

E L I X I R

C O N S U L T I N G

BUILDING YOUR BUSINESS ON TRUST

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The key to being an excellent Financial Planner lies in the ability to communicate well, and to create trust with a client. It is one thing to be technically competent in financial markets, portfolio management, investment strategies, taxation and so on, but these skills can be rendered worthless if an adviser is unable to develop trusted relationships with their clients and be proficient at communicating, what are often complex strategies, in terms that are easily understood and valued by each individual client.

There is a large gap in our industry in the education provision for new and existing financial planners – in the area of sales, communication and relationship skills. These are not areas covered in the statutory education requirements (PS 146) – in fact, they are not even covered in the curriculum to become CFP – the highest designation available to our industry! Whilst “sales skills” are specifically excluded from CPD accreditation, the skills of establishing relationships, identifying client needs, presentation of strategies, and interpersonal communication skills are. Thankfully, we are seeing a trend back towards a focus in this area in CPD training, but unfortunately, this “human” side of advising clients is still often overlooked in initial and ongoing training plans for advisers.

That said, the old-style, cheesy sales techniques that may have been taught in the past should stay right where they are – in the past. Many experienced advisers will remember theories such as “Find the client’s Hot Button and just keep pushing it until they sign up” , and the “ABC of selling – Always Be Closing”. There is no place for this style of training - our industry has strived to move away from its early roots of high pressure insurance sales and is now firmly focused on educating consumers about the need for good quality financial advice. We have come a long way through regulation to change the way our advice is presented and documented to clients, and we must now change our thinking on the way we present that advice to our clients.

Assume you needed to go to a Lawyer to seek advice about structuring your business – and she recommends a combination of a company and trust structure to protect your family’s assets. Or perhaps you go to your Doctor seeking advice on that niggling problem that’s been worrying you and he recommends a particular course of treatment.

Do you consider that you have been involved in a sales transaction?

Your clients come to you for advice on their financial situation. Where is the difference?



There are still some financial advisers in our market who have not moved their processes or techniques away from a superficial client relationship. I see this especially in advisers who have always had good sales figures in gaining new clients. A good salesman can get a client to sign on the dotted line and complete a transaction — and very good ones can continue to do this over a period of years with the same client. However, many advisers are now seeking to re-train themselves to take their client relationships to another level that is more mutually beneficial and enjoyable, and to do this, they need to “unlearn” some bad habits.

Why is it important to develop these skills at all? Surely so long as you can satisfy the “know your client” rules and provide the client with a compliant SOA that details a suitable course of action, you’re doing your job?

The answer lies in why you are a Financial Planner? What do you want from your career?

If your objective is to assist your clients to improve their financial position in life, and by doing so improve your own — indeed, if it is ultimately to build a successful business, then these skills will assist you to build significant further value in your business — for yourself AND for your clients.

Let’s define what makes a successful business. A successful financial planning business is no longer purely defined by its FUA or FUM — nor purely revenue. Rather, it is a firm that is successfully delivering their Client Value Proposition (CVP) to their clients in a cost effective manner, essentially:

“A profitable business with ecstatic clients who have strong relationships with the firm”

For those of you who think altruistically first, you will focus on the “ecstatic clients”, others will focus on the “profitable business”. That’s okay — I say you CAN achieve both.

Gone are the days where retiring Financial Planners are getting five or six times recurring revenue. With the average age of planning Principals at 55, the supply/demand ratio will tighten these values further. Did you know that a recent survey by Business Health found that one in two advisers expect to retire in the next five years?

When it comes to purchase prices we are now also looking for service contracts and systemised businesses with robust procedures — and these are also very important tools to develop within a business (and a topic for another paper) — but the bottom line is, you will be able to create more profits and have happier clients if you can have fewer clients with greater revenue per family group.

You don't need to go looking for the High Net Worth client to do this — you can achieve it by deepening the relationships you have within YOUR ideal client market. Or in old speak, getting greater “share of wallet”.

Quite aside from the business value of deeper client relationships, advisers also find that the quality of advice they can provide their clients is greater because they are privy to a better knowledge of their client, and they understand ALL of the issues they face. This of course leads to longer, often inter-generational relationships, and a better financial outcome for their clients. So how do you develop strong relationships with clients?

Put simply, our client relationships need to be based on trust.

Trust in your technical abilities.

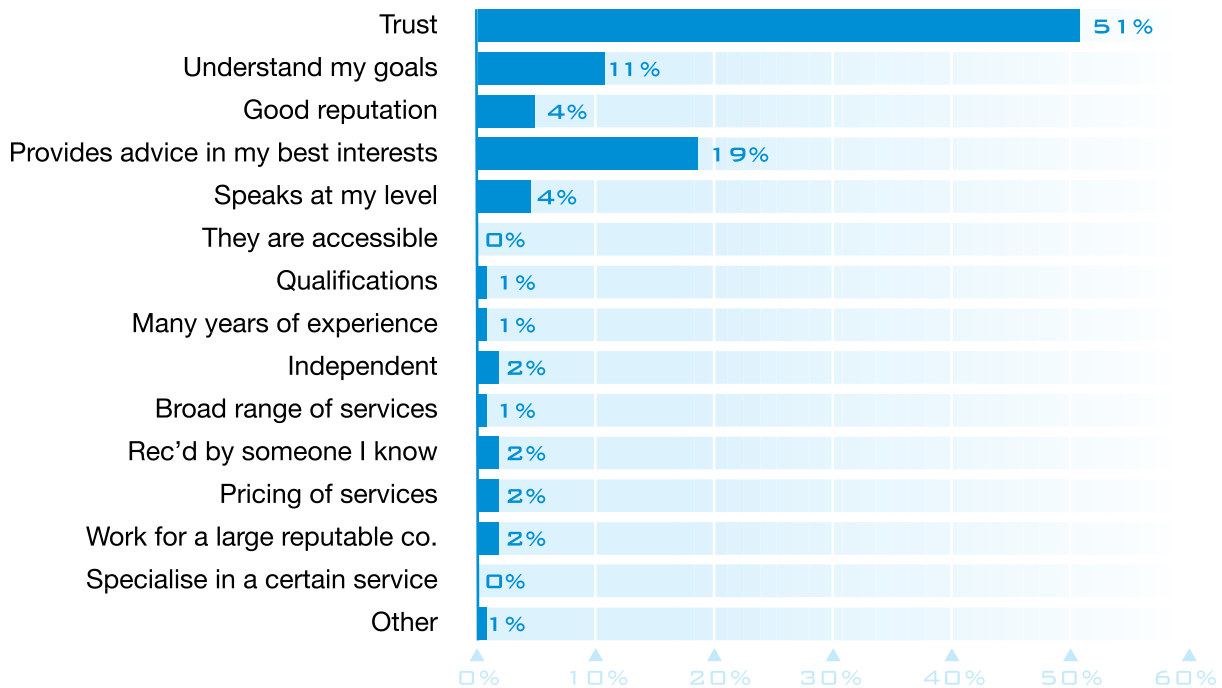
Trust that you have their best interests at heart.

Trust to disclose all of their information — both financial and personal (and let's face it, the two are rarely mutually exclusive!).



A number of years ago, Investment Trends/Credit Suisse completed a survey and asked consumers what they looked for when choosing a Financial Planner. The results were as follows:

Most important factor when choosing a planner



Source: Investment Trends/ Credit Suisse

Clearly, Trust is the single most important deciding factor when looking for a financial planner. Further, the survey also discovered that 25% of respondents had terminated the services of a financial planner and, of this group, 72% had terminated a planner in the last five years. Loss of trust and poor investment advice / poor returns was the main reasons for leaving a planner.

In his book, “Trust Based Selling”, Charles H. Green talks about the need for trust in professions that rely on the sale of complex products and intangible services – such as law, advertising, telecommunications, and financial planning.

“It is possible for selling to be a genuinely value-adding, beneficial process for buyer and seller alike. But to work, we sellers have to care – honestly and deeply – about our client...if our primary objective is just to make lots of money it will not work. Fake it ‘til you make it will not work.”



He also states that clients won't allow you to offer solutions until they feel you understand their situation. In effect, you need to "earn the right" to offer solutions.

In a survey by CEG Worldwide, they discovered that more than nine in ten "Loyal" clients feel their adviser connects with them, as opposed to just over five in ten "moderately satisfied" clients.

In their book, "The Trusted Advisor", authors David H. Maister, Charles H. Green and Robert M. Galford assess what benefits you as an adviser would obtain if your clients trusted you more:

The more your clients trust you, the more they will:

- A** *Reach for your advice*
- B** *Be inclined to accept and act on your recommendations*
- C** *Bring you in on more advanced, complex, strategic issues*
- D** *Treat you as you wish to be treated*
- E** *Respect you*
- F** *Share more information that helps you to help them, and improves the quality of the services you provide*
- G** *Pay your bills without question*
- H** *Refer you to their friends and business acquaintances*
- I** *Lower the level of stress in your interactions*
- J** *Give you the benefit of the doubt*
- K** *Forgive you when you make a mistake*
- L** *Protect you when you need it (even from their own organization)*
- M** *Warn you of dangers that you might avoid*
- N** *Be comfortable and allow you to be comfortable*
- O** *Involve you early on when their issues begin to form, rather than later in the process (or maybe even call you first!)*
- P** *Trust your instincts and judgments.*



PREREQUISITES TO RELATIONSHIPS BASED ON TRUST

VALUES

These statistical findings are all well and good but how do we create trust, or “connect” with our clients? I believe there are three key prerequisites you must meet before you are able to enjoy strong, long-term relationships with your clients that are based on trust. All of the training and development in the world won’t help you unless you possess the following values:

1 *Always act with integrity.*

The dictionary definition of integrity is “adherence to moral and ethical principles; soundness of moral character; honesty.”

This would easily be listed as the number one priority by all professionals and clients in our industry.

2 *You must, without fail, **always** put the clients’ needs ahead of your own.*

Or in the words of ASIC, act in the best interests of the client.

3 *You must truly care about your client.*

Just as animals can smell fear, your client will eventually see through you if you are not genuine in your concern for them.

PREREQUISITES TO RELATIONSHIPS BASED ON TRUST

TRAITS

The book, “The Trusted Advisor” lists a series of traits that the authors believe are shared by advisers who are truly trusted. They:

- Seem to understand us, effortlessly, and like us
- Are consistent (we can depend on them)
- Always help us see things from fresh perspectives
- Don’t try to force things on us
- Help us think things through (it’s our decision)
- Don’t substitute their judgment for ours
- Don’t panic or get over-emotional (they stay calm)
- Help us think and separate our logic from our emotion
- Criticise and correct us gently, lovingly
- Don’t pull their punches (we can rely on them to tell the truth)
- Are in it for the long haul (the relationship is more important than the current issue)
- Give us reasoning (to help us think), not just their conclusions
- Give us options, increase our understanding of those options, give us their recommendation, and let us choose
- Challenge our assumptions (help us uncover the false assumptions we’ve been working under)
- Make us feel comfortable and casual personally (but they take our issues seriously)
- Act like a real person, not someone in a role
- Are reliably on our side and always seem to have our interests at heart
- Remember everything we ever said (without notes)
- Are always honorable (they don’t gossip about others, and we trust their values)
- Help us put our issues in context, often through the use of metaphors, stories and anecdotes (few problems are completely unique)
- Have a sense of humor to diffuse (our) tension in tough situations
- Are smart (sometimes in ways we’re not”).

How many of these traits can you confidently state that you possess? Provided you have the prerequisite Values that I have listed, many of these traits can be learnt or developed.

RULES FOR TRUST BASED CLIENT RELATIONSHIPS

There are a few rules to keep in mind when you are striving to develop your client relationships.

1 If you don't know something — say so!

No-one expects you to know everything. People much prefer to hear that you will look into their question and come back to them, rather than a half-hearted effort at a vague answer — or worse, a guess that is blatantly incorrect. The key here though, is that you do in fact, get back to them with the answer — as per rule number 9.

2 Don't ever lie. Never, ever, ever! Of course, as you read this, you're saying "I would never do that!" — especially if you have already satisfied the prerequisites as discussed earlier— but I include lying by omission in this rule. Ensure that you provide your clients with all of the necessary information they require to make truly informed decisions.

3 Clarify, qualify and quantify your client's wishes. It is vital that you don't make assumptions about your client's comments — we all have a different view of the world and the English language can be interpreted in many different ways. "A good education" may mean private school and a home tutor for one client's children, for another — government secondary school and then a good University degree. Train yourself at asking the right questions, and if you're not sure of something when you are writing your file notes, don't assume - call the client and clarify.

4 Demonstrate respect. For your clients' cultural background, for their opinions on the world, and for their fears and doubts. If you find that your personal values clash with a clients' to such a degree that you can't obey this rule, do not take on this person as a client.

5 Confront reality. If a client's perceptions of their position or aspirations are unrealistic, demonstrate this, and provide alternative solutions. This may be a confronting experience for the client, so it is important to handle the situation with care. Generally, you will enjoy more success if you can illustrate your point with proof (e.g. graphs showing forward projections), rather than just verbalising what may appear to be a criticism or your personal point of view. Always provide the client with suggestions on how to work around the issue, rather than merely pointing out their error.



RULES FOR TRUST BASED CLIENT RELATIONSHIPS

- 6 Always, without fail, give your client the best advice. Regardless of what your business targets might be, that client is worth more to you over the next 10 years than they are over two. If the right advice is do nothing and come back and see you in a year's time, then that is the right advice.
- 7 Always be up front and clear about costs and fees. Even though we have strict disclosure rules in this area, it is still very difficult for clients to understand the masses of information before them. Assist your client to understand the disclosures that detail all of the fees in their financial plan and they will respect you far greater than if they discover them later in a statement. This includes the breakdown of platform vs MER vs advice fees. When it comes to the latter — your client expects to pay a fee for your expertise so don't be ashamed of whatever that fee is.
Don't wait for them to ask you about fees — if you show that you have nothing to hide you will have fewer discussions/negotiations about fees with your clients.
- 8 We're all human. If something goes wrong, don't try to cover it up. Irrespective of whether the error was on the part of yourself, your staff, or a fund manager — openly acknowledge it and show the client you are committed to fixing it and ensuring it won't happen again — to them or any other clients. Taking responsibility for the outcome will engender far more trust in your clients than blaming someone else for the issue.
- 9 Deliver results. ALWAYS do what you say you will for your client — whether this be calling them by Friday or keeping them accountable to their goals.
- 10 Don't under promise and over deliver. This may be contradictory to what you have learnt in the past, but exceeding expectations is just another way of not being straight with your client. Delivering your SOA by Wednesday rather than Friday is fine, but little extras like Christmas gifts — once you start, clients begin to expect it, and then they are no longer a "little extra".

LISTENING SKILLS

Finally, there are some key strategies you can follow with all of your client interaction to assist you to further develop your client relationships.

Aside from the staples of maintaining eye contact and appropriate body language, there are in fact, some traditional sales techniques that should be forgotten when you are endeavouring to develop deep, trust based relationships with your clients.

- Forget what you have learnt about building rapport — techniques such as talking about mutual items of interest to show the client that you're just like them.

Don't interject with stories of your own experiences when you are conducting your fact finding meetings. The client will have a much higher opinion of you and feel that you really "connected" with them if you allow them to spend the time talking about themselves, rather than adding insights into your own experiences. By this I do not mean that you should never reveal anything about your personal life to your clients — but there is a time and place.

If indeed, you do have mutual areas of interest, allow these to surface later, at a time where you can have a real discussion about them rather than taking up time that should be completely dedicated to your client.

- Don't paraphrase. Forget what you've learnt about active listening —to rephrase your client's answers back to them.

Rather, you should use your client's personal terminology in every communication with them - your discussions, your SOA, your reviews. If the client has stated they want to send their children to a Catholic school, don't convert this to "You want to send your children to a private school". Better yet — if they already know which school they want, use the name of it.



LISTENING SKILLS

- BE THERE for the whole meeting, don't zone out and think of something other than what the client is saying!

I know this point sounds painfully obvious but in that split second that you think of the SMS you didn't return or that other question you wanted to ask them — the client sees your eyes glaze over and you've lost them in an instant. Don't be distracted by your own thoughts when clients are talking — if you're trying to think of a similar story to be empathetic or create rapport you're not really listening! Don't be waiting until they stop talking so you can inject something to look smart.

If you think of something as they're talking — jot it down to get it out of your head (and perhaps refer to the fact that you are doing so) and then get straight back to what the client was saying. You will be proving to your client that you truly are interested in everything about them by then referring back to your note and discussing it further later in the conversation.

- Never ever ever finish a client's sentences! Regardless of how long they are taking to get something out, show them the respect to patiently wait for them to make their point in their own words.

In the book, "The Trusted Advisor", the authors believe that those advisers who have graduated to the realms of being truly trusted all demonstrate similar attributes. They:

Have a predilection to focus on the client, rather than themselves. They have:

- Enough self-confidence to listen without pre-judging
- Enough curiosity to inquire without supposing an answer.

QUESTIONING SKILLS

Asking the right questions is a vital skill in uncovering the depths of your clients and gaining a thorough understanding of them. You need to have the conversations that matter, not simply “BBQ conversations” that most people are familiar with. You need to go beyond what you hear on the surface and discover what underlies it. As you move through your Fact Find questionnaire, ask qualitative questions about the basic information. For example, “Why did you choose vet science?” or for a self-employed person, “How did you get started in business for yourself?”

We’re all familiar with the concept of asking open-ended questions that clients can’t answer with a simple yes or no, but getting started is not always easy — so here are my favourite three:

1 *“How do you feel about that?”*

I do not mean laying the client down on your couch and exploring your Freudian theories — just a six word question, asked matter-of-factly can give you some true insights into your client. For example, “So you have some debt listed here — how do you feel about that?” I have asked many, many clients that question and you’d be surprised at the variety of answers I’ve had! Their answers to this question — on any topic — their debts, their lack of wills, their excessive tax bills, will give you real insight into how your client thinks and help you to get a thorough understanding of what’s important to them.

2 *“Please tell me more.”*

Simple — yet effective in allowing the client the opportunity to open up further.

3 *“Help me understand...why/how”*

Again — simple but effective — “Help me understand — why did you set up your SMSF?”

Ensure that you ask questions of, and listen to, both partners if you are meeting with a couple. Many successful long-term relationships are a combination of different personality styles — one introverted, the other extroverted. Just because the husband may be quiet and the wife does all the talking doesn’t mean he has the same thoughts and motivations as her, or that she will be the dominant decider in whether or not to engage your services.

Finally, continue to ask questions of your clients throughout your relationship with them. Do so in every interaction with your client - long after your first meeting — people’s views and attitudes change along with their situation.



DEVELOPING TRUST WITH A NEW CLIENT

How do you develop trust with a NEW client? One of the key elements of a Trust-based relationship is time...your client's trust will deepen the longer they know you — provided that you follow the “Rules” (as outlined in my previous article) , however there are a number of things you can do to start off on the right foot.

During your Fact Finding process, you will discover that your clients have a series of needs and wants. Their needs may be that they need a Super solution when retiring, or a way to increase their retirement savings. Their wants may include peace of mind, and security.

Most “sales people” present their solutions based on needs — but connecting on the basis of wants is much more powerful.

In their book, “You’re Working Too Hard to Make the Sale”, authors Bill Brooks and Tom Travesano published the results of their study into “buying” behaviours. They revealed that of the 2,514 people surveyed:

- 94% who bought on the basis of needs said they would “certainly” consider buying from another provider.
- 99% of those who bought on the basis of wants said they would “absolutely not” consider buying elsewhere.

Here’s the interesting part. The authors found that you do not even have to deliver on their wants — clients don’t expect you to perform miracles — it’s enough that you understand them and appreciate them for who they are. These findings were based on the “highly emotional, non-rational aspect of trust” — the decisions were made on the buyers’ sense that the seller actually cares.

I don’t know many financial planners in business today who do not genuinely care for their clients — but not all clients recognise this automatically, and in fact, some advisers unwittingly set up their process of delivering advice in a manner that hinders this recognition.

You can’t control the markets and guarantee your clients a positive return every year, but, if your clients trust that you are doing all you can to protect them — that you UNDERSTAND their tolerance to risk, and you have educated them appropriately — they will have a greater sense of comfort, and therefore a greater level of trust and loyalty.



DEVELOPING TRUST WITH A NEW CLIENT

Focus on the qualitative aspects of your clients – talk in terms of their wants, as opposed to only their needs. Of course, the quant figures are essential when modeling your strategies but when discussing your recommendations, talk in terms of their wants, eg “by implementing your plan, we project that you will end up with \$x at retirement, which will mean that you can comfortably take your annual overseas holidays and ensure that you can protect your home in order to pass it onto the children”.

When analysing how to create trust with your new clients, it is important to understand the decision making process that we as people follow when we make our buying decisions. According to Charles H. Green in his book *Trust Based Selling*, clients go through a 2 step buying process:

STEP ONE *The Screening Process – rational and linear...*

Clients may list all possible solution providers for a given problem. They are looking to determine if you are technically capable? They will make their decisions based on past experience, scope, technology, reputation. When seeking a Financial Planner, clients may also look into your qualifications, your license, and other items they may find recommended on the FPA or ASIC website.

STEP TWO *The Selection Process – qualitative – do you understand me?*

At this point, the client is no longer interested in hearing dry statistical information even if he/she says otherwise. If you have successfully passed the Screening process, they are now looking to determine if they can TRUST you.

The manner in which you gain your new client enquiries will determine how your clients undertake these processes, but you can help them by structuring your marketing well. You should do everything in your power to allow your prospective client to complete their rational Screening process before they arrive at their first meeting with you. Send them a confirmation letter outlining your advice process and enclose a map and corporate brochure (and make sure your brochure is good). Ensuring you have an effective website, and directing your client to it will also assist them with their research. Sending an agenda will allay their fears of what you are going to “do to them” in that first meeting. Do this and their decision to engage your services will largely be dependant upon the qualitative selection process. From there, it comes down to how you handle your new client process.



DEVELOPING TRUST WITH A NEW CLIENT

Inexperienced planners will often start their first meeting with a prospective client with “Let me tell you about me” and proceed to splatter the client with information on their qualifications, their great wrap account, their great investment performance, and so on. Remember... Clients don’t care how much you know until they know how much you care!

Ask yourself this...what is your Desired Outcome of your first meeting with a potential new client? When I ask this in my presentations to advisers, the most common answer is to “Win the client”.

What if you changed this to “understand the client”? I mean *really* change your desired outcome – would your behaviour change in the meeting?

This goes further than understanding their financial affairs – where their assets are and what their surplus income is, but to understand ...

- what drives them?
- what motivates them?
- what excites them?
- what frightens them?
- what’s important to them in life?

You can have the best technical advice and the best mathematical solution to a client’s needs but if the client is uncomfortable with it or doesn’t understand it – it’s the wrong solution.

Similarly if you find yourself in a situation where you need to manage a client’s expectations about their potential lifestyle – if that client doesn’t feel you understand them and their situation they won’t accept your advice.



DEVELOPING TRUST WITH A NEW CLIENT

To do this effectively, there is a process that you should follow in that first meeting:

- 1 Make their first impression truly indicative of fact. Ensure that your clients are greeted well by your reception staff, that your interview environment is clear of clutter and reflects your professional attitude.
- 2 Be genuinely interested in them. Do not follow a contrived formula for putting your clients at ease — be genuine!
- 3 Ask questions then shut up! Your client should be talking for 80% of that first meeting. You may think this is a lot of time for the client to fill but you needn't worry. Your skills and expertise will be communicated in that meeting by the questions you ask and your general demeanour.

In their book, "Clients For Life", authors Sheth and Sobel sum it up perfectly:

"Clients do not want to understand your experience and industry expertise (sic) Rather than getting a lecture, they want to see how you use that experience to engage them creatively and understand their problems."

- 4 Gather Quantitative and Qualitative data* on the client. Work through the Client Data Form (Fact Find/Needs Analysis) in the meeting and use it as a guide to ensure you discover everything you need to know about your client. Know your questionnaire well so that you can flick back and forth as they talk. Make sure you get all of the information you need, but allow them to discuss what's important to them in the order they want to — don't cut them off. Ideally, your client will have at least attempted to complete the form before your meeting, so you can spend the time clarifying and digging further into the information they have provided.
- 5 Summarise the issues that you have identified and are likely to be able to solve.



DEVELOPING TRUST WITH A NEW CLIENT

- 6** Be clear about your costs and fees — even if at that point, you don't know exactly what you are likely to charge — at least explain how your fees are derived (e.g. Plan fee then ongoings etc) and explain how and when you will be able to provide them with the detail.

This step is not negotiable in a first interview with a client that you are seeking a deep trusting relationship with. Even if the client doesn't raise the subject in this meeting, if you do not cover the issue I guarantee you they will ponder your fees after they leave and wonder why you didn't address the point. Perhaps they will even suspect that you intentionally avoided it!

- 7** Where to from here?

If you've done your first interview well, it's taken 1 ½ to 2 hours. Your client can not absorb any more information and you're both tired. Don't go into detail about what you expect will be your recommendations at this point —you've summarised the areas you will work on at point 5 (above).

If you can't provide sufficient value for the fees you are going to charge, send them to someone who can. If the client doesn't fit your Ideal Client model, YOU make the decision for them. Maintain your integrity and you will grow — a better client base — and as a person.

If the right advice is to NOT engage you right now — that is the right advice.

DEVELOPING TRUST WITH A NEW CLIENT

** When it comes to the qualitative data, it isn't always easy to get a client to open up about their goals and dreams but there are a number of ways of exploring these. Bill Bachrach is the author of a number of books around Values Based Selling, and his method is to start your first client conversations with "What's important about money to you?"; and then work through with them to uncover their true values.*

Alternatively you may like to start your discussion with...

"What is important to you in life?"

Jot these answers on your whiteboard or pad and then flesh them out. Your clients' initial answers may be somewhat predictable – time/family/security etc, but by digging deeper, you will begin to understand your client's unique view of the world:

"What about time is important to you?"

"Family – who makes up your family? What's important to you about your family? What worries you about them? "

In fact, if you can get a thorough understanding of your clients' family, not only is it one of the best ways to get to know them better but you may uncover some strategy considerations that may not have been raised under a purely quantitative fact finding process.

I have seen a number of successful methods for discovering all about the clients family, which range from designing a rough family tree with them and then discussing it's branches; to including a detailed estate planning questionnaire that delves far deeper than the standard Will and POA questions in most Fact Finds, right through to arranging and then attending an estate planning meeting with the lawyer.



DEVELOPING TRUST WITH A NEW CLIENT

After this initial meeting, you should have a thorough understanding of the client and be able to determine if there is a basis for you to work together. If you complete the above steps, your client should, at this point, be able to decide whether they wish to engage you and commit to your Plan preparation fee.

From here, you should aim for at least a further one to two Strategy discussion meetings BEFORE you present them with their Statement of Advice. Take the time to ensure you really understand the client, and allow them the time to really understand the strategies you are presenting and you will both benefit from a long and mutually prosperous relationship.

Too many advisers rush into delivering the client with a documented Statement of Advice after one meeting and expect the client to trust their advice without really understanding the full strategies and implications surrounding them. It is part of your responsibility as their Planner to educate your clients. For example, don't just tell them they need to start a gearing program — educate them on the effects of compound interest, dollar cost averaging, good vs bad debt, margin calls etc.

The SOA should in fact, be a “confirming” document that holds no surprises for the client, and merely details the Plan that you have already worked through with them in person.

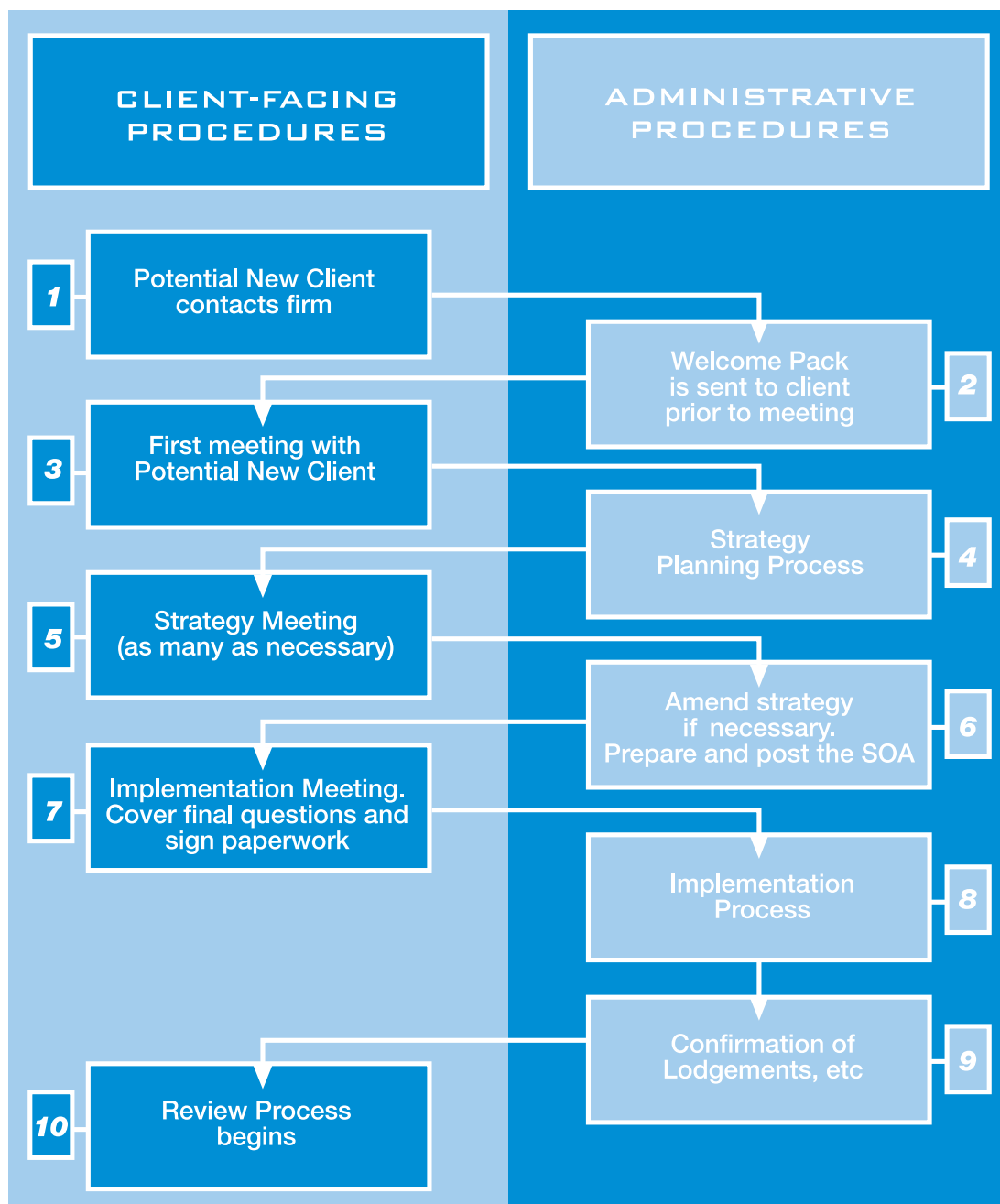
Ian Davies, of Wealthcorp Financial Planners in Perth has been a Chartered Accountant since 1977 and a Financial Planner for 14 years. Ian has enjoyed a different style of client relationship since changing his interview methodology. “I started my new client process in the same way most advisers do – typically I would meet a new client, give them a “welcome package”, then if they came back with the Fact Find completed, we'd go through that in one meeting, then (sometimes subject to a phone call to clarify info), prepare an SOA and present my recommendations in the next meeting.

“Over the past few years we have adapted and extended this process where we will now have anywhere up to 5 meetings with a client prior to documenting their SOA – by which stage, they are completely familiar with the recommendations and understand the outcomes entirely. What have we experienced with this new method? Our clients really like the process - we develop a much stronger relationship, a better feeling of trust; we gain better clarity around both the financial and lifestyle needs of our clients, and ultimately we are able to provide better advice which is absolutely tailored to the client's requirements. We haven't once had to debate fees as our clients can clearly see the value we provide and ultimately take greater ownership of their Financial Plan. In a nutshell, we enjoy our working relationships more, our clients obtain greater financial outcomes meaning we have more satisfied clients which has resulted in more referrals and growth of our business. “



DEVELOPING TRUST WITH A NEW CLIENT

The New Client Process may flow like this:



ONGOING CLIENT RELATIONSHIPS

Once you have “won” your new client your journey toward enjoying your relationship has now begun. In order to deliver on your promise of exceptional client service, it is not enough to possess the personal skills and values to engender trust. You need to create systems and processes within your business, and to define your Client Service model.

When reviewing or creating your model, it is important to ensure that you are creating a service model that fits your Client Value Proposition and everything that you stand for as a planner and a business.

This process needs to start at the beginning.....the segmentation of your client base.

CLIENT SEGMENTATION

It is widely published that a successful Financial Planning practice will segment their client base into Platinum through to Bronze, or A,B,C,D segments with a view to delineate the services provided to their clients. However in order for a client segmentation exercise to be more than just lip service, it is vital that you go the next step and detail the service levels for each segment AND put procedures in place to enforce these levels. This will not only create a business discipline to ensure that you do in fact deliver on the services you promise, but it will also help to ensure that your Bronze clients aren't getting the service that the Platinum clients are paying for.

There are numerous benefits to be enjoyed when you get this right:

- Each one of your clients receives quality service at an appropriate level, commensurate with the fees they pay and the assistance they require
- Your business can provide this service in a profitable manner
- You can easily manage your clients expectations to ensure their contact with you is pleasurable
- You satisfy all your compliance obligations

ONGOING CLIENT RELATIONSHIPS

CLIENT SERVICE PLANS

The next step after segmenting your client base is to define what services each segment will receive. Naturally, this should align with the level of fees (and importance) they represent to your business.

By correctly matching the services provided with the needs of each client (in three to four different groupings), you will build greater trust from them, and ensure that you satisfy their expectations of you. A high quality service experience for a client does not mean that their adviser must be at their beck and call — but if you have a systemised client communication process you will often be able to predict the needs of clients and provide solutions to them before they have to ask for them.

After defining the services you wish to provide, you need to:

- 1 Ensure that you have the processes and staff in place to allow you to provide each service as promised. It is important to ensure that the right staff are undertaking the right tasks — it can be very expensive to have advising staff completing administration tasks — both in the sense of hourly rate as well as the opportunity cost of them not being in front of clients.
- 2 Create marketing documents to be used as a tool to communicate your service levels so that each new client introduced to the business has a clear understanding of what service they will receive for the fees they pay, and as each existing client is reviewed, they too, are placed on a specific service level.

Once you have defined the services you provide to each segment you can revisit the criteria that defines which service level your clients receive. This may be based purely on dollar value of fees paid, or you may choose to include qualitative measures, which will afford a higher level of service to those of your clients that are active advocates of your firm, and introduce new clients to you on a regular basis. You may also consider future value of the client's fees when determining their appropriate "rating".



ONGOING CLIENT RELATIONSHIPS

You should design your service plans to achieve 10 – 12 “touches” per year, to allow you to maintain your relationship and contact with each client. These touches need to be meaningful and not contrived, but do need to be in keeping with the service level your client requires. Platinum clients should receive PERSONAL touches, while some contact with your smaller clients may be more systemised, in the form of a newsletter etc.

Maintain strict turnaround times for contacting clients. Contact clients when you say you will – to schedule reviews etc, but also return their call within a set period of time. Again, this may vary with the type of client – your Platinum clients may have a hotline to you, whereas your commitment to your smaller clients may be contact by a staff member within 24 hours.

CLIENT SERVICE CONTRACTS

Industry Best Practice dictates that each client should sign a Client Service agreement that outlines their chosen level of service and acknowledges the annual fee they pay. Not only does this assist in service delivery to your clients, it is also a key component that is now recognised as creating a direct impact on the valuation of a Practice when preparing for sale.

Your service contract should detail the service the client should expect to receive from you (where possible, within set time frames), and it should also detail the expectations you have of your client – the things they must do to ensure that their financial plan is successful in achieving their goals and aspirations.

Clients should sign a service contract at their first implementation meeting, and preferably, every year thereafter.



The following is an example of a service contract you might use with a Silver level client. Naturally, the actual services provided will vary according to the individual Planning Firm, and the rating of the client.

This agreement is made on the <Date> between the following parties:

Client Names:

Of <Address>

And

<Adviser Names>,

Of <Firm name>,

<Firm Address>

Set out below are the terms under which we will work together to maximise the successful achievement of your goals and aspirations.

Commitment from XYZ Financial Planning

As a Silver client of XYZ Financial Planning, we commit to assisting you to achieve your goals and aspirations. Your ongoing fee of <annual fee> per annum entitles you to the following services:

SERVICE	FREQUENCY PER YEAR
Strategic Review Meeting with your planning team to review your entire financial plan including investments and insurance policies, to ensure you remain on track to achieving your goals. This meeting will include updating your goals, cashflows and opportunities.	Once
Should any actions arise from your reviews, you will not be charged an additional fee to implement them. This includes but is not limited to, deposits, withdrawals, and portfolio adjustments. (Note that product providers may charge transaction fees as outlined in their product disclosure statements. Any brokerage costs to buy or sell ASX listed shares in your portfolio will be passed onto you at wholesale cost.)	As needs arise
All fees and trailing commissions from investments will be rebated where the product allows.	As needs arise
Your adviser is available to meet with you if you have any additional needs that need addressing outside of your scheduled review times.	Up to 1 additional meeting per year
We will respond within one business day to any telephone, fax or email queries from you.	As needs arise
Our Investment Committee will conduct a regular review of investments held in your portfolio.	Monthly
Your investment portfolio will be regularly rebalanced to remain in line with your appropriate asset allocation.	Quarterly
You will receive secure access to view your Investment portfolio online.	24 hours a day
We will attend and liaise with your other professional advisers (accountant, lawyer etc).	As needs arise



SERVICE	FREQUENCY PER YEAR
We will provide you with a summarised tax report on your financial plan to assist your accountant when preparing tax returns.	Annually
We will liaise with product providers on your behalf to facilitate administrative issues (change of address, account details etc).	As needs arise
We will provide assistance with insurance companies for underwriting, claims and enquiries.	As needs arise
We will provide you with regular publications: <ul style="list-style-type: none"> • Newsletter – a quarterly magazine filled with interesting articles on issues of interest. • Economic Updates – quarterly commentaries on the state of Australian and World markets from industry experts. • Annual Budget update – summary of the budget changes in plain English! 	

Commitment from <client name>

As a Silver client of XYZ Financial Planning, we commit to undertake the following:

- Implement the action items we agree to with our Financial Planner in order to activate and update our financial plan.
- Inform our adviser if we experience any significant life changing events:
 - Change in marital status
 - New dependants
 - Change in occupation
 - Financial windfall
 - Change in income
 - Change in our state of health
- Notify our adviser of any significant change in financial circumstances:
 - Debt refinancing
 - Business sale/purchase
 - Property sale/purchase
 - Change of residence
 - Any additional asset purchases
 - Change of household expenses
- Provide all information promptly when requested.
- Ensure our fees are paid in accordance with XYZ Financial Planning’s terms of trade, as set out in our Statement(s) of Advice.
- Ensure that the information we provide to our adviser is true and correct, and our discussions are conducted without prejudice or omission.
- We will take an active interest in our financial affairs. We understand that our adviser’s advice is designed to assist us to make decisions, not to remove our involvement.

Signed

Client

Client

Adviser



