

MDRT's Fiscal Philosophy Talking Points

Below are talking points designed to help you answer questions you may receive in your capacity as a member of the MDRT Finance Committee.

What is MDRT's fiscal philosophy?

- a. Thank you for your inquiry regarding MDRT's fiscal philosophy and strong financial position. MDRT's member leaders and staff are proud of the thoughtful stewardship MDRT has demonstrated on behalf of our members for many decades. And, we have done so while continuing to provide outstanding service to our members worldwide.
- b. I am happy to address your concerns and to offer some insights into MDRT's fiscal philosophy. One of MDRT's core beliefs is that providing unparalleled member service and value to members for dues paid is our top priority. MDRT exists to serve its diverse members around the globe by providing premier meeting experiences, a prestigious brand with which to affiliate, numerous leadership opportunities, membership communities in which to participate both virtually and in person, and print and digital resources to help members grow in all aspects of their lives.
- c. MDRT's fiscal philosophy is conservative by design. The annual operating budget is set based on a number of factors, one of which is the projected membership number each year based on global intelligence gained from MCC members, company contacts, industry information and staff input. Each year, MDRT must attract a critical mass of members to carry out its mission on behalf of its members. In 2020, that number is 65,000. The good news is that in recent years the actual number of members who have joined MDRT has surpassed our budgeted amount. The excess income is used to fund other value-added projects, create new member benefits and offerings, enhance our infrastructure, develop our professional staff and/or is added to our investment portfolio.
- d. The key is balancing the anticipated number of members who will join MDRT in a given year with the budget necessary to provide a high level of benefits and services to our members. Each year is a new year and there are no guarantees as to the number of members who will join in a given year. And, as we have seen in recent years, economic volatility, global politics and an ever-changing financial services industry have combined to create an uncertain world for all of us, MDRT included. Unfortunately, we only have to look back a little more than 10 years to find evidence of that. In 2009, MDRT's membership dropped from a then-record high of 39,451 in 2008 to 31,963, a decrease of 19 percent. While MDRT anticipated a decrease in membership for the 2009 membership year based on world economic conditions, we underestimated the impact the economic downturn would have on membership and, as a result, were forced to reduce spending in key areas to avoid producing an operating budget with a deficit, a minor miracle given the circumstances.

- e. Given that experience and today's realities, MDRT has adopted a thoughtful, conservative approach to budgeting and spending that is designed to avoid repeating the 2009 scenario and to sustain MDRT well into the future while investing in ways to provide added value to the membership experience.
 - f. We hope the above has fully addressed your concerns and that you have a better understanding of our fiscal processes and philosophy. Be assured that your Executive Committee, Finance Committee and staff are committed to acting in the best interest of MDRT and our members by being fiscally responsible and transparent in all of our financial decisions.
- Why does MDRT have so much money in reserve and what does the organization plan to do with it?
 - a. We are fortunate to have had great years on all counts from 2011 through 2019, which includes our finances. You are correct, we have been able to contribute tens of millions of US dollars to our reserves during that time, due, primarily, to larger than anticipated membership and meetings attendance, as well as outstanding performance of our investment portfolio. While MDRT's objective is not to accumulate wealth for the sake of accumulating wealth, substantial reserves are an important part of our fiscal philosophy. Reserves are used by associations globally for many reasons: to offset a hardship (lower than anticipated membership or meeting attendance, global or regional economic downturn, etc.), to take advantage of an opportunity (buy an asset, acquire another entity that adds value), to invest in the organization on behalf of the members (create new products/services/benefits), to offset a costly legal issue (whether plaintiff or defendant), and to provide the impetus to take calculated risks on behalf of the members. Just as our members advise their clients that saving is the right thing to do, we believe that acquiring a significant amount of reserves is a responsible action to take on behalf of our members. Further, our reserves are allocated, based on an approved formula, in key functional areas to help ensure that MDRT is able to function and provide benefits to our members, in spite of a short-term economic hardship.
 - b. In addition, MDRT's Executive Committee and senior staff have been engaged in a strategic planning process, targeting various segments within the membership, which has and will continue to fundamentally change the way MDRT does business and will add significantly to the value proposition of membership via new offerings and benefits. We anticipate investing some of our reserves to develop and sustain these new offerings in the developmental phases. Without substantial reserves, MDRT would not be in position to make such an investment in our members and in our collective future.
 - We are spending quite a lot of money on staff, salaries, international support, office improvements and headquarters costs. Who is monitoring these expenses?

- a. Our headquarters staff, led by our CEO, Steve Stahr, operate conservatively, transparently, and in the best interests of MDRT and its members. Every expenditure you cited was wholeheartedly endorsed and approved by the Finance Committee and the Executive Committee, per our policies. All requests for expenditures over USD \$10,000, whether suggested by members or staff, must follow the same approval process, which mandates that each be considered by the Finance Committee and Executive Committee. Rest assured, the Executive Committee and Mr. Stahr are well aligned on our expenditures and our fiscal philosophy.
 - b. Our headquarters staff is among our greatest assets and our greatest vehicle through which we deliver value to members. We have made significant changes to our staff organizational structure and increased our staff support in key areas in anticipation of delivering new membership offerings that will result from the strategic plan. Further, we have invested in staff training and development to better serve our members.
 - c. Our headquarters improvements, which were long overdue, were also approved by the Finance Committee and Executive Committee.
 - d. The international support expenses are directly tied to delivering value and benefits to our approximately 64,000 members who reside outside the United States. This includes: translation and interpretation; member and staff travel; legal fees to protect our trademarks; and fees paid to MCI (an association management firm with whom MDRT contracts to assist outside the United States with providing value) and our China office for delivering benefits; maintaining communications among members, prospective members and companies; as well as helping members and company representatives complete membership applications and meeting registration forms.
- The financial statements do not give the total amount of the reserves, but a simple calculation over the last couple of years would show that the reserve amount is in the tens of millions of US dollars. How much money is in the reserves?
 - a. You are correct. Our investment portfolio's balance as of 12/31/19 totaled more than USD \$106 million, which represents outstanding fiscal management, as well as decades of savings and interest income. As mentioned above, MDRT has substantial reserves for good reason and we anticipate applying some of those funds to deliver greater member value through new offerings.
 - Perhaps, given our investment portfolio's size, the Executive Committee should consider reducing our membership dues.

- a. Unfortunately, reducing member dues is not something the Executive Committee is going to do. Dues represent about 2/3 of MDRT's revenue and are set at an appropriate level to provide the funds needed to achieve our mission on behalf of our members. As mentioned above, each year MDRT must attract a critical mass of members, each of whom must pay USD \$550 for MDRT to be able to provide the level of services and offerings of which our members have become accustomed. Each fiscal year stands on its own, regardless of the reserve balances, and the budget for each must balance on its own. Therefore, a reduction in dues is not possible.
- b. We believe the Executive Committee, Finance Committee and staff have been, and will continue to be, good stewards of our members' dues money. We have been thoughtful and transparent in our fiscal policy, in our budgeting, in our savings and in our expenditures.
- c. We are proud to have been able to provide MDRT-caliber products and services, to enhance our staff support and capabilities, to invest in our infrastructure, to apply resources to increase membership to an all-time high in 2020, and, yes, to add to our reserves, while steadfastly adhering to our internal controls/policies and maintaining membership dues at a consistent level since 2010, despite the annually increasing costs of doing business, globally.

Thank you.