hardware in your office is not important. If you don't have a morning broadcast from research or a news wire, it's not critical. What is important is to show your prospects something about how you do your business, and the tools and people you have to help you. Many brokers don't want prospects to come to their offices. They're worried about prospects (and clients) hanging around for hours everyday pestering them for quotes, coffee, using the phone, etc. This surely is a possible inconvenience, but if you eliminate the branch office visit, you eliminate a significant sales tool.

Another reason to encourage your prospects to visit your office is to separate yourself from the high pressure, boiler room operations. These fringe operators do not invite prospects to their offices. Also, if you are on the phone with a prospect who lives far away and can't readily visit, it's a good idea to say to that person, "If you're ever in the (your city) area, we'd like you to come by and tour our offices and meet some of our people, including (name), our Branch Manager."

Sales Literature

Prospects want to feel they are doing business with a substantial company. The less well-known you are, the more important it is for you to have solid sales literature. **Note: We are referring to generic literature about your company. As you probably know, there are strict rules about promotional material during the offering period of a fund. Check with your manager or compliance department.**

If you are with a large, well-known wire house, a glossy, thick brochure about your company is not necessary; a small, simple brochure is sufficient. If you have a low name-awareness in the marketplace, such as a small Introducing Broker (IB) then you really need sales literature that projects the strongest possible image of honesty, integrity, financial soundness, and knowledgeability. You must include specifics in your copy such as how long you have been in business, the experience of your people, who you clear through, and a financial statement (or at the very least some numbers that demonstrate financial stability). It's a good idea to have your sales literature contain pictures of your people, your facilities, offices, hardware, and a picture or two of some of your clearing firm's floor brokers, if appropriate. You must convey an image of substance. When you do, you will find your prospects will be much more likely to listen to you.

Here are some comments from a focus group of prospects and traders seated around a conference table looking through and discussing several pieces of sales literature about various large securities firms, FCMs, IBs, CTAs, CPOs, Funds, and Managed Accounts.

1. (Thumbing through a brochure of a well-known wire house.) "I know (name of wire house). My dad had an account with them. I don't need a fancy brochure to convince me to do business with them. On the other hand, years ago I bought some options from some company in California who sent me a brochure with color pictures of gold and silver. It looked very impressive, and the salesman was very good. He said he used to work for (name of large securities firm) futures department, but he joined this company because futures was their only business. He said this gave them a much better chance than a diversified company to be correct in the market. Well, I bet and lost every penny of my $10,000. What I didn't realize until after I opened my account was that I had paid a very large commission or premium, and that I had almost no chance of making any money on those options."
2. "Look at this stuff. It's copies of articles from the newspaper. That's what some guy sent me when I asked him to send me some information about his company."
3. "When I asked for some literature, they sent me several brochures from commodity exchanges. That's not what I asked for. I guess they didn't have any of their own. Maybe they are not big enough."
4. "It's funny, the big companies have big nice brochures, and the little guys you never heard of have nothing or very cheap looking material."
5. "A well done piece of sales literature is very important to me. I'm suspicious by nature; I read every word. Believe me, what they say is very important. I look for content; all the fluff is not important. I want the material to really say something, rather than try to fool me with general flowery talk that doesn't really say anything."

6. "I've been prospected by many different brokers. I send in for a lot of literature from the ads that run in *The Wall Street Journal* and *Barron's*. These advertisers must sell my name to a lot of places because I get mail and calls from a lot of brokers. Anyway, I'm in sales, and the trouble with these brochures is the same thing that is the trouble with most of these salesmen--they all sound pretty much alike. If you're going to be in sales, you must set yourself apart from the crowd. You must do or say things so they'll remember you."
7. "Frankly, sales literature means nothing to me. I'd never do any financial business with someone I never heard of or didn't have confidence in. If I never heard of them or didn't have confidence in them, I'd never do business with them, no matter how good their brochure was."
8. "A good brochure or sales presentation is where it all starts. It's your first visual impression, if you don't know the company. First impressions are important. I opened an account with a company I had never heard of before. The broker sent me two small brochures; one was about him, the other was about his company. They were both very low key, but very professional. I bet they were printed by one of those quick print places, but they were very well done. Another thing, he didn't send me a whole bunch of literature like everyone else. I sometimes think a broker thinks if he sends you a lot of material one or two things might hit you. I call this the shot gun approach, which I don't like. It seems too impersonal."
9. "Well, I can just imagine how much money was spent on all these booklets. Looking back to when I opened my first account, and then when I switched brokerage companies, I don't think their literature had anything to do with it--I mean how fancy it was. I think most people are too smart to be fooled by glossy brochures."

One final note about what prospects want: current futures traders and ex-traders look for a specific attribute in a CTA. A major reason most traders and ex-traders have lost money trading futures is because they lost a large portion of their capital by risking too much money on a given position and staying with a losing position too long.

Therefore, the specific attribute they seek in a CTA's fund or individually managed account is:

UNWAVERING ADHERENCE TO CLEARLY STATED MONEY AND RISK MANAGEMENT CONTROLS.

II. Answers to the Twenty Questions Managed Futures Prospects Ask Most

"First, you're entitled to know who came up with these questions and answers and why you should believe them.

The questions came from two sources.

1. Some of the most prestigious research companies in America: Burke Associates, Erdos and Morgan, Market Facts and Trendex asked more than 30,000 prospects what they wanted to know about managed futures--including futures funds. These surveys were conducted using four standard research methods: personal interviews, focus groups, direct mail, and telephone.
2. More than 2,000 brokers were also surveyed via personal interviews, mail, and telephone. These brokers were asked what their clients and prospects wanted to know about managed futures.

The questions pertaining to managed futures including futures funds which occurred most often from these two groups are addressed here.

Now let's talk about the answers to these questions. The answers contain no opinions. In every case where specifics are given, the precise source of the information is given in the endnotes.

Everything is documented because unless you believe in managed futures such as funds, you're not going to invest in them.

1. **"What is a futures fund?"**

   "A futures fund is an investment product (limited partnership) in which many investors (limited partners) pool their money to trade futures products in hopes of making a profit. The investment decisions are made by one or more professional futures traders called Commodity Trading Advisors (CTAs)."

1. **"If a Commodity Trading Advisor is so good, why does he or she need my money? Why doesn't he (she) just trade his (her) own account and become a millionaire?" (It may sound simplistic but this question occurred very often.)**

   "Some Commodity Trading Advisors have done just that. They made so much money trading that they stopped doing business with the public, yet continued to trade for themselves. Also, some CTAs have gone broke trading their own money.

   "Some top CTAs in this country have become millionaires because of their trading skills, yet continue to manage futures funds. Who knows why? Ego? Greed? Challenge?"

1. **"How do I find one of these good traders?**

   "Many brokerage firms screen hundreds of CTAs for performance, drawdowns, longevity and several other criteria. Your broker can provide you with this information. Some brokerage firms also employ CTAs and offer their own managed accounts and funds."

1. **"Don't most futures traders lose money?"**

   "Yes, most futures traders who trade their own accounts lose money."[1]

1. **"How fast can I withdraw my money?"**

   "Different funds have different rules. For example, many funds permit withdrawals during a monthly or quarterly 'window' after a three month waiting period from the time you deposit your money. Earlier withdrawals may be subject to a small penalty. However, a futures fund should be a longer term investment--from two to five years.

   With most individually managed accounts you can withdraw any available capital in your account within one business day--as long as it's not needed for margin."

1. **"Where does my money actually go, with the fund trading advisor?"**

   "Your money goes to, and is deposited with the brokerage firm that clears the trades made by the CTA. Commodity Trading Advisors do not handle funds but, of course, they do make the trading decisions."

1. **"Who watches the Commodity Trading Advisors? Are they regulated?"**

   "With few exceptions (i.e., CTAs trading for fifteen or fewer investors) Commodity Trading Advisors must be registered with the Commodity Futures Trading Commission (CFTC) and be members of the National Futures Association (NFA). As registrants of the CFTC and as members of the NFA, CTAs must follow strict written rules.

   "For example, a CTA must prepare a Disclosure Document required by the CFTC and the NFA before he/she is permitted to accept business for that fund. This Document must be given to prospective clients. Its purpose is to help you evaluate the CTA(s) and the offering.

   "The Disclosure Document details performance records, and must adhere to strict guidelines concerning calculation and presentation of track records, as well as literally hundreds of statistics and other information. It's not unusual for a Disclosure Document and offering to contain more than one hundred pages. The National Futures Association publishes a lengthy, demanding Compliance Guide for Commodity Trading Advisors which lists the regulations that CTAs who are trading public funds must follow. You might find it interesting reading. For a free copy, contact the NFA."[2]

1. **"How do I know when to put my money in? It would be just my luck to go with a manager who is on a hot streak and have him or her turn cold the day I got in. It has happened to me with other investments."**

   "To be sure, you don't know if they'll start making (or losing) money right after you invest. That's why many fund managers and brokers suggest you approach a managed futures investment with a medium- to long-term outlook: at least two to five years. When you review most CTAs ' track records, you should consider the performance over several years. Also, you may not have too much choice as to when you should invest in a fund, because when many funds are 'offered' to the public, after the selling period is over and/or all the units are purchased, the funds are closed to additional investment."

1. **"Can I really 'hit it big' in managed future such as a fund?"**

   "It depends on what you mean by 'hit it big.' If you mean, 'is it likely you can turn $25,000 into $100,000 in a year or two, the answer is 'no.' If you mean, 'can you realize annual profits of 20% or more,' the answer is 'possibly yes.' However, there are no guarantees! There is risk of loss trading futures."

1. **"How about commissions, fees, etc. ? How much does it actually cost me to be in a futures fund?"**

   "If you are currently trading futures and examine your monthly statements, you'll probably find that commissions and fees cost you from thirty percent to forty percent per year.

   "Futures funds typically charge about ten percent or less in commissions and fees, according to industry reports. Incentive fees, such as a percentage of profits, can increase this percentage depending on the fund and performance."[3]

1. **"Why should I invest in a futures fund?"**

   "Futures can be a solid investment vehicle. The government has ruled that IRA money may be invested in futures. Several billion dollars in pension funds are invested in futures[4] and more than thirty billion dollars are invested in managed futures including funds, altogether. Managed futures are one of the most liquid, best performing investments in the financial market place. They also are the least correlated--which means they don't necessarily perform the same in bad times (or good times) as other investment vehicles, such as stocks and bonds. For example, when the stock market nose-dived in October, 1987, public futures funds were up 12 percent that quarter, and were up 40 percent for the year! However, there are no guarantees as stated in answer 9. As with other investments, an investor could lose all the money he or she invested in a public futures fund."[5]

1. **"I read about hypothetical results and that I should be wary of them and only trust actual trading results. Is this true ?"**

   "Yes, hypothetical, or simulated trading results cannot be compared to actual results. For example, unless a CTA is actually in the market, he or she can't be positive of the exact price at which orders will be filled. One of the biggest reasons hypothetical trading should never be compared to actual trading is because, with actual trading, there is the pressure of the markets. It's much more difficult to decide when to establish a position, to stand aside, to liquidate when the markets are roaring with you or against you, when real money is at stake.

   "The well known saying that applies to sports and business also applies to trading futures: 'You can't practice pressure'."

1. **"How do I keep track of how my investment is doing?"**

   "You'll receive monthly statements."

1. **"What is the minimum investment?"**

   "Ask your broker; different managed futures programs and funds have different minimums.

"Note: Futures funds give you access to CTAs whose individual minimums are often as much as one million dollars."

1. **"I constantly get calls from commodity salespeople trying to sell me futures, options, managed accounts, all kinds of things--making all kinds of promises. How can you tell who's legitimate?"**

   "Here are nine tips from the National Futures Association indicating that the callers may not be legitimate:

   - High pressure sales tactics.
   - Insistence on an immediate decision.
   - The offer sounds too good to be true.
   - A request for your credit card number for any purpose other than to make a purchase.
   - An offer to send someone to your home or office to pick up the money to get your funds more quickly.
   - A statement that something is 'free,' followed by a requirement that you pay for something.
   - An investment that's 'without risk.'
   - Unwillingness to provide written information or references (such as a bank in your area) that you can contact.
   - A suggestion that you should make a purchase or investment on the basis of “trust."[6]

1. **"Where can I get a current list of public funds to see how they're doing?"**

   "Managed Account Reports and Barclay are widely used sources for this information.[7]"

1. **"How much should I invest?"**

   "Many managed futures professionals suggest this formula: You should not invest more than 10 percent of your liquid net worth in futures."

1. **"Who invests in managed futures?"**

   "Individual investors, investor pools, pension funds, insurance companies, banks, small corporations, and multi-billion dollar corporations. The Managed Futures Industry estimates more than one million investors have over thirty-five billion dollars invested in managed futures including funds."

1. **"The sellers of managed futures say that futures help me diversify. How?"**

   "More pension funds and other institutional investors are putting money into futures markets for a surprising reason: they want to reduce risk in their investment portfolios.

   "The trick to lowering risk, modem portfolio theorists say, is diversification. That means adding types of investments whose values don't necessarily move in lock-step with assets already in a portfolio. Futures fit this description nicely."

1. **"Who else says managed futures including funds are a good investment besides the people who sell them?"**

   "Maximillian Soloman, president of Friedberg Mercantile, Toronto, was a friend to John W. Lintner, Harvard Business School. Soloman was asked to chair a panel for the Financial Analyst Society's Annual Conference on the use of futures as part of an investment portfolio. Knowing that the conclusions of a person of Lintner' s credentials would be significant, Soloman persuaded Lintner to undertake the study. Lintner was not optimistic that his findings would please Soloman, but Lintner was surprised. "He concluded that 'The combined portfolios of stocks, after including judicious investments in appropriately selected sub-portfolios of investments in managed futures accounts or funds, show substantially less risk at every possible level of expected return than portfolios of stocks or stocks and bonds alone.[8]

   "A similar study by analysts of Managed Account Reports found that portfolios with as much as 20% of assets in managed futures programs yielded up to 50% more than stock and bond portfolios having comparable risk."

"Managed futures trade in markets which offer investors the same market integrity and safety as stock and bond markets. Managed futures are no more risky than a traditional equity investment. The special benefits of managed futures are derived from the unique risk and return opportunities that managed futures offer as additions to traditional stock and bond investments."[9]

"I'd like to know more, what's the next step?"

"Call your broker."

P.S. The last question was not from the survey. It's included because it makes a final point, which is to help you overcome two main enemies of successful investing: inertia and procrastination."

ENDNOTES

1. U.S. Department of Agriculture--Study done years ago among traders of agricultural products found that 25% made money. Their average loss was less than $5,000. Others researched by: Walsh Agency, Inc., Box 43, Hastings, MI 49058. The University of Illinois, and proprietary studies by various brokerage firms also indicate most futures traders who trade their own accounts lose money.
2. National Futures Association, 200 W. Madison St., Suite 1600, Chicago, IL 60606, (800) 621-3570, (312) 781-1306.
3. Study by Scott Irwin, Associate Professor of Agricultural Economics and Rural Sociology at Ohio State University.
4. Managed Futures Association, 1200 19th Street N., Suite 300, Washington, DC 20036, (202) 828-6040
5. Managed Futures Association, see 4.
6. National Futures Association, see 2.
7. Managed Account Reports, 220 Fifth Ave., New York, NY 10001
   (800) METAL 25. Barclay Trading Group, Ltd., 508 North 2nd Street, Suite 201, Fairfield, IA 52556 (515) 472-3456.
8. Study by Professor John W. Lintner, Harvard Business School.
9. Study by Dr. Thomas Schneeweis, Professor of Finance, University of Massachusetts.

III. Marketing Managed Futures

Futures funds and managed futures accounts may be the most important development in the history of the retail futures business because they: **address and eliminate the major concerns of prospects.**

The market research shows most futures prospects are concerned that futures trading is too risky, too expensive, and too time consuming.

The features and benefits of managed futures products can solve these problems. For example, futures funds offer:

1. **Limited Liability--**with a futures fund, the liability is limited to the amount invested.
2. **Modest Investment**--with many futures funds, an investor can participate for as little as $5,000 to $10,000 (in some cases even less). With a conventional transactional or trading account, the minimums can be much higher. In fact, the days of the $10,000 trading account may be coming to a close, if they haven't already. With higher margin requirements and more volatile markets than just a few years ago, a minimum of $25,000 may be necessary for a trading account to have a realistic chance for success.

3. **The investor doesn't need to spend time studying and trading.** The research also indicates one of the major concerns of prospective futures investors is that they will have to spend a considerable amount of time each day studying the markets, trading, and monitoring risk. Of course, with futures funds, professionals manage these tasks, eliminating those concerns.

To review, a futures fund answers the three major objections prospects have to opening futures accounts because:

1. The risk is known and limited.
2. The investment can be less than that required to open a regular trading account.
3. The investor does not have to spend time watching or trading his or her account.

Futures funds are also the right products for many futures prospects because they answer two key marketing objectives for any product:

1. Look for the hole in the market, and
2. Find a need and fill it.

Now that we've dealt with the barriers to the sale, let's look at some of the positives. Managed futures, including funds, can improve your clients' portfolio performance because of:

1. Low correlation to stock market.
2. Easy access to diversified markets.
3. Easy participation in global markets
4. Profit potential in a down economy.

Modern Portfolio Theory states, "more efficient investment portfolios can be created by diversifying among asset categories with low to negative correlation"--such as managed futures.

"Adding managed futures to a traditional portfolio can increase overall returns and reduce standard deviation." This is an example of Efficient Frontier Investing.

Summary of why **equity** brokers surveyed sell managed futures, including funds:

1. Payout is greater than equities.
2. Portfolios with managed futures perform better than those without.
3. The "bandwagon" effect of managed futures growth.
4. They can demonstrate Modern Portfolio Theory and Efficient Frontier Investing knowledge to clients.
5. It is an alternative to offer to prospects and clients.

Here's a summary why **futures** brokers surveyed sell managed futures, including funds:

1. They are tired of losing clients' money.
2. Clients last longer.
3. More reliable commission income in the long run.
4. Much easier to sell.
5. I couldn't beat those CTAs, so I joined 'em.
6. I finally realized I wasn't a good trader.
7. Managed money is the growth area of our business.
8. Commissions are less, so the chance for better performance is greater.
9. It's a product I believe in.

Nevertheless, many futures brokers still resist selling managed futures products for three main reasons. They believe:

1. They can do a better job trading the markets than a CTA (Commodity Trading Advisor).
2. A trading account is more exciting.
3. A trading account generates more commission.

Let’s look at each of these reasons.

If you’re a broker whose track record is actually as good or better than the record of a good CTA, maybe you should become a CTA. If your track record isn’t that good, or if you’re new, maybe you should sell managed accounts such as futures funds. The research indicates managed accounts are what many of your prospects want.

Next, many brokers (and prospects and traders) feel a trading account is simply more exciting. Perhaps it is. It may be more interesting to trade the equity yourself or with the help of your clients. How long do you keep these accounts? The industry average is about six months. Fund accounts can last for years, and most public funds do.

Finally, many brokers believe a trading account generates more commissions than a managed product such as a fund. Let's examine this belief carefully. Suppose a prospect opens a trading account for $10,000, and the commissions run about 30 per cent. That's $3,000. Now if your payout is, for example, 40 per cent, you'd make $1,200, provided the client stayed around long enough for you to generate $3,000 in gross commissions.. As you know, if a $10,000 account "drifts" down to $5,000 or so, the client often closes the account. As we mentioned earlier, the average futures "trading" account last about six months. In that case, you'd make about $600 on this account, not $1,200. You may also get a lot of aggravation, along with your $600. Now, suppose you opened a $10,000 fund account. Say it generates 10 per cent of the equity in gross commissions per year. There are also additional management fees, incentives, and percent of profits that also come out of the equity. Now, let's be conservative and consider a very low payout for you. If you earn, say, $400 from a $10,000 fund account each year, after 18 months you would earn the same amount, $600, that you would have earned had you opened this client as a trading account. So, in the long run, you'll earn more, because on average fund accounts last longer' . In addition to lasting longer, fund accounts offer you another benefit: they don't take as much time to service, so you can service a larger number of clients adequately. Also, they don't take as much out of you--mentally or emotionally. This leaves you time for more prospecting--the lifeblood of all successful brokers.

V. Direct Mail

NOTICE: All communications such as direct mail must first be reviewed in writing and approved in writing by your supervisor and/or compliance department.

Many brokers are constantly looking for "hot" lists of futures prospects. The problem with this approach is that there are too many brokers searching for these lists. This means many brokers are using the same lists. After all, there are only so many lists to go around; therefore, the names on these lists are constantly bombarded by mail (not to mention phone calls).

The noise level is very high--a major reason why response level is very low. Test it yourself. Clip a coupon from a financial ad, send away for a book about investing, live in a wealthy zip code area, invest in a limited partnership, etc., etc. You'll start to receive direct mail (and phone calls) from all kinds of brokers.

There is another problem with this mass mail approach to prospecting. The mail piece itself is, by its "mass" nature very general--which also diminishes its effectiveness. Yet, there is still a strong temptation to use mass-produced mailings to tens of thousands of prospects. It is perceived as relatively inexpensive. Many brokers like it because they believe it's better than cold calling because the prospect has shown some interest by returning a business reply card asking for a research report or whatever. This apparent low cost per contact and cold call screening isn't all you should consider. You must look at the cost per lead, the number of leads you must work to get one account, the size of the average account, the length of time the account trades, the commission dollars generated and the number of referrals from this account. Only after collecting and analyzing this data can you tell if your direct mail programs are cost effective. **Most are not--at least the mass mailing, shot gun approach.** An exception to this rule is the top two or three major brokerage houses, who may find mass mailing to be cost effective simply because of the high level of awareness and acceptance of their companies by the investing public. Major, well-known brokerage firms have a distinct advantage when it comes to direct mail. They do not have the prospect's concern about financial soundness to overcome. The research indicates they are perceived as financially sound. They also usually get good scores on knowledgeability. Also, for them, direct mail to generate qualified leads is often more cost-effective than advertising.

The secret to successful direct mail is testing, testing, testing. True, it is tedious, time consuming, and demanding, but you must spend your marketing money wisely. If you are going to do massive direct mail, test everything you do. Test hand addressing vs. using labels. Test window envelopes vs. plain envelopes. Test first class postage vs. bulk postage. Test headlines. Test copy messages. Test "teaser" copy on the envelope. Test days of the week and months--January and September are usually best, April and December are usually the worst--for your target audience to receive your direct mail. Test including a Business Reply Card and not including one. Test different mailings with the same list. Test different lists with the same mailing. **Test. Test. Test.**

This brings us to the best direct mail possible--no matter how well-known or how little-known the brokerage firm. **The most cost-effective direct mail is a series of personalized letters by the broker to the broker's personal list.**

The broker must be convinced this is the best approach to produce the most accounts. The challenge: the broker must do the work before he or she can be convinced this method is worth the effort.

Picture this: as a prospect, would you be more likely to respond to a mass, impersonal letter with your name and address on a label on the envelope, or to a mailing (stamped, not metered) with your name and address typed or hand addressed, containing a letter addressing your specific needs and interest? Smart marketers use a rifle shot, no waste approach, and they keep shooting at the same target.

Conventional marketing wisdom says: "It's better to do a thorough job with fewer good prospects than a mediocre job with many prospects."

> **Note:** Consider using personalized direct mail to invite prospects to seminars. The extra effort is worth it; ask any experienced broker who has ever given a series of seminars.

Here is an example of an effective Direct Mail piece to service clubs such as Kiwanis, Rotary, or the Lions:

Direct Mail--Speaker Letter (sample)

To: Program Chairperson (by name)

From: Your name and name of your company

Subject: Speaker Service

If your organization ever needs a speaker, all you have to do is call (your name, company, and phone number). We will make available (without charge) a speaker on investment topics such as those listed below:

1. Introduction to trading futures
2. Managed futures and Efficient Frontier Investing
3. Futures funds and Modern Portfolio Theory

In addition to a speaker, we will make available the use of our office facilities for a night meeting of your group (size limit ___), where you may examine a brokerage office and see how it works.

Please call if you have any questions.

Note: This notice should be typed on your company letterhead.

The reason this is a good idea is because most service clubs schedule an outside speaker once every month. So, they are looking for speakers!

IV. Seminars

NOTICE: All communications such as material to promote seminars and seminar content must first be reviewed in writing and approved in writing by your supervisor and/or compliance department.

More than twenty years of research has established that conducting seminars is one of the best and most cost-effective methods for prospects to get to know you and your company and to open accounts. Seminars should be held at your office, if possible. A seminar may have as few as three or four attendees. The smaller the audience, the higher the "close ratio".

This section contains:

1. Seminar checklist
2. How to conduct an effective seminar
3. Guidelines for a successful seminar presentation
4. Miscellaneous facts about seminars

SEMINAR CHECKLIST

THREE MONTHS AHEAD OF TIME

1. Select a coordinator (i.e., secretary, office manager, trading assistant, junior broker, or receptionist).
2. Prepare a budget.
3. Set objectives/goals; for example, we're going to work enough leads to get thirty qualified prospects to attend our seminar. Ten of the thirty will open accounts as a result of the seminar.
4. Select a topic.
5. Select the presenters: your manager, yourself, other brokers, and possibly a guest speaker.
6. Select lists for prospecting for attendees; e.g., exchange lists, old leads, other lists, referrals from existing clients, current prospects, and ex-clients.
7. Select the date, time, and location. Time of seminar depends on your office location (or where seminar is held). In major metropolitan areas, such as New York, Chicago, and Los Angeles, you should start your seminars around 4:30 p.m. or 5:00 p.m. on any weekday except Friday. In less populated areas (where prospects live within a short drive of your office), you may want to hold your seminar in the early evening, or on Saturday morning. As previously mentioned, all seminars should be held at your office whenever possible, even if space is cramped. The more prospects you can get to your office, the more prospects you will convert to clients. There is absolutely no question about this!
8. Submit promotional material to your supervisor and/or your compliance and marketing people for approval.

Two Months Ahead of Time

1. Create an agenda and a timetable. Decide on the fee (if any) you are going to charge.
2. Assemble leads lists (to invite attendees).
3. Decide on refreshments/snacks, soft drinks (never serve alcohol), coffee, cookies--you may want to refer to them in your invitation letter (e.g., coffee, soft drinks, and light snacks will be served).

One Month Ahead of Time

1. Promotion: **Seminar Invitation** (sample)

   A good invitation format is a letter from the broker or office manager to all prospects you have been working.

   These should be typed letters (not reproduced on a copy machine) with first class postage, and typed (not labeled) envelopes. The manager or broker should sign each letter personally.

Sample Invitation:

Dear Mr. Jones:

You have been a prospect of ours for some time now. So far, we haven't been able to convince you to "give us a look."

We believe we have something coming up on (date) that may interest you.

Mr. John Smith, a Commodity Trading Advisor, will be here from (city) on (date) to present (name of topic) at our seminar, "An Introduction to Futures Funds" (or whatever title you chose).

Mr. Jones, I assure you there will be absolutely no "selling" at this seminar. Its purpose is strictly educational.

The seminar begins at (time), and will finish at (time) sharp. You are welcome to bring a guest.

You may want to attend this seminar to help you decide if a futures fund should be part of your investment portfolio.

For a reservation, please call my secretary, (name), by (date) to reserve a place for yourself (and a guest). Refreshments will be served, and remember: there will be absolutely no selling--this seminar is for education only. If you do become interested, there will be plenty of time for selling later .

Very truly yours,

(Name of Manager or Broker)

(Title)

Other Promotion Ideas

Place an announcement on your price quote recording/answering machine (if you use one).

> Consider a telephone campaign calling all the office's prospects to invite them to the seminar.
>
> Radio publicity is also important; i.e., if you give closing prices over a local station, start mentioning the seminar four weeks ahead of time, and give the phone number to call for reservations. Send public service announcements, community announcements, and news releases about the seminar to all local media. Local cable stations may give you free mention on their video bulletin board. You’ll be surprised how much free advertising and/or publicity you'll get--particularly if you have a guest speaker coming from out of town.

Note: If your office is even slightly hard to find, you should include a map with each invitation and/or confirmation (reminder).

- Assemble materials to be made available at the end of the seminar, such as annual reports, financial statements, booklets, brochures, pamphlets--anything from your company that looks impressive. Work out visual aids: flip charts, presentation board, etc. Decide on workbooks, if you are going to use them. They help involve your audience. Check supplies of: chalk, magic markers, pads, pencils, water glasses, pitchers (for ice water). Make sure the slide projector and related equipment (including 3-prong adapter and extra bulb) are available (and working), and an easel with a lip or shelf for charts and markers. Do not provide ashtrays. Do not permit smoking. No member of the presentation team should smoke, either .

TWO WEEKS PRIOR

1. Make name tags for all participants and attendees and tent cards for speakers, direction signs (if prospects have to work their way through a maze of corridors to the seminar room).
2. Write to your guest speaker to confirm the date, time, place, and subject.

ONE WEEK PRIOR

1. Do a dry run of the seminar. Set up the room, check the audio/visual equipment and props. Do everything you can to simulate the actual seminar, including disconnecting the phone in the room.

FIVE DAYS PRIOR

1. Buy a small gift (optional) for your guest speaker. Rehearse. If it's a 90-minute seminar, you should be rehearsing for at least 270 minutes.

    Send personal reminder notes to (or phone) all attendees. Ask them to call if they can't make it. Remind them they are welcome to bring a guest.

THREE DAYS PRIOR

1. Rehearse again. Also notify your building maintenance of your seminar in case outside lighting and lobby lights must be kept on, as well as heating or air conditioning.

THE DAY BEFORE THE SEMINAR

1. Have a 15-minute "walk through" rehearsal. Circulate a memo requesting that all desks and work areas be neat and clean. Dust, polish, wax, shine, sweep, and vacuum. Pay particular attention to the entry area, including the front door and signs, as well as the bathrooms. Phone the guest speaker to work out arrangements. Who's meeting the plane, has the hotel room been reconfirmed, etc? Although reference has been made to a guest speaker, more than 90 percent of seminars don't have one and do just fine.

THE DAY OF THE SEMINAR

1. Make sure the room is ready. Pads, sharpened pencils, snacks and drinks, as well as technical charts on the wall, and all other supplies should be in place. Relax, enjoy, smile.

THE DAY AFTER THE SEMINAR

1. Send personalized thank you notes to all participants, prospects, and news media who gave you free advertising and/or publicity, as well as to the guest speaker, if you had one.
2. Add all prospects' names, addresses, phone numbers, areas of interest, and other important information to your data base.
3. Work out a follow-up for all prospects: workshops, mail, personal visits, phone.
4. Send a news release describing your successful seminar to all local media, the same list you used before--even if they didn't run your first release, there is always a next time.

ON-GOING FOLLOW-UP

1. Continue to prospect all attendees and no-shows. Note: for your next seminar, invite all prospects who didn't attend previously. Sometimes a prospect has to be invited several times before he or she decides to attend. Continued invitations (as many as six) make it seem like something good must be happening at your seminars because you keep giving them.

HOW TO CONDUCT AN EFFECTIVE SEMINAR

Most seminars last about 90 minutes, including time for questions and answers.

The soft drinks, coffee, and snacks should be available one-half hour before the seminar begins. Do not have any literature available in the room before or during the seminar, only pads, pencils, and workbooks (if you use them) for the attendees. You should make sales literature (company brochures, etc.) available at the close of the seminar. If you make literature available ahead of time, you run the risk of the attendees reading this material, rather than listening, during the seminar. A small, polite, even humorous "No Smoking" sign should be displayed.

As your prospects arrive, there should be a couple of people to greet them, and show them where to put their coats, briefcases, etc.

The registration table should have an alphabetized master list of people who said they would attend; however, since many people bring guests, you may want to write down the names, addresses, and phone numbers of the guests (for your mailing list). Provide name tags for all--first name only. Be sure to mark on your sheet who brought whom as a guest or guests, for later follow-up. You also collect the attendance fee (if any) at this time. If you have an outside speaker, you may want to charge a nominal fee. A fee is optional (check company policy). Seating should be classroom style, if possible, with each attendee sitting at a desk or table. With small groups you may want to sit around a conference table.

There should be a large board on display at the front of the room listing the seminar's agenda. Some brokers include a copy of the agenda with the direct mail invitation. It puts people more at ease if they know the content of the seminar ahead of time.

Sample Agenda Board:

Welcome to (name of firm) seminar (title of seminar).

> 7:00 p.m. Opening remarks, Sam Jones, Manager, tells attendees about the company (including how financially sound and knowledgeable it is--very important).
>
> 7:20 p.m. Mike Smith (CTA), discusses managed futures, Modern Portfolio Theory, and Efficient Frontier Investing.
>
> 7:45 p.m. Fifteen minute break for coffee, cookies and questions.
>
> 8:00 p.m. Joe Marks, Broker, talks about the facts of managed' futures and explains how people make and lose money trading futures.
>
> 8:20 p.m. Questions and answers, and closing remarks, moderated by Sam Jones, manager.
>
> 8:30 p.m. Seminar ends.

> **Note:** This agenda is for a seminar with at least ten attendees. For smaller groups, you would probably only have one broker on the program. There is no 'ideal' number of seminar attendees. It depends on what works best for you and how many people you can get to come to your seminars.

In the manager's opening remarks, he or she should say something like this, "We're not here to solicit business and open accounts tonight. We're here to (cover the purpose of seminar and restate the topic)." The manager then tells the audience a little something about each speaker. All presenters should wear name tags (with first and last names). The manager then says something about the speaker as he introduces him (such as his background, etc.).

> **Note:** 3" x 5" index cards should be available at each table. During the manager's opening remarks, he or she should tell people to feel free to ask questions during the seminar or to write down their questions on these cards, put them in the small basket (or box or whatever) on their table. He should say they will be answered during the question and answer session at the end of the seminar. The coordinator collects these questions just before the question and answer session and gives them to the broker. Then, the coordinator should bring out the sales literature and display it on a table.

Congratulations, you've just given your first seminar! The secret is to commit to doing seminars on a regular basis. If you don't do them at least once a month, the cumulative effect of the seminar promotion with your prospect pool will be lost. To make this program work even harder, continue to prospect people who didn't come to the seminar. Compile a summary of what happened, including a copy of the guest speaker's presentation, for future reference.

By the way, if your seminar gets oversubscribed, don't squeeze them in; instead, schedule a second seminar.

For example, if you only have room for six prospects in your office, have small, six prospect seminars.

A seminar places you several levels above the typical broker. It also does wonders for your self-esteem and self-confidence, which are two of the most critical factors in determining your success or failure in this business. In the classroom, you are king! It also establishes a successful pattern for a good client-broker relationship.

> **Note:** Engraved invitations aren't worth it. A personalized letter will give you much higher returns. Send all personal invitations by first class mail. Ask prospects to R.S.V.P. by a certain date.

Important:

> Your manager, compliance, and marketing departments must approve everything you send out, as well as all the material you present in your seminars.

GUIDELINES FOR A SUCCESSFUL SEMINAR PRESENTATION

1. How you say something is almost as important as what you say.
2. Stand, don't sit, unless the seminar is held around a conference table.
3. Do not write out your presentation. Reading is boring; there is little eye contact. Reading destroys sincerity, conviction, and credibility. Readers usually use too few gestures and hang on to the lecturn. Come out from behind it; let people see you. This helps them trust you. When reading, your voice settles into a monotone. Reading blocks your individuality. If you don't let your audience get to know you--warts and all--they're not going to buy from you. Speak from brief reminder notes on 3" x 5" cards with one four- or five-word "memory jogger" per card. Better yet, use a presentation easel, and make one 2 foot x 3 foot board listing the 8 or 10 points of your talk. Use this prop for your presentation.
4. Wear a suit or a conservative dress. Remember, you are asking people to give you their money. Look professional and responsible.
5. Don't use a collapsible pointer. (You're likely to play with it.) Use your hands to point to charts, etc.
6. If your mouth gets dry, lightly chewing your tongue will help you salivate. Honest! It's a trick of professional speakers.
7. If you’re nervous, start your presentation by raising your voice slightly. Aim your remarks at someone in the back row.
8. "To make oneself understood, one must first speak to their eyes." (Napoleon)
9. Looking at your audience one person at a time shows sincerity (3 seconds or so per person). Don’t scan the group quickly; avoiding eye contact makes you seem suspicious, as if you’re not being honest.
10. If you get very nervous, pick out the friendliest face in the crowd, and speak to that person directly for as long as a minute, or until you get rid of some of the nervousness.
11. Practice, practice, practice.
12. Don’t tell everything. The secret to being a bore is to tell everything. When in doubt, leave it out.
13. Don’t oversell. Many seminars and billed as "no selling" then proceed to try to sell. Prospects get turned off by this. You can do your selling on the phone or in person after the seminar.
14. Don’t try humor unless you’re very good at it.
15. Use visual aids, if appropriate.
16. Don’t give your audience any reading material ahead of time. You want them to pay attention to you.
17. Don’t use slides or transparencies unless you’re comfortable with them or are presenting to a very large audience. The best visual aids are simple ones, displayed on an easel.

18. When you stand in front of the group, if the easel is to your left, when pointing to material on the easel, use your left hand, so you won't be turning your back to the crowd (or vice-versa).
19. Don't use a microphone unless absolutely necessary.
20. Use gestures--loosen up.
21. Involve your audience. At least get them to use their pads and pencils.
22. When you ask for questions, if you get none, some good speakers prompt questions by saying, "One of the most common questions I get from groups like this is…."
23. Join Toastmasters, an International group, to help you become a better public speaker. To find the club in your area, contact:

Toastmasters International P.O. Box 9052 Mission Viejo, CA 92690 800-993-7732

1. Always repeat the questions before answering; it is courteous to the group, flatters the questioner, and gives you an extra few seconds to formulate your answer.
2. If you don't know the answer, say so. Also, let the audience see you write down the question immediately, say you'll find out, and get back to them.
3. Relax.
4. Smile.

Miscellaneous Facts About Seminars

Seminars help you:

1. Open accounts by giving direction to your prospecting efforts
2. Open accounts by getting eye to eye with your prospects
3. Open accounts by getting prospects into your office
4. A ninety-minute seminar means a broker should put in an additional forty to fifty hours doing such things as:

> Prospecting for attendees, studying the material to be presented, rehearsing, role playing, planning, working out the sales aids (flips, charts, etc.), preparing handout material, conducting the seminar, and following up (in person, by phone, and by mail).

1. After you see how much equity you raise with seminars, you won't mind putting in the additional hours. More seminars mean more money.

   Another by-product of seminars is that you study more and learn more about the futures contracts, funds, CTAs, and/or products covered at the seminars. Therefore, you're more effective and experienced when promoting these products to other prospects, as well as to your existing accounts.

   The more seminars you give, the better you will get giving seminars…which should come as no surprise; therefore, it's important that you commit to a minimum of six seminars.

   Next, let's consider the attendees. You may want to screen them before they are invited to the seminar. Here's why: you can't have a dozen good prospects who are potential $25,000 accounts sitting at a seminar with a few novices who monopolize the seminar with naïve questions and who think they can open an account with $1,000. Nothing turns off a qualified prospect faster.

1. To get attendees (some suggestions--you know what prospecting techniques work best for you):

   Contact all exchange leads up to two years old.

   Work old leads lists, new leads lists.

   Send announcements about your seminars to all local media: newspapers, magazines, radio, and TV. Try the Internet.

   Ask existing clients for referrals.

   Your best prospects are almost always the former and inactive clients of your office.

1. How many attendees should you strive for? Whatever works for you!

   As mentioned earlier, the best place to hold a seminar is your office, providing it makes a good impression. Specifically, it should be in a safe area, nice building, and have neat, clean offices. The prospects see all the hardware, the material, and other facilities you have at your disposal. Even if there is no conference room at your office, perhaps a couple of desks or tables could be moved together and chairs put around them. This informal approach does not hurt the seminar, and can help it by relaxing the participants.

   If your office is out of the question, consider using a meeting room at a hotel, bank, church, library, or school.

   In addition, there are other considerations, such as when not to have a seminar. Avoid Monday night football, all Friday nights, and any night of a major public event or major TV or sports event.

As you can see, there are dozens of details. Seminars take a lot of planning and work, but they’re worth it! Brokers like them because they are one of the most cost-effective ways to raise equity, and clients like them--they’ve told us so.

VII. Advice from Top Brokers

This section contains advice for:

1. brokers, CPOs, and CTAs who sell managed accounts and funds, and
2. brokers who sell transactional (trading) accounts.

Advice from securities brokers

"I use managed futures, and especially funds, as an entree for new business. I show prospects the reduced volatility and portfolio enhancement data and suggest they put in 5% of their portfolio. Chances are, their current financial consultant isn't even offering them anything in the futures area. When I explain how large corporations including pension funds use futures, it at least gets their attention. I want to present myself to prospects and clients as a financial consultant who keeps them advised about products and techniques available to reduce risk and enhance return. Of course, I give my presentation equal balance and tell them of the risks involved and that, just like with stocks and bonds, there are no guarantees. Managed futures gives me something new to talk about to prospects and inactive clients and, of course, current clients."

"Part of my fiduciary duty is to manage my clients' risk. Prudent application of managed futures in my clients' portfolios is an acceptable and efficient way to do this. In fact, managed futures are part of something called an 'Efficient Frontier Portfolio.'"

"A recent five-year period compared the S&P 500 performance with the performance of a blend of 10% managed futures and 90% S&P 500. With the blend, standard deviation was reduced 15% and overall return was increased 16%. You can't ignore figures like this. If I don't at least expose and teach my clients a little about managed futures, some sharp competitor will."

"I'm in this business to make money and to help my clients make money. Managed futures help me do this. I don't care about the stigma of futures. Besides, I think the stigma is off. Otherwise, why would pension funds have over three billion dollars invested in managed futures?"

"Selling futures funds as a securities broker is not difficult. All you have to do is show them the performance figures over the past few years. Getting clients to put a few percent of their assets into a fund is just good money management. I also like the upfront commission and the trail. Besides, the Series 31 test was a lot easier than the Series 7. I passed it the first time. Sell managed futures. Sell futures. If you don't, you're missing a good opportunity."

"As aggressive as those futures salespeople are, I'm sure some of them are talking to my clients about managed futures or futures funds. If any of my clients are interested in these products and they're going to buy them from someone, I'm going to make sure it's from me. They're my clients and I don't want someone else's foot in the door. You never know which of your clients may be prospects for futures. They never bring it up. Then, too often, when, or rather if, I find they're in futures, it's usually too late--and they have the wrong kind of account--usually a trading account. That's why I try to bring up futures to every client. I do it for defensive reasons. I don't bad mouth futures out of hand because if someone, even my client, is going to get into futures, I don't think it's my place to talk them out of it. Managed futures with good CTAs could be good for them. And if they're determined to get in, they're going to get in no matter what I say. The longer I'm in this business, the more I realize you can't control people. You can guide them, but you really can't control them."

"It was an easy sell getting someone with $250,000 in his portfolio to put $10,000 or even $25,000 into a futures fund just as a safety play to give him some diversification. Most of the other brokers here still don't do futures. I get referrals from them and I just tell prospects the diversification; uncorrelated, enhanced return opportunity; global investing; and possible reduced volatility story."

"Oh, let's see, I'd been selling stocks and bonds exclusively for about ten years, then I got licensed for futures, or rather commodities as they were called back then. It was the early eighties. I had several $250,000 to $500,000 portfolios. . . not much trading, mostly utilities, some governments, ATT , those kinds of things. I got a good number of these clients, maybe thirty or forty, to put $10,000, some a little more, into one of our company's managed futures accounts. Minimums are a lot more now. Some outside advisors were doing the trading. A few months after I put these people into managed futures I took a six weeks vacation. . . skiing in Colorado, Miami Beach, some golf, lots of fun. When I got back to the office I found out I had led the office in P.C.s (production credits or gross commissions) for the previous month--and I wasn't even there! Of course, it was the commissions from the money we had in commodities. The clients made out pretty good, too. Well, that sold me. Over the next several months, I converted most of my book to managed commodity accounts and the funds we offer once in a while, and that's all I've been doing ever since the early eighties. The commissions are automatic. . . even when I'm on vacation. Of course, I have to service these accounts, but believe me, they're no harder to service than equity accounts. The commissions per dollar invested are good, and managed futures can be an excellent investment."

"Twenty percent of my business is managed futures. . . all very, very conservative--and this produces about fifty percent of my income. Our funds are pretty easy to sell. I tell my existing clients about an upcoming fund and ask them for an indication of how much they want, just like an IPO, because they're usually on allocation. The best thing that can happen is that they don't get all they wanted. This makes selling them our next fund that much easier."

"Our in-house (large wirehouse) market research shows that 7% of our clients are either trading futures or have traded futures. That's about one out of fourteen of my clients. Our company's research also indicates 20% of ex-futures traders plan to trade again sometime in the next twelve months. Now, I don't want any of my clients trading their own futures account. . . too risky and I don't want to be selling any of their holdings to cover margin calls because then it's just less money for me to manage. So if I have clients who are bound and determined to get into or back into futures, I want them to do it with me. So I bring futures up to every client because I don't know who is a prospect and who isn't. If they're going to be in futures, I want them to be here with one or more of our approved CTAs. If the client is conservative, I steer him toward the conservative CTAs because I believe that's my fiduciary duty. Or I sell him $25,000 or so of one of our funds, if any are available when he's interested. Second, I want him doing his futures business here because I don't want some other broker getting his nose in my tent."

"I know who my futures prospects are. They're the same clients who want to take a flyer on a penny stock. I talk to these clients about managed futures. I simply show them performance charts, a little bit about what pension funds and other large money managers are doing in futures, and then I back away. I call it 'planting seeds.' Of course, I tell them all about the risk up front."

"Study your product, in this case managed futures and futures funds, so you'll believe in your product. If you don't believe in it, you can't get someone else to believe in it."

"We've all seen the figures time and time again over the years. A portfolio with a proper mix of managed futures is less volatile and produces greater returns than portfolios without managed futures."

"There's over $35 billion invested in managed futures now. In 1985, there was about $3 billion. Who knows what's going to happen, but if you're a trend follower, and I am, get on the bandwagon. I make more money selling managed futures and funds than I make selling stocks and bonds. And the diversification, lower volatility, global participation, opportunity in down markets, and increased odds with better overall returns are all better for my clients."

Advice from futures brokers

"Maintain your self-confidence at all costs. I can't think of another business where self-confidence is more important because, when it comes to selling futures, you must believe in yourself before you can convince someone else to believe in you. Oh sure, if you don't have self-confidence, you might succeed for a while. You may make outlandish promises to get business, but that kind of business won't last, and neither will you.

"The reason the maintenance of self-confidence is so important in this business is so much happens to a futures broker that can erode self-confidence. First, there's the very basic matter of prospecting. It's an integral part of this business. In fact, for much of the early part of your futures career, **prospecting is your business** and when you prospect, you meet a lot of rejection. Many people won't talk to you about futures, some will be rude to you, some will hang up on you the minute they hear the word futures, some will yell at you and then hang up. When this happens, and it will, it is important to remember that these people are not rejecting you. After all, they don't even know you, but you must have the self-confidence to carry on in the face of such resistance."

"You must believe in yourself professionally. To do this in futures, you must do your homework; you must prospect with integrity and honesty. You must keep up to date with what's going on in the markets, as well as the industry, you must do your paperwork thoroughly everyday, you must follow your company's guidelines for prospecting and servicing accounts, you must make those phone calls, you must work long hours, you must study, etc.

"**In short, there are no shortcuts.** The system, the markets, the industry don't allow it. This business is too demanding. The lazy opportunists don't last; however, if you're willing to pay the price, to work hard--with honesty--you can enjoy a great deal of satisfaction and make a good living as a futures broker, more than in any other industry I know of."

"Self-confidence is critical. Truth strengthens and builds self-confidence. Any deviation from the truth, regardless of how slight, diminishes your self-confidence; therefore, it is most important to be scrupulously honest when you're prospecting. Besides, that's the number one attribute your prospects want from you anyway, honesty. Give it to them and you'll get more business."

"If the markets are destroying you, step away from them for a few days. Honestly examine how well you have done trading the markets. Maybe you're not a trader. **I believe most futures brokers aren't**. Maybe you should simply be a fulfillment vehicle for your existing clients, and then **maybe you should seriously consider selling funds and managed accounts. . . if your ego can make the change to having someone else doing the trading. If you have a weak ego, the markets will chop you up anyway because you'll want to be right so badly that you'll have a very difficult, if not impossible, time 'cutting your losses short.'** The markets have a way of exposing character deficiencies."

"Another pitfall is to sell a product you don't believe in. If you're soliciting trading accounts, you must be very careful. If you sell a prospect on opening an account based on a specific trade recommendation, you are asking for trouble because, as you know, very often a specific trade doesn't work. Your new client will be disappointed, and your relationship will be affected."

"It's perfectly all right to get a prospect's interest with a specific commodity, but once you sell him or her on the idea of trading futures, I believe it's vitally important you explain to your prospect that he or she should approach commodity trading with a certain amount of money and a certain time frame, rather than the 'taking a shot' method, which is so common with so many brokers. I believe it's important you tell your prospects that it is entirely possible, even likely, that most trades will be losing trades. You can go on to tell them that, in futures trading, people possibly can make large gains overall even if only a small percentage of their trades are profitable."

"My advice to a new, or old broker for that matter? Keep going. Keep trying. Keep working. Persevere. You have to keep at it; do it. Make the phone calls. Send letters to prospects. **Get in early--at least two hours before the markets open, and if you're in California that means 4:00 a.m. The last thing prospects or clients want is a broker with sleep in his voice. You're stewards of your clients' money. Take your job seriously. Work those twelve-hour days early in your career. Think about it. You'll grow and learn twice as fast as the people who put in six-hour days!** Read everything (and more) that your prospects read--especially the business section of your local paper, *The Wall Street Journal*, *Barron's* (many large traders read it), *The Economist*, the business magazines, and other financial publications. Read the trade journals; for example, if you're soliciting bankers and pension fund managers, you'd better read magazines such as *American Banker* and *Pensions and Investments*. If you're specializing in agricultural commodities, you'd better read magazines like *Farm Journal*, *Agri-business* and several others.

"If you do all this, you still may not succeed, but if you don't do this, I can assure you that you won't succeed. Oh sure, you may last a year or two selling to old friends, college buddies, some relatives, and high pressuring a few leads, but that isn't success."

"If they do things right, I know that most of' the people who get into this business can succeed. This just isn't the opinion of a forty-year-old who's been in the business more than fifteen years. No, it's not my opinion--**it's my observation**. I've been manager of this office for almost ten years, and I've seen them come and go. I can almost predict who is going to make it and who is going to fail. First, you're usually smart enough, or you wouldn't have been attracted to this business in the first place. The new brokers who are glib, seem to have all the answers, and are out to make big money fast almost always fail. You can spot them; they have lived by their charm, and usually don't hold a job for more than a year or two, and it's always the boss's or the company's fault why 'things didn't work out.' These are also the people who can get into big lawsuits and often leave with more than one uncollected deficit. I'm sorry to say, but this industry seems to attract these people. They cost us a lot in image and in money.

"Then there's the other kind of' broker. They're the ones who are willing to do it 'by the book.' They listen. They study. They get on the phone. They write the letters. They get out of the office and call on the prospects. They give the seminars. And they keep doing it. **You have to keep everlastingly at it to succeed as a futures broker.** You have to work a lot harder than most people are willing to work before you see the fruits of your labor. Sometimes it takes as long as two years, and unless you're willing to invest at least two years of ten- to twelve-hour days of working hard--prospecting, prospecting, prospecting--save yourself a lot of time and anguish, and don't even start."

"If you make a long-term commitment to this business, you most likely will succeed. The truth is, if you apply yourself to this business, or to any business, you most likely will succeed. It's just that, in the futures business, you'll have a lot more fun, and you'll probably make more money."

"When prospecting, don't be too anxious to make your point. Don't be too anxious to show how smart you are. Sure, you study hard everyday, you believe you know so much about what's going to make the markets go up and down, and you just have to have all this hard work result in something, so you can't resist showing any and all prospects how smart you are! **Don't do it!** Watch the more experienced brokers in your office. See how skilled they are at getting their prospects and clients to do most of the talking!"

"When a new account's equity grows fifty per cent, don't increase trading fifty per cent. Return the profit and repeat until the original deposit is returned. Then ask for referrals."

"Maintain your self-confidence at all costs, which means avoiding **big** losses--which means taking **small** losses.'.

"Familiarity breeds business. Get around. Make speeches. Join clubs. Conduct seminars and workshops. Volunteer for high school or college career day. **People do business with people they know.**"

"Come right out and ask your prospects, 'What do I have to do to earn a chance at your business?'"

"**Listen. Listen** to your prospects, to your clients, to your boss. Don't be afraid to ask for help from any of these people. Most brokers are too proud or too dumb to listen and ask. I suspect it's because of a weak ego, rather than a strong one."

"Believe in your product, which means you have to build or find a product you believe in--and I mean an equity raising plan and an equity trading plan."

"Remember, you're a salesman, not a trader!"

"If you feel you're about to lose a client, tell your manager. Maybe another broker in the office can handle him (or her) better. Also, maybe the reverse will happen."

"Tell them ahead of time that most trades are going to be losers, about locked-limit moves, margin calls, missed stops, everything. Believe me, it's not a turn off; it's a turn on. It's a way of getting them to trust you. If you don't have their trust, you don't have anything."

"Read everything your prospects read, especially *The Wall Street Journal*."

"Do one hundred seminars, and have a trading plan using money management, and I guarantee you'll be a millionaire."

"Tell the truth."

"Decide early if you're a trader or an equity raiser."

EVERY experienced broker stressed the importance of making this "trader vs. equity raiser" decision early. Below are some comments on this critical topic.

"I state unequivocally, you must decide if you're a trader or an equity raiser. If you're a trader, you must be a darn good one, or you won't make it unless you switch to managed money. As an 'almost good trader,' it will just take you a little longer than ordinary to blow out your accounts. Then, you'll have to go out and raise more money, and you'll repeat the cycle a few times. Then, you'll burn out and quit the business, and just be another statistic. If you're a good trader, you will not have to be an equity raiser for very long. You'll make your accounts money, and you'll have more equity to trade and more referrals than you'll know what to do with."

"I've been in this business for more than twenty years, and I've only seen six good traders, out of more than two hundred brokers I've worked with. The trouble is ego. Too many brokers get into futures for the wrong reasons. They want to brag that they 'took two dollars out of beans last summer,' or 'taught those guys in the S&P pit a thing or two.' Now you have to have a strong ego to survive the rejection and set-backs you get in this business; yet your ego can blind you to the fact that the chances are you are not a good trader.

"What's good? At least twenty to thirty per cent growth in an account's equity after commissions and fees three years out of four with the biggest losses no larger than thirty per cent in the losing year."

"I've seen them come and go. Who succeeds? What's the formula? I don't really know for sure, but I'll tell you what I've observed. I've never seen anyone who was new to this business make it as a trader right away--and I mean for the first two or three years. It doesn't matter how smart they are or how hard they work. **If I were a manager, and I have been a few times, I'd forbid new brokers from trading. I'd only allow them to raise equity to put into a managed product and/or with a proven CTA.**"

"Ask questions, then listen - ***really listen*** - to the answers."

"If you have a prospect who you think should be signing the account papers and sending in the check but isn't, say (or write) to your prospect, **'I thought you were pretty close to opening an account with me, but it hasn't happened yet.'**

"There must be an absolutely open and honest dialogue when trading futures, so I go on to say, **'Could you please tell me what barriers remain? Perhaps you still have some questions or objections? We'll have a much better chance of having a good client/broker relationship if there are no unanswered questions, concerns, or apprehensions.'** Then, be quiet and listen for several seconds. It seems people don't like long silences, so if you are patient enough not to speak first after you've asked the question, you have a very good chance of getting the answers you need to open the account."

Advice about asking for referrals from successful futures brokers

"Ask every cold call, no matter whether they're interested in trading or not, for two referrals. You may as well, while you have them on the phone. You'll be surprised how many names you get."

"I say to my clients when they're making money, 'part of my business is making my business grow. May I please have the names of two people who would be good prospects?' "

"When I ask for a referral, I ask my client to phone the prospect first to tell him or her that I'll be calling."

"I invite a 'winning' client to dinner, and ask him (or her) to bring along a prospect or two and we talk markets and war stories all night. It's fun, and often gets me a new account. The excitement and enthusiasm usually rubs off."

"I ask referrals for referrals."

"I call every ex-client in the file and ask for referrals, and explain that my approach to trading is conservative (a 'hot button' with ex-traders). It doesn't always get me referrals, but it's worth it because it occasionally gets an ex-client of the office to reopen with me--particularly if his or her previous broker has left."

"I ask clients and prospects, 'who are the five richest people you know in your town,' or 'in your club,' or 'in your office.'"

"When I ask for referrals and don't get a response, I prompt a bit, such as: 'Do you know any wealthy small business owners? How about anybody who takes junkets to Las Vegas or Atlantic City, airline pilots, yacht owners, anyone who's just inherited a lot of money, sold a business, or an expensive property?' You sometimes have to prime the pump."

"I ask my clients if anyone has ever brought up futures trading to them, or if they ever have mentioned futures to anyone who seemed interested."

"I ask for referrals from clients whenever I make a really good trade. It's the best time to ask. I find my winning attitude makes them want to give me referrals, and also, while I'm 'up' I call these referrals right away. I invite four or five of them to the office (either one at a time or in a group, it depends) to see what we're doing. I ride my wave of self-confidence to opening these accounts. The 'depends' I mentioned depends upon the prospects. Some like individual treatment, some like to 'hide' in a group when they're checking us out."

"I tell clients I'm going to call them in a week and ask them for two referrals. This gives them time to think about it, maybe call the referrals first. I tell my client I'm looking for someone with at least $25,000 in risk capital. Then I call them back. I don't always get two names, but I almost never get shut out and if I do, it's almost always the same client. He's doing quite well with me; maybe he doesn't want to share me."

"I' m too proud (or too dumb) to ask for referrals, but I did join a Speakers Bureau, and I taught a class at a local junior college, and spoke at Rotary, and etc. I don't do any of that anymore, but it worked for more than ten years, and I got a lot of business from those sources."

"I set aside a half hour a day, usually right after the markets close, when I sort of want to relax anyway. I make three calls to old leads, ex-clients, current clients, or prospects, and ask them for a referral. I tell the people I'm calling that I want to add these people to my mailing list or invite them to a seminar. This works for me because the person giving me the name knows it's not for 'hard sell' reasons. The secret to making this approach work is to do it everyday--or at least four days a week. I usually skip Fridays."

"Every three months, I send every one of my clients (except the ones who may really be taking a 'bath') a formal letter asking for one good referral. The effort of the letter means I'm serious. They usually don't go to the trouble to respond. So then I call them and ask for the referral by phone, diplomatically reminding them of my letter. I always ask these referrals to open their accounts with at least as much money as the client who referred them. Yes, if it's a $25,000 or $50,000 client, I'll ask for $25,000 or $50,000, when the time comes."

"Ask for a referral when you open a new account as soon as you get the check. Your new client is very high on you at that point in the broker/client relationship."

V. Your Personal Marketing Plan

Here are some things for you to consider as you develop and write your Personal Marketing Plan.

We've worked with more than 3,000 brokers. My best guess is that only about three hundred had written plans. Almost all of these brokers realized a healthy measure of financial success when they implemented their plans. Note: 3% of Brown University's Class of 1957 wrote down their specific financial goals when they graduated--97% didn't. Forty years later this 3% was making as much money as the 97% combined.

A written Marketing Plan gives you a "track to run on." As a broker, you're really in business for yourself and you must be self-motivated. A written Marketing Plan is simply good business.

A written plan, with start and completion dates, helps prevent procrastination--a major enemy of most brokers.

A written plan may prevent you from sabotaging your success--actually a problem for some brokers.

A written plan gives you specific benchmarks to measure your successes.

A written plan helps you work effectively rather than simply efficiently (i.e., you conceivably could make an efficient personal sales presentation where you answered all the questions and handled all the objections, but unless you advanced the sales process it was not effective).

A written Marketing Plan contains "check points" for evaluating your performance and forces you continually to put your efforts to the acid test of: did I get the business? Is my business growing? Is my business profitable? Is my business clean? Am I bringing "added value" to my clients? And on and on.

This section contains an outline for you to follow to help write your Marketing Plan. Keep in mind, it is only a guide. Pick and choose what applies to you and leave the rest. Develop your own style. Work with prospects and clients you like. Specialize. The key aspects of a plan are for you to commit to precise income goals (and not just annual income, but college savings plans and a retirement program, for example), dates, number of accounts, what "value added" specifics you will use to help sell your prospects, and what you are going to do to service and keep your clients.

1. **Your Current Situation**

Here you write down exactly where you are in the brokerage business. Ask yourself questions such as:

1. How long have I been in this business?
2. How much equity do I have? How many accounts? Size? Longevity? Profitability?
3. Why am I in this business?
4. What's my income?
5. Any uncollected deficits? Complaints? Lawsuits?
6. What is the history of my book?
7. Are my clients satisfied? (Satisfied clients are good sources of referrals.)
8. What's my job history? How many employers have I had in how many years?
9. What are my work habits?
10. Is my business growing? Faster or slower than my company's average? The industry average? Am I just average?
11. What am I doing to keep up in the industry beyond what is required?
12. What am I doing to educate myself to improve my selling and servicing skills?
13. Why do I lose business? (Be careful here. It's easy to delude yourself.)
14. How many of my prospects become clients/ What can I do to improve this ratio?
15. What about Managed Futures/Futures Funds? (This is a fast growing segment of the futures industry. Am I still resisting it? What are my biases? Are they valid?)
16. What "value added" am I constantly bringing to my prospects and clients?
17. Am I addressing the physical and mental aspects of my job?

As you know, you're in a demanding business. What are you doing to handle these demands? Do you exercise, watch what you eat, what you drink? (I'm not pontificating. All these "check points" come from observing and questioning proven, top, long time, successful brokers.)

You know you best. You know what probing, productive, hard questions to ask yourself to accurately and honestly assess your current situation. Again, it's critical you *commit this information to paper* because the discipline of writing it down forces you to focus on your strengths and weaknesses, your successes and failures. It also serves to "warm you up" and get you started writing the guts of your plan: self improvement goals, account goals, income goals, savings goals!

1. **A Word About Goals**

Write down current equity and your equity goals by month, by quarter, by year--even by decade! Write down your net commission goals also by time frames. Write down how many prospects you must work to open one account. Write down your average account size, longevity, etc., etc., etc. To repeat: put your history and your goals in writing!

Another important goal: retain more of your current equity and current clients. For example, aim to increase retention from 50% to 75%. In today's marketing environment, as you know, it's a lot easier to keep clients than to go out and find new ones! But first you must analyze why you lose business. (If you don't know what's wrong, you can't fix it.)

> **Note:** Our surveys indicate: The number one reason clients switch firms is inattention by the broker!

1. **Institutional Considerations**

Here you may want to specifically target, say, ten legitimate prospects. You may need to ask yourself such questions as:

1. Do I really **understand** each prospect's business?
2. Do I know enough to make an effective sales call--one that advances the sales process toward the goal of opening the account?
3. Am I **current** about each prospect's business?
4. Do I stay current with sales literature, annual reports, trade journals, newspapers, newsletters specific to each prospect's business? (Or am I trying to get by with old information?)
5. Do I know the key buying influences?
6. Do I have frequent contact--do I add value?
7. Have I identified each prospect's needs?
8. Do I know my entire product line well enough to know if my products and services can meet these needs?
9. Have I asked each prospect what I need to do to earn his business? If so, am I earning it?
10. Have I thoroughly analyzed each of my current commercial clients for additional business? (Specifically, what other problems do they have that my products and/or services can help solve?)

Now, while these kinds of questions may seem basic to you, they are the heart and soul of any business development program. Please think about them. By the way, this list of questions is by no means comprehensive. It is meant to whet your appetite. You know best what questions you need to ask yourself in order to help yourself make your business grow.

- **Some tools for reaching your goals.**

- **Account Retention**

  Ask your good, profitable clients how you can serve them better. Are they pleased with your service? Ask them the ten most important criteria by which they measure you and your company's performance. Then ask them to grade you on each. This is known as lost business prevention. What can you do to earn more of their business? Are you giving your clients all the service they need and want. (within the bounds of practicality)?

  Note: Clients who are the easiest to serve and least demanding are often the least profitable. Conversely, the most profitable clients are often the most difficult to service well; therefore, be careful not to simply expend your "servicing energy" and time on those less demanding, less profitable clients--an inviting trap. Keep asking yourself what more can I do to make myself and my company indispensable to my large, profitable clients? Again, it's easier to keep an account than to get a new one!

Here are some warning signs a client may soon become an ex-client:

More Complaints

Justified or not

Bad Vibrations

If your sixth sense tells you something is wrong, there probably is--and there is nothing wrong with bringing it up to your manager (it's easy to mislead or delude yourself if you're the only one talking to yourself about these possible problems)--then possibly to your client, saying something like, "How are we doing? Are you satisfied? I sometimes feel you're not completely happy. How may we better serve you?" etc.

Less Business

Most large clients have more than one broker. Is business really off or is your competitor getting more?

New Management

A merger or change in ownership is a true danger sign, but also may be an excellent opportunity for more business.

Five profitable clients and what I can do to re-build and/or strengthen the relationship (including bringing in other people and resources):

- I may be in danger of losing (client name): ______________________________

  Possible problems: ____

  Possible solutions: ____

  I'll implement these solutions by (date): ______________________________

- I may be in danger of losing (client name): ______________________________

  Possible problems: ____

  Possible solutions: ____

  I'll implement these solutions by (date): ______________________________

- **Add Value**

  You must keep figuring out ways to bring "more to the party ," services that would be difficult (or, ideally, impossible) for your competition to provide. Your competition, whether you're aware of it or not, is constantly soliciting your clients and prospects. Also, the bigger and better the business, the more they're soliciting it--probably with their best people.

  What advantages do you and your company offer? How many can you think of? It's critical you enthusiastically convey the features and benefits of your products, services, and your company to your prospects and clients to help sell them and keep them sold.

  Note: Often institutional prospects cite the reason for the account not being opened is, in the paraphrased words of a typical prospect, "I was not sold on the company's capability and expertise in my area of interest." Add the value of really knowing their business to your prospecting efforts and, of course, you're more likely to get the business. And also you may not get "beaten down" to rock bottom commissions!

- **Fill Needs**

  The three things your prospects say they want most:

  Integrity

  Personal contact gives you the best opportunity to demonstrate your integrity. A lack of integrity or believability is one of the biggest reasons why the broker does not "get the order." Please remember this: You must be believed to be heard!

  Financial Soundness

  You must demonstrate to your prospect that your company is financially strong!

  Knowledgeability

  The more you know, the more confident you will be. Confidence leads to enthusiasm. Enthusiasm leads to sales. One definition of selling is: "a transfer of enthusiasm."

  As you continue to develop your marketing plan, decide which marketing techniques fit your personal style, your comfort level, and maximize your particular skills.

1. **Personal Visits**

   Get together with your prospects either at your office or theirs, over breakfast (an increasingly popular business meeting), other meals, or for a drink after work. The asset "gathering" process includes personal visits (sometimes several). The personal visit gives you an opportunity to demonstrate integrity, believability, and credibility a lot more easily than over the phone. Therefore, instead of dialing for dollars you may want to dial for appointments. The personal visit should be structured, but not stiff. You should plan your meeting ahead of time. For example, ask yourself, what three things do I want to accomplish during the meeting? These might include: l) identify the prospect's needs, 2) determine what I have to do to "advance the sales process," and 3) what do I and my company have to do to earn this prospect's business. Note: To gather this information you must listen, really listen. You must ask relevant questions and write down your prospect's answers. Write them down in front of your prospect. P.S. Most prospects complain that most brokers don't listen and talk too much. **People like you best when they are doing the talking.**

In conclusion:

1. The majority of brokers who have personal written marketing and income plans succeed.
2. The discipline of writing your plan forces you to set goals, plan how to reach them and work your plan--the most reliable method of assuring your success. Also, as far as reaching your goals, a written plan helps build self-confidence which is vital because, when it comes to achieving your goals, if you think you can, you can! If you think you can't, you're right!
3. Measure your progress based on the benchmarks in your plan because **performance measured improves**.
4. Consider sharing your written plan with someone else (i.e., your branch manager, a fellow broker, your spouse) because **performance measured *and reported on* improves even more**.

Now to the task of actually putting your Marketing Plan on paper. Most people resist. Is it because you think you won't meet your goals and you don't want to fail? Most brokers who have a written Marketing Plan don't reach all their goals. So don't worry if you don't do it perfectly. The main purpose of writing your Marketing Plan is to get your subconscious mind to program you for more success. It's a strange phenomenon, but we become what we think about--even subconsciously.

DO IT NOW!

You've had a long, tough day, you're tired, you owe yourself some relaxation time, you'll start writing your business plan on Monday. Well, no, not Monday because Mondays are extra busy. You'll do it someday. Will you? Setting goals helps.

You'll be closer to your ultimate goal if you set priorities for your work time according to your goals. That's another reason goals are good, they keep you from wasting time. You must choose what you are going to do. You may want to say to yourself several times a day. **"Is what I am doing at this very moment moving me closer to reaching my goals?"** If it is not, you may want to change what you are doing and what you are thinking at that very moment. If you don't have specific goals, ideally written ones, how will you know if what you are doing and thinking is the best use of your time?

For purposes of this mini-business plan, to prove to you it works, let's confine the goals to three months.

First, you must examine your current prospects and clients. Ask yourself which of these prospects and clients have the most significant needs you can fill within the next three months thereby increasing your income.

My five best near-term (3-month) opportunities to increase my business are (list prospects and/or clients by name):

1. Name ____

The three things I must do first are:
____
____
____

(start date) ________________ (completion date) ________________

Approximate potential income: $ _______________

Analysis of Your Strengths

List five personal strengths and how they will help you reach your three-month goals:

1. Strength: ____

How will it help me reach my three-month goals?

____
(repeat four more times)

Analysis of Your Weaknesses

List five personal weaknesses and what you are going to do about them (so they won’t keep you from reaching your three-month goals):

1. Weakness: ____

What am I going to do about it

____

(repeat four more times)

You

Five reasons people should do business with me:

1. ____

(repeat four more times)

Your Company

Five reasons people should do business with my company:

1. ____

(repeat four more times)

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