



THE INDEPENDENT CONSULTANT

NEWSLETTER OF THE SMALLER CONSULTING FIRM SECTION

Taking a Six-Month Sabbatical: An Account of How It Can Be Done

by Jay W. Vogt

Not everybody can take a six-month sabbatical to live in a foreign country, or at least that's what many people told us. They also told us they were amazed and inspired by what we were about to do. In fact, so motivated by our plans was one of my busiest clients that she went out and negotiated a three-month sabbatical for herself!

Do you ever find yourself musing about taking three or six months (or longer) off but aren't sure how to make it happen? Here's how we did it, step-by-step.

1. Set the intention

It has always been a life goal of mine to live in a foreign country, and to learn a foreign language. My wife, Stephanie, was born and raised in Mexico, and she wanted to go back. And we had been telling our only daughter Camilla from day one that she'd someday be learning Spanish, one way or another.

2. Set the date

Life dreams have a way of slipping away. You just never get around to them. Plus Camilla was growing up. So we needed to just pick a date to go. Both of us had hated our seventh grade years, and talks with older kids and parents of teens confirmed for us that this grade tends to be a tough year.

If you're going to suffer anyway, we reasoned, why not do so in a foreign country? Plus it was, at the time, two safe years away. Lastly, we decided to go for just six months—from January to June, 2004—after giving our daughter a taste of seventh grade life.

3. Save the money

We, like many middle class homes, are a two-income family. My wife works part-time clearing energy in houses (www.spaceclear.com) and spends the rest of her time as an at-home mom. We decided to live just on my income and to bank hers for two years. We then set up a "sabbatical fund" for the purpose of saving her earnings for the trip.

4. Pick a place

We wanted to live in a place where Camilla could go to school and make friends. We wanted it to be in a Spanish-speaking country. Since we couldn't afford Spain, and my wife wanted to return to Mexico, we decided on that country. We'd visited San Miguel de Allende, a 16th century Spanish colonial city (30,000 residents back in 1775 when Boston had only 15,000!) and we loved it there. It is beautiful, mild in climate (high desert like Santa Fe), very Mexican, yet with all the

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Actuaries

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This newsletter is free to section members. Back issues of section newsletters have been placed in the Society library, and are on the SOA Web site, www.soa.org. Photocopies of back issues may be requested for a nominal fee.

The purpose of the section shall be to encourage and facilitate the professional development of actuaries at smaller consulting firms through assistance with the educational, research, networking and other special needs that arise in their practice.

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Editor's Column

Sink or Swim—Life in the Small Consultant Pool

by Ruth Ann Woodley

Several months ago, I left behind a promising future at a large insurance carrier to try my luck at developing an actuarial consulting practice. I had been with the same company since finishing college 11 years earlier, had worked my way up through a series of challenging and rewarding positions, and had developed strong affection for the company and many of my co-workers. Then an opportunity came my way to change all that—join a newly formed consulting company to build a health care practice from scratch. I took on a whole new set of risks and challenges, and found that I had no idea what I was getting into.

I am lucky—my company has an owner who believes in and is willing to invest in my ability to develop a profitable business, and work that's challenging and very rewarding. I have a work environment better than any I ever dreamed of with a very flexible schedule and short commute, helpful colleagues to give me feedback, and the added bonus of working across the hall from my husband! But soon I was looking for help and advice on such basic questions as: How do I set my hourly rate? How do I get data for analysis now that I don't have access to a large company's experience? How do I develop a list of prospective clients? What do I say when I call them? And how the heck do I change this printer toner?!? I had no direct experience with developing a value proposition and marketing plan, with building a network, or with the day-to-day details of running a business.

Solo or small company consultants need a support group to help with these kinds of questions, issues that don't come up in the lives of large company actuaries. I soon found that the Small Consulting Section provided

lots of useful resources through articles, SOA meeting sessions, and web casts that helped me start climbing the learning curve. And I was reminded of how supportive actuaries always are of each other when other consultants I met were *always* open with their experience and ideas. The section is looking for more ways to provide support to the community, such as the recent Local Networking Night in Boston.

As I start my term as editor of *The Independent Consultant*, I hope the newsletter continues to provide useful information to our readers. In this issue we're soliciting advice on how to handle study time for actuarial students, and we'll continue to use the newsletter as a forum for gathering such feedback. Please share your ideas with me about what tools and information you need, what questions you have for your peers, and what other services you would like to see from the section.

Thanks to the generous help of many other actuarial consultants, my practice is off to a promising start. Please help the section continue to provide that foundation for others, and keep the small consulting firm community thriving! 🍀



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Chairperson's Column

Practice What We Preach

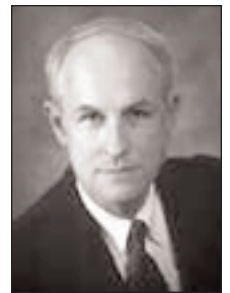
by Ian G. Duncan

The beginning of 2005 marked a move for me from New York to Hartford. I wanted to expand my firm, which is difficult (and expensive) to do in New York. We have a house in Hartford, which we used as a weekend home until this year, and rent in Hartford is about a third of that in New York. I was fortunate enough to find a commercial realtor who also happened to be a designer, and with her help, began searching for space. I finally settled on a factory that was being converted into “loft” type offices. (The building still has one of those elevators where you close the gate and manually aim to line-up the elevator with your target floor.) I moved before the end of 2004, while construction was still ongoing. I was the first tenant in

the new space, definitely an urban pioneer, but it has worked out well, as the picture shows: lots of light, hardwood floors and high ceilings.

This has been a learning experience, but it has also got me thinking about the consulting process. I was fortunate that my realtor, Karen Tomasko, took a consulting approach, anticipated my needs and helped to get them filled, including introducing me to and dealing with a number of contractors and vendors. Because I was still commuting to New York, it was difficult for me to manage the project, not to mention this being mostly out of my range of technical competence. Yes, I paid for the service, but it is not a payment that I begrudge; on the contrary, it freed me up to spend time with my clients.

How often do we insist on doing everything ourselves when a good consultant would be both cost effective and allow us to get the job done in a more timely fashion? There is an English expression (“penny wise and pound foolish”) that describes the propensity of many of us to insist on doing everything ourselves, whether we are the best qualified to do the work or not. And as actuaries who have passed many examinations, we assume that we are always well qualified, no matter what the subject. Bottom-line message: get to know your fellow smaller consultants, and think about partnering with one of them when they have the skills that complement your own on a project. 🧠



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pleasures of a thriving community of expatriates and artists. It worked for us.

5. Find a school

Originally we thought Camilla would go to an international school. But Mexico's best international schools are located in its industrial centers where we didn't want to live. Then we decided to home school her so we could live in San Miguel. Ultimately we found a tiny bilingual school with 35 students (in six grades!) that reminded Stephanie of the small private schools she had attended as a child in Mexico City. Everyone called it "Victoria's school," for the big, brassy lady who ran it, after living and teaching in San Miguel for 25 years. Perfect! Camilla's middle school teachers, administrators and counselors were very supportive.

6. Find a home

We visited San Miguel for a week on a "recon" trip one year before we planned to come for our sabbatical. I researched housing options extensively on the Web before we came, but we wanted to see the houses for ourselves. In fact, we viewed 15 houses in seven days. The house we rented was the last one we saw, with spectacular views from the rooftop terrace, plenty of space and a short walk to the central square. That week we also visited language schools (for me) and discovered Victoria's school.

7. Rent the house

Our biggest monthly expense is our mortgage. We had to rent out our house to cover the payment. Though a furnished house available for only six months seemed a quirky offering, we were hopeful. I built a Web site featuring pictures of our home and networked extensively with housing offices at area schools. Finally a friend suggested *www.sabbatical-homes.com*. That did the trick. Within one day of posting our house, an academic couple from Oregon coming to work at MIT rented our house for the exact six months we would be gone, at our asking price. They even had an only daughter just a year older than Camilla who would be attending the Concord schools. If she had been just one year younger, she could have taken Camilla's seat!



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8. Take the plunge

Since both I and my wife are self-employed, we didn't have to get anyone's permission to go. But we did have to say goodbye to our clients, and to trust that our work would be there for us when we returned. We had done this once before, many years ago, and it had felt very, very scary. But it had turned out to be kind of like pruning a plant: Old growth fell away, while new growth sprouted and bloomed. It had all worked out! So we took a big breath this time too... and jumped.

9. Hedge your bets

San Miguel is 90 minutes from a small international airport. I arranged to return four times during the six months for one- or two-day consulting gigs, at my expense. These trips kept some critical clients happy, gave us some cash flow, and made it seem that I hadn't completely fallen off the edge of the world. Other work that came my way I referred to capable colleagues, minus a 10 percent finder's fee. To everything else I said no or tried to get them to schedule it for my return.

10. Be open to miracles

If you're meant to do this, you'll encounter unexpected support along the way. While talking to a parent at Camilla's summer camp about our plans, I inspired a woman standing next to me to pipe in: "Mexico? San Miguel?" It turned out that she and her husband, who lived near us, had spent time in San Miguel only a year earlier, and for the exact six months of the year we planned. They too had an only daughter the same age Camilla would be, and they too had enrolled her in Victoria's school! What are the chances of that? Incidentally, they loved their stay, returning later to purchase a house there. Their story gave us great confidence that we were on the right track. And in fact, the experience was transformational for all of us in different wonderful ways.

So if you're dreaming, that's step one, and it's time to take the next step! 🧠

Part-Time Consulting: Do You Need an LLC?

by David S. Rintoul

You have decided to get away from the numbers, and follow your bliss by going to the Culinary Institute of America to become a pastry chef, but want to do some consulting on the side to finance your transition and pay for your toque and full set of balloon whisks. Or you may do some consulting to accommodate family demands, or as an adjunct to an existing job. If this is your situation, do you need to set up an entity through which to conduct your practice?

If you have a small part-time consulting practice, you may think you need to set-up a corporation or limited liability company. This article will discuss some of the factors you should consider in deciding whether you should do so. Anyone who spends more than five to 10 hours a week consulting, or who has a partner, should take the plunge and setup an entity. You can consult the articles in the last three issues to learn about some of the issues you need to consider if you do so. But what if you have a client or two? What are the benefits and drawbacks of setting up a business entity?

A future article will discuss the pros and cons of various entities, but for the purposes of this article, we'll assume you would setup a limited liability company, or LLC. LLCs give the protection from personal liability of an entity, but are taxed on a pass-through basis like a partnership. The factors we will be discussing, however, generally apply to all types of business entities.

- **Cost to Establish** Setting up an LLC is usually not expensive. In Connecticut, it costs \$60. You probably do not need a lawyer if you are setting up a single member LLC.
- **Continuing Costs** In Connecticut, there is an annual tax of \$250 - \$300 for most business entities. Annual or biennial reports, along with a \$75 annual fee, are also required. Your state probably has similar fees.



- **Taxes** Setting up an LLC will also bring you to the attention of the state and local taxing authorities. You can expect that the agency that administers any sales tax in your state will contact you shortly after you form the entity. We do not advise dodging sales tax when you know it is due. The issue of sales tax on professional services is frequently a disputed question, though. If you have a good faith argument that your services are not subject to sales tax, it makes sense to avoid even having a discussion of the issue, if you can.
- **Limitations on Personal Liability** The primary benefit of an LLC over a sole proprietorship is that it shields you from personal liability for the obligations of the entity. This may not be a benefit to most casual consultants. Liability for professional malpractice in most states is usually personal, even if performed through an entity. Also, if you don't have an office the public visits, or any open accounts with suppliers or service providers, there are unlikely to be other liabilities from which you would need protection. If you lease any office space or equipment, it is highly likely you will be



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Time to Raise Some Money?

When seeking financing, improve your chances by anticipating the questions you will be asked

by Michael Oleksak and Mary Adams



Raising financing from outside sources can be an attractive way to fuel growth in your consulting company. But it can also be an overwhelming undertaking if you do not have experience with financing. The task is more manageable, however, if you understand the process and have the right answers to the questions that financing sources will inevitably ask you. Here are a few good questions to consider (and answers too!):

First question: Why do you want the money?

This is the most basic and critical question.

If you are starting a practice, you are probably not going to get much interest in outside financing sources (beyond friends and family). If you need liquidity at this stage, you will probably have to use personal lines of credit.

As you grow, you will have more alternatives. Growth and liquidity are acceptable uses for outside financing of established companies.

If you have had a successful practice for many years and want to start cashing out, selling a share of your practice to outside partners is often possible.

What kind of financing do you seek?

There are two basic categories:

1. Debt, such as a loan or line of credit from a bank that carries interest. Debt is the most common outside source of financing for a small service business. The good thing about debt is that you do not have to give away any equity. Although, remember that at some point, the loan principal will have to be repaid in full.

2. Equity, where the money you receive will be recognized by some share (or maybe all) of the company's equity. Equity investors will seek a return in the form of dividends or through a liquidity event, that is, an eventual sale of their stock or the whole company. This type of financing is usually available only to companies with strong prospects of dramatic growth or a very unique product approach.

There are also hybrids, debt instruments that get a small equity or equity-like share to compensate for a loan that is somewhat more risky than a traditional bank loan. These are called mezzanine loans or sub-debt. Sub-debt lenders lend to companies that have good prospects, but do not look for "home run" returns that equity investors seek.

Are you a sole practitioner or small firm?

If the answer in your case is yes, you may be a candidate for some type of short-term line of credit. You may have to provide a personal guarantee or security in some form, such as a second mortgage. Having said that, we know a one-person firm that obtained an unsecured \$15,000 line of credit after being in business for two years. He uses the line to flatten out the ups and downs of his revenues and expenses. He did not have to put up security because his wife has a teaching job representing steady income.

Is your firm medium-sized to large?

If yes, lenders may be willing to offer a line of credit or loan secured by a pledge of the accounts receivable as well as other tangible assets in the firm. This advance on accounts receivable may be enough of a fallback for lenders to forego a personal guarantee or outside collateral to secure the loan. On the other hand, lenders ask three questions: What will you use the money for (use of proceeds)? How will you repay it (repayment source)? And if that falls short, how will you repay it (fallback)? So there may be a reason for additional support, especially if the cash flow of the business has been uneven. This kind of loan works best with a company where there is a clear deliverable so the receivables clearly represent completed work. In this type of structure, banks do not like to lend on service fees or percentage of completion revenues.

An equity investor would look at the revenue stream and calculate whether the profits of the firm are adequate to generate a good return on the equity investment in the firm.

Are you a service business or a product business?

Some companies in the actuarial world have developed software (CDMS) and/or online products (Pivot) to help their clients in their engagements. Lenders or investors may see more value in “products” like these than in service-only businesses. A software business is more likely to attract equity, especially if there exists potential for explosive growth.

Do you have a business plan or a good description of your business to provide to the lenders or investors?

Correct answer: Yes. The plan does not need to be long, but should explain your business, its history, who your clients are, what makes you different from other consultants, your growth plans, and how you will repay your obligations. This plan should be put in a neat package with all the information that the financing source has requested—the easier you make it for the source to understand your company, the better your chances of success.

“No” is a common but incorrect answer. Without a business plan, you lose the chance to share your vision of your business. Others will have to make assumptions about your business and the lack of transparency will reduce the perceived value of the business.

A few years ago, one of our clients, a 30-person technology analysis and consulting firm, was trying to raise subordinated debt. Their business was hard to understand and seemed riskier than it really was. But after presenting a clear business plan, they quickly obtained commitments for \$2,000,000 in financing. The business plan also helped them sell the business two years later to a well-known national IT consulting firm.

Prepare a good business plan and you retain control of the process.

Can you present a financial history as well as a reasonable look forward for your business?

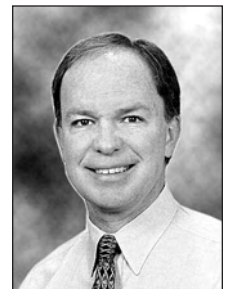
Correct answer: Yes. A lender or investor will want to see audited (best) or reviewed (good) financial statements. Tax returns may be adequate for smaller loans where collateral is also being offered to the bank.

It is also a good idea to have a set of financial projections going out two to three years. Many businesses prepare several cases: worst, best and most likely (although they often show just one case to outside financing partners). This type of exercise will teach you a lot about your own business. Be prepared to explain the assumptions underlying the projections. If you cannot demonstrate that your company has strong prospects based on reasonable assumptions, you will not get very far locating a financing source comfortable with your company. But if you can, your chances of success are strong.

When you are looking for outside funding, be ready to answer these basic questions about your company and your needs. These answers will first help you find the most appropriate financing sources for your need and stage of corporate development. Then, they will help you get the best deal possible. Ready, set, grow! 🍀



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Chairperson's Mid-Year Report to the Membership

by Ian G. Duncan



It has been a busy few months for your section council. As reported elsewhere in this issue, in this current council year, we have:

1. Sponsored a series of webcasts by Dave Miller on business development. The series had an average paid attendance of about 20, with maybe 35 to 40 total attendees (several sites had more than one person listening in). Response has generally been excellent. If you have ideas for future webcasts on business topics, let us know. And don't forget, it is still possible to buy CDs of the series online.
2. Thanks also to George McCauslan, our continuing education coordinator, for organizing our second webcast, about restricted lump-sums. This one takes place on May 10, 2005.
3. Those of you who have looked at the program for the Life and Annuity meeting will note that our section is prominent as one of the sponsors of the "Starting Your Own Business" seminar. This seminar will be repeated at the June meeting, and again in abbreviated form at the Annual Meeting in New York in November.
4. We held our first local networking night in Boston at the end of February, organized by Dan Cassidy. It was enjoyable, and I found the speaker (Ken Lizotte, who is a great friend of our section) to be full of helpful advice. Because of a major snowstorm, it was unfortunately not well attended, but that made the networking opportunities greater. We have a second networking night, co-sponsored with the Chicago Actuarial Association, on May 10. Those of you who live in the Chicago area, please make an effort to attend (the Blue Cross Blue Shield facility on the lakefront is worth seeing, if you haven't been there before) and encourage others to do so. We are continuing to look at potential future meetings in New York and Toronto. If you would like to organize a local networking night in your city, let us know!
5. One of the goals I set for my year as chairperson was to improve the relationship with the Conference of Consulting Actuaries. I am pleased to say that the CCA has co-sponsored several of our continuing education events, including the "Starting Your Own Business" seminars. In the future, subject to agreement of the different councils, we will each invite a representative of the other organization to our council/board meetings. We are committed to improving the relationship by encouraging members to get to know each others' groups by membership or attendance at each others' conferences, etc.
6. All of these activities are in addition to the ongoing work that we do, such as publishing the section newsletter, responding to SOA initiatives, etc. On the SOA front, we welcome our SOA Board of Governors liaison, Tom Bakos. Tom is a smaller consultant, who has written extensively in *Contingencies*, including articles on protecting intellectual property. We welcome his attendance and help as we grow our section! 🍀

Winner—What Was Your Best Investment as an Independent Consultant?

by Ruth Ann Woodley

Regular readers will remember that in 2004, *The Independent Consultant* ran a contest asking people to submit their answer to this question. Answers ranged from important office space and supplies to critical staff and vendors, to marketing expenditures. We recently chose a winner, Pritesh Modi, whose best investments were a subscription to the *Wall Street Journal* and a good business suit. Pritesh is a consultant with Tillinghast, a business of Towers Perrin, located in their Simsbury, Conn. A graduate of Drake University, he has been with the firm for about six years, specializing in embedded values, mergers and acquisitions, and risk management issues, with a particular focus on variable annuities. Congratulations, Pritesh!

The complete list of entries is below—if you have ideas to add, send them to the editor (Ruthann@ruarkonline.com) and we'll publish more!

1. Quality office space.
2. A color laser printer.
3. Customized, professional logo.
4. A professional Web site.
5. Hiring an image consultant.
6. A subscription to the *Wall Street Journal*.
7. A good data analyst who is adept at using Excel, Access, FoxPro, etc.
8. A good administrative assistant.
9. A few well-fitting business suits.
10. Good people, good people, good people.
11. I would consider my hiring a PR professional to be the best \$10,000 I ever spent. I have kept him on retainer since hiring him and would encourage any other actuary to hire a PR person. Getting published allows me to establish credibility instantly with new prospects. With a small firm, this is critical to getting hired. Also, hiring a PR professional gets you to think about your business in ways that we as actuaries typically don't do.
12. An automatic three-hole punch machine. Why? Well, one of the things that I didn't realize getting into this business is the volume of information that you need to

gather and have at your fingertips. My three-hole punch has allowed me to collect and store information in tabbed three-hole binders that stretch the length of my filing cabinets (about 20 feet). It kind of reminds me of the auto parts catalogues before computerization. Anyway, with all the information that I have punched over the last seven years, I am thankful for this machine that makes my information library possible.

13. A travel budget. After all, you have to go out and meet the clients at their locations (and if you are lucky, buy them lunch!)
14. A bank line of credit: After thinking about the normal capital items, I realized that my best investment in my business, in the early years back in 1993, was the activation of a secure line of credit through my bank. In Canada, a secure line of credit with a maximum dollar limit can be secured by using your home as collateral. You can then use your line of credit checks for any purchase without having to deal with a loans office at the bank. Besides, what bank is going to lend money to someone who is setting up their own business with one employee and no desire to grow? The interest cost varies monthly based on the prime lending rate, the interest rate is quite reasonable and less than an unsecured loan rate, and the loan can be paid off at any time. It has been very useful, especially in the early years, for periodic major purchases and cash-flow consistency when receivables were slow in being paid. The cost was about \$500, since the line of credit is equivalent to a mortgage loan and the same legal steps must be followed. However, it was certainly worth the cost since it erased the concern about any short-term financing and allowed me to concentrate on my marketing and my work.
15. Quickbooks, and pre-printed check stock. We look like a "real" business with these! 🍀

**I would consider
my hiring a PR
professional to be
the best \$10,000 I
ever spent.**

How Does She Do It?

Tips from the Best Networker I Know

Karen Piacentini interviewed by Ruth Ann Woodley

Karen Piacentini, Uniprise's vice president of network solutions, is easily the most effective networker I know. She is able to meet anyone, anywhere, and within minutes come up with mutual interests and acquaintances that build into a relationship. In settings from business functions to the airline clubroom she effortlessly makes connections that result in opportunities for herself, the people she meets, and her many friends and associates. This skill is partly a result of her outgoing personality and endless supply of energy, qualities I will never be able to match. But I've learned over time that there is more going on here, and I decided to find out what it was. I did some networking of my own with Karen, and here's what we discussed.

RAW: Clearly one reason why you are able to connect people so often is that you have such a large number of acquaintances to draw on. Do you have some sort of mental, paper or electronic system to help you keep this information organized?

KP: My PDA is my best friend. However, I do have a system, as well. Periodically, I make a list of everyone I know and how I am connected (how did I meet them) and I keep this on a spreadsheet with all of my contact information. If you start with your holiday card list, include all of your business associates, and then add the people you've been introduced to in professional meetings etc., you'll be surprised at just how many people you know! My goal is to have at least 100 names of people that I am comfortable calling and then add to that the people they introduce me to.

RAW: It's not unusual for someone who's had a successful career to have a large number of past and present business associates to draw on, but you are able to meet people in many different settings and build great personal and business relationships with them. I sometimes am too shy to reach out to strangers in different settings—how do you overcome this?

KP: Networking is a developed skill. While I am a natural born extrovert and genuinely love meeting people it also takes some practice to become natural. Part of the success of networking is feeling confident enough to share something about yourself. I've found that being vulnerable helps other people open up, too. Effective networking also takes doing some homework and learning enough about the person you are networking with that you can genuinely share information. With new networking contacts, I prepare a set of questions in advance. Networking doesn't have to be like making cold calls. Start with the people you know well and are comfortable talking to. Then, ask them if there are other people they can introduce you to, or even meet together. From there it snowballs.

RAW: I've known you to come away from relatively brief conversations with a deep understanding of what a person's interests or business are, and then quickly use that to connect them with others they can help or be helped by. Are there certain things you ask or look for as you're getting to know someone that help you do this?

KP: As I talk with someone I am looking for ways to connect. It really is true that we are all connected! If I am aware of a connection, I bring it up right away so the other person feels connected with me, but sometimes it just takes some exploring. Recently, I was sitting next to an older woman on a plane and somewhere between California and Chicago she said she had sons who had gone to school in Claremont, Calif. It turns out that her son was one of my best friends in college. So, we had a connection. As we got reacquainted (I had actually been to their house one summer), she described her current job as an independent travel agent who arranges custom travel. I mentioned that we were thinking of going to Machu Piccu; she outlined an itinerary that she had used and I was converted from a, "well, maybe I'll go," to a, "I can hardly wait to go" traveler. I called her when I got home and

she made all of our travel arrangements and our trip was perfect!

RAW: Related to your ability to understand people's "exterior" features like work needs, you also are able to understand very well what makes someone tick. I've seen that make you more effective in working with and relating to different kinds of people, and also in knowing which of your contacts will "click" together. Besides real-world experience, are there specific things you've read or studied that helped you develop this skill?

KP: I try to be conscious of who gets along well naturally and connections or interests they might have and might not be aware of. Some of my networking skills are the same skills that I would use to put together a party list: mix people with similar interests with some who don't, but be conscious of the real differences that may exist so that everyone has fun.

RAW: You help other people make connections for their own benefit as often or more than you do for yourself. Is this something you consciously think about, or does it come naturally?

KP: Part of building a strong network is establishing an even broader net by connecting other people. I think I do this instinctively, but there is a method to my madness as well.

Since I rely on my network to connect me to other people, the strength of my network is also dependent on how successful I am at connecting others.

RAW: How much of your career success is a result of networking? Do you think of it as something you need to consciously cultivate, for example, spending a certain amount of time on developing these contacts?

KP: I absolutely attribute much of my success to my network. Virtually every position I've ever accepted has been through personal contacts. I've worked with recruiters and had offers extended through executive recruiters (who are definitely a part of my network), but I have always ended up accepting positions that I have learned about through a personal contact.

I do make it a goal to have at least one network call/lunch or dinner each week.

One friend of mine also makes it a habit to call everyone on her network once or twice a year. She starts at the beginning of the list and makes one call a day until she works through the entire list and then goes back to the beginning. I'm not quite that organized, but I do consider networking an important part of my professional development. 🍀

Part of building a strong network is establishing an even broader net by connecting other people.

Best Practices Survey— Actuarial Student Study Programs

As part of the Smaller Consulting Firm's mission to provide information and resources to our members, we will be asking you to share some best practices for publication in *The Independent Consultant*. This issue, we'd like to know how those of you with actuarial students on staff handle study programs. Do you provide study time, and if so how much? How flexible is the time—can you allow students to miss several days of work just before the exam, or does the time have to be spread out more? Do you pay for all study materials, keep a library of materials for the firm, or require students to support any of those costs? How about paying for exam fees? Do you provide bonuses and/or automatic raises with passed exams?

Share with the editor (ruthann@ruarkonline.com) your practices about these and any other student study issues, and if applicable what you've learned NOT to do from past practices. As with the "What Was Your Best Investment" survey, we'll send a prize to the best response! 🍀

Effective Writing:

Avoid “Writer’s Fright” and Increase Visibility and Profits

by Ken Lizotte, CMC

Yet mental blocks to getting started are widespread, so much that a publishing strategy often never gets going thanks to what I call “writer’s fright,”...

It’s a proven fact that great benefits derive from employing the publishing of articles or books as a business development strategy. Recent research shows that companies emphasizing publishing and media as a central facet of overall marketing efforts also rank high on lists of “most profitable” firms versus competing firms that don’t bother with such strategies.

Armed with this knowledge, the motivation to publish should be great. Yet mental blocks to getting started are widespread, so much so that a publishing strategy often never gets going thanks to what I call “writer’s fright,” or the great fear that one’s writing efforts will ultimately fail due to inadequate personal abilities that can never be improved.

Yet you don’t have to be a Hemingway to write and publish articles, or even a book. You just have to get started! If certain careful steps are followed, the initial decision to produce an acceptable finished manuscript can advance from early hopeful idea to the validation of seeing your expert notions in print. Here are the steps in detail, with advice as needed along the way:

1. **Decide what article or book you want to write.** Make sure your writing project will be consistent with your marketing objectives. Does your firm produce a software product that addresses a financial need? If so, focus your topic on that need. Is yours a service that customers are constantly looking for, maybe sales skill-building training? Write about the value of sharpened sales skills in increasing the sales-closing ratio. Remember your article cannot be a glorified advertisement (those are something you pay for) but it CAN (and should) explore an issue of concern to your readers.
2. **Are you an “outline person”... or NOT?** Some of us (like me) work up only the skimpiest of outlines before sitting down to write. But others feel more

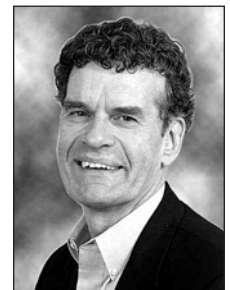
comfortable with a detailed overview in order to be sure they know what they want their article or book to look like. Know the category in which you belong. If you’re an Outline Person, you’ll feel much better working through that mental exercise before getting your first draft started.

3. **Is there research involved?** Some articles will magically write themselves, pouring out of the head of an author who is full of experience and knowledge. Other articles require checking on facts, anecdotes, supplementary information. Perhaps a few interviews with experts in your field or within your company or even your clients would ensure your article makes its case. Books in particular usually require research of one form or another, so do what you need up front to feel confident you have the raw material necessary.
4. **Ready to write!** Inexperienced writers often bog themselves down here by attempting to lay down each word, phrase, sentence “perfectly.” They only want to move on to the next sentence or paragraph after reworking the first again and again. The labor and frustration of this ambition tires out the neophyte writer, leaving him/her in a state of exasperation. Giving up is often the result, with the writer never returning to this project or any other.

Instead, try this technique: Bang out a very rough draft as quickly as possible, as if you’re working up an overdue e-mail or memo to your staff, and you have to get it out NOW. Worry not about how it reads, just get that information in your head into a Word document as quickly as you can. Ninety percent of what you need to write will pour out in very logical order, probably closely following your outline. When you’re done, you’ll have your “first draft.”

5. **Revise, revise, revise.** Having completed the “heavy lifting” of your first draft, you may now settle back and have some fun. Start by second-guessing your sentence structures, word choices, order of ideas, etc., trusting your gut and enjoying yourself. Play around with sections, move them around, delete, expand, check your facts. This can be a relatively painless stage in the process, if you let it. You are still not trying to be Hemingway, but by improving the clarity of your prose, you’ll be inching yourself in his direction.
6. **“Show, don’t tell.”** As you revise, look for spots in your article or book where you can be more descriptive. Often inexperienced writers (e.g., executives, professionals, business experts) forget to help the reader actually “see” the concepts being described. For example, an article about cell phone problems might illustrate its points with anecdotes of users’ phone conversations showing how they get interrupted or beleaguered by static. My example here is an example of “Show, don’t tell.”
7. **Dispense advice.** If you have not included a section on prescription in addition to your description of the issue/problem, now is the time. Though this article is almost totally prescriptive, most articles are not, and inexperienced writers, caught up in the enthusiasm to explain the concepts, frequently forget to include at least a few tips and action takeaways near the end, even though readers by now are likely craving them. Prescriptions help readers know what to do with the information the article or book is giving them.
8. **Check your word count.** Each writing project will demand a different manuscript length, but don’t worry about this until now. Otherwise, you will bog down again in that same frustration loop described in #4. But at this stage, you have recorded the guts of your topic, so that (if too long) you can now chop out unnecessary words or redundant passages, or (if too short) you might expand your explanations or examples, allowing yourself to say more than you thought you had room for.
9. **Get some feedback.** Solicit from a trusted friend or colleague or (better yet) professional editor constructive commentary, then incorporate what makes sense to you before you submit to your waiting editor. One word of caution here: Do not solicit too much! If you ask 100 friends for advice, you’ll get 100 different suggestions. More and more feedback will not make your writing bullet-proof, so at some point you must declare yourself done and plunge into the abyss, i.e., submit your “finished” draft to your waiting editor and find out what she or he thinks. Scary, but not possible to avoid.
10. **Submit with humility.** A helpful attitude to adopt as you deliver your work to your editor is “Now I’ll find out what’s WRONG with it.” This way, you prepare yourself for the inevitable request to revise, and thus will be ready to jump back in and do yet more work on your masterpiece. Thankfully, this will NOT entail a lot of extra work, but fairly standard changes aimed at making your manuscript acceptable for publication and as clearly communicative to your readers as possible. So get back to work one more time and breathe a sigh of relief: you are 99 percent there, the acceptance of your manuscript is finally in sight.

By following these steps, you can subdue and eradicate your “writer’s fright” and generate articles, books and media attention on a regular basis. As this happens, your confidence in your writing will grow as will your skill. Despite earlier frustrations or failures, effective writing will become an ingrained professional skill, spurring higher visibility for your firm, and based on the experience of those who have tried it, higher profits as well. 🍀



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Your Business Development Checklist For Success

by David C. Miller



Are you ready to capitalize on promoting your consulting practice? Is everything in place for you to attract and convert more clients than you can handle (a great problem to have)? Do you have a systematic approach for marketing and sales that will bring clients to you? The following 10 questions provide a checklist to see if you're ready:

1. Do you have a clearly defined destination?

It's not much fun to do a lot of work growing your practice only to realize that you're not happy where you've ended up. Develop a crystal clear vision and purpose for your business. For example, how many clients do you want? How much revenue do you want or need this year? What types of clients and assignments are ideal for your practice? Your goals and strategies will flow much easier from a place of clarity.

2. Do you know who your ideal prospect is and what solution you're offering?

What is the profile of your ideal prospect? What problems do they have that would make them want your services? What solutions can you give them that exactly meet their needs? What types of prospects would you really enjoy working with? Getting clear on what you're selling and who you're selling to will make it easier for you to focus on qualified prospects and make it easier for prospects to find you!

3. Can you clearly establish and communicate what sets you apart?

Get clear on what makes you different from others who do what you do. Do you have a unique approach, process or model that you utilize? Maybe you're a specialist in a particular niche. Your track record or client list may be what sets you apart. You must answer the question "Why should I hire you versus someone else?" even if your prospect doesn't explicitly ask it.

4. Do you have a marketing message that gets attention and interest?

When someone asks you "What do you do?" do you answer in a way that identifies the problems you solve or the solutions you provide? Rather than spouting off a rehearsed commercial, do you engage the listener in an interactive dialogue that makes them want to know more?

5. Do you have a way to keep in touch and further qualify prospects?

Do you have a way to keep in front of your prospects on a regular basis? So much of success in business development depends on timing. Treat marketing as a process rather than an event. Stay visible to the prospect and continue giving them information to help them get comfortable and excited with the idea of working with you. Then when they have a need, you'll be top of mind.

A great tool is a newsletter or e-zine where you can provide valuable information. Further qualify your prospects by offering a free report. Those who request it are most likely worth following up with first.

6. Do you have a follow-up strategy that invites them to set up an appointment?

It's been said that "the gold is in the follow up." If you're not systematically following up with prospects, you're missing out on massive business growth. You can invite the prospect to explore working with you by phone, mail, e-mail, e-zine, etc.

7. Do you have a method of structuring a conversation that simultaneously builds rapport and enables you to thoroughly understand their needs?

Once the prospect is in front of you, do you have an approach to understand their needs BEFORE you present your solution? A prospect won't buy from you unless they trust you. How can they trust you if you haven't taken the time to fully understand their challenges and explored with them a desired result?

8. Does your approach include giving them an offer they can't refuse?

Do you give the prospect a compelling offer that motivates them to take action? I've seen countless brochures and Web sites that leave this part out. Along with the promise of great results, do you offer a free demo/consultation or a guarantee to reverse the risk? Think about how you can make your invitation completely irresistible!

9. Are you providing such great service that referrals naturally flow your way?

Are you providing extraordinary value to your clients so that they want to refer you? Do you consistently deliver great results?

10. Do you have a winning mindset, leaving success no place to hide?

Do you have the tenacity, persistence and wherewithal to execute your business development plan? If you do, you realize that business development takes an investment of time, energy and money. You're willing to make that investment and stay the course in the good times and the bad.

So how did you do? Are there items on the checklist that are missing from your marketing? Are there other items that need to be upgraded? A little improvement in each of these areas will significantly enhance your business development results. 🍀



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Building Your Own Business Seminar to Be Presented at SOA Meetings



Have you ever thought about starting your own business someday? Attend this seminar at the SOA Health/Pension Spring meeting (June 15-17, New Orleans) to get an overview of what it takes to get started. Obtain insights from actuarial entrepreneurs who have started their own businesses. Speakers include actuaries and other business professionals specializing in health insurance, pensions, as well as other disciplines and non-traditional areas.

Discussion may include:

- Determination of services to offer customers and marketing approaches
- Billing (invoicing) and financial (expense) management of the business
- How do you know whether or not your business plan is working?
- What insurance coverage should one buy (e.g., professional liability, general liability, employee benefits, other)?

- What are your resources (e.g., legal issues, technology, outside industry data sources, Internet, disaster recovery back ups)?
- Managing the intangibles, such as the day-to-day challenges (highs and lows) of the business

At the conclusion, attendees:

- understand the general issues and steps involved in starting a business
- gain insights to specific business considerations from various specialties
- are better prepared to face the challenges of starting a business
- participate in informal networking with colleagues

The session is co-sponsored by the Smaller Consulting Section, the Actuary of the Future Section and the Conference of Consulting Actuaries. It will be repeated during the SOA's Annual Meeting this fall in New York, so look for it again there. 🍀

required to give a personal guarantee anyway.

- **Using a Trade Name** You can use an LLC to operate under a trade name. In most states, however, you can achieve the same thing by establishing a d/b/a. In Connecticut, you can do this by filing a Fictitious Name Certificate with the local land records office. If you have concerns about giving out your social security number for tax identification purposes, you can get a tax identification number for a d/b/a separate from your personal Social Security number by filing a Form SS-4 with the IRS.

Creating more paper and complexity by setting up an LLC is not always necessary. Actuaries who have a small practice, and intend to keep it that way, may not need to set

up any sort of entity. Instead, you can use your time to keep your day job going strong, help your child master long division or practice at home so you can ace Soufflés 101 at the Culinary Institute. 🍴

Note: I will be presenting at the “Starting Your Own Business” seminar in New Orleans at the Life Spring Meeting in May and the Health Spring Meeting in June. I hope you will be able to attend one of the meetings. Please send me any topics you would like me to discuss.

Author’s Note: This article only addresses general principles of law. You should consult qualified legal counsel admitted in your jurisdiction to determine how any of these principles apply in any individual circumstance and under a particular state’s law. Feel free to send any comments or legal or business questions that you confront in your practice and they may be subjects of future columns.

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Special note: Meet the authors at a book signing at the Spring Meetings in New Orleans! 🍴