



How to

Add value through wealth management

How to differentiate your practice through deeper client relationships

The era of the transactional adviser is behind us. But how can you differentiate your practice in a crowded field and insulate it from client attrition?

Clients don't define their success by merely the growth of their portfolios. Instead, they view investing in terms of their life goals, such as building their career, starting a family and saving for a comfortable retirement, and they depend on you to be a trustworthy, attentive guide on their path toward these goals.

So the key to differentiating your practice in this landscape may be positioning yourself at the centre of clients' financial lives, taking the time to gain a 360° view of their financial relationships, and offering your practice as a hub for an array of value-added services.

Take a 360° view of your client's financial needs

On the next pages are some tips for putting this philosophy into practice.



Avoid the pitfalls that make clients leave

Research shows that clients end their adviser relationships for a multitude of reasons—some of which may surprise you. For example, 24% changed advisers because their adviser was not proactive in contacting them. In addition, 23% left because the adviser didn't provide them with good ideas and advice. That's more than the 22% who changed advisers because of underperformance. So, the most effective services you provide to clients may draw on your people skills, not your investment management skills. And even when the end of an advisory relationship is the death of a client, consider this: When your client passes away, what actions will you have taken to ensure that his or her spouse or next of kin will continue to turn to you for advice? How have you worked to build a bridge to the next generation?

Reasons client switched advisers

Adviser was not proactive in contacting me	24%
Adviser did not provide me with good ideas and advice	23%
Adviser was under-performing compared to the overall stock market	22%
My adviser changed firms and I didn't want to go with him/her to the new firm	16%
I changed advisers because of high fees and expenses	16%
Other	15%
Adviser retired or stopped working and I sought a new one	13%
Adviser did not return telephone calls in a timely fashion	12%
I moved to a new location and wanted a new adviser in closer proximity	10%
Adviser was constantly trying to sell me products but not offer me good advice	8%
Adviser didn't understand my risk tolerance	8%
I liked my adviser but did not like the firm he/she was with	6%
Adviser did not respond to email messages in a timely manner	4%
My adviser's firm merged with another firm which I did not like	3%

Source: Spectrem Group, 2015. *Why Investors Switch Advisors*.

Invest in your client relationships

No one enjoys being on the receiving end of a product push. Research suggests that the most successful, enduring practices tend to be built on a solid bedrock of specific, genuine connections with clients, setting expectations that reflect clients' personal goals, not performance relative to the market. The most valuable insights to your clients' lives may result from open-ended conversations that explore your clients' state of life, personal and financial pressures, and constantly developing perspective on money.

Advisers who play the role of counsellor, confessor, and even detective may gain the opportunity to differentiate their practices. By listening closely for cues, you can help match your clients with the appropriate services, whether provided by you or a colleague. For example, the sphere of charitable giving may provide the potential for value-added services that matter to clients and decrease their tax liability. Or consider which of your clients might benefit from help with key person insurance and succession planning. What about long-term-care insurance and nursing services for elderly relatives? Which colleagues or members of your professional network might be able to provide these services? Each time you help your client address his or her concerns, you are building trust with that client, whether or not you provide an investment-related solution.

Use estate planning as a bridge

Estate planning can be vital to developing enduring relationships with your clients, their partners, and the next generation. Whether you offer specialised services through in-house consultants or provide referrals through a network of carefully cultivated relationships, use estate planning to learn more about your clients. Beyond the opportunity to help clients plan for their future and proactively address tax liability, you may gain the chance to make inroads with clients' families and build deeper, more permanent bonds of trust.

How to broaden the conversation

Chances are a day in your practice already involves in-depth client conversations that extend beyond investment solutions. So how can you dig even deeper in your efforts to build trust and put yourself at the centre of clients' financial lives?

We've developed a list of questions designed to stimulate deeper conversations with your clients—and prompt you to examine your practice with a critical eye.

For clients

- Tell me more about your family.
- Are there worries keeping you up at night?
- How prepared are your spouse and heirs to handle the finances after your death?
- If you could wave a wand and take away your problems, what would that scenario look like?
- Who else do you turn to for help or advice with insurance, retirement, real estate, tax or financial planning needs?
- What was the best interaction you and I have had recently? What was the worst? Where should we have had a conversation, but didn't?
- What tools would better help you feel in control of your financial future?

For you

- What would your investment philosophy look like if you were required to provide clients with risk-adjusted and tax-adjusted returns tomorrow?
- How well do you know your clients' lives outside of the office? How well do you know their children and families?
- Do you know what your clients would say they value most about their relationship with you?
- Do you know who would control each client's assets if he or she died or became impaired? What kind of relationship do you have with that person?
- What are you doing every day to deepen your relationships and further weave yourself into the fabric of your clients' lives?

Find out in what ways family members currently depend on your client. For instance, does he or she provide financial support to grown children, siblings, and elderly parents? Research shows that 67% of couples want to make financial decisions jointly.¹ With that in mind, consider broaching the subject of including other members of the family for the purpose of financial education: How comfortable are your clients that a spouse or heir could handle the estate's finances? Offering to meet with various family members can help you determine their financial needs and instill a pattern of charitable giving. Providing fundamental financial literacy and investment guidance to these heirs can reassure your clients about the future and establish relationships with the next generation.

Reach into the complexity

You know that your clients are more complicated than their investments. In today's competitive environment, your relationship-building efforts need to reflect this real-world complexity.

As you reach out and talk to clients, don't hesitate to probe past their investment goals to the concerns and pressures that inform their personal lives. You may not have an immediate, investment-related solution to offer in return. Yet you may find that your investment of time and attention will pay off in deeper, more cohesive relationships and referrals, whether the market is up or down.

¹ Age Wave and LPL Financial, 2011. *A new era of women and financial planning: How advisors can best meet their needs.*



The corresponding client note, *Engage in meaningful conversations with your financial adviser*, can help in your conversations with clients.

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