SUE VISKOVIC discusses communication skills for today’s financial advisers that will help encourage successful growth within a practice and add significant value.

There is a large gap in our industry in terms of education provision for new and existing financial advisers 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 a Certified Financial Planner – the highest designation available to our industry. Whilst ‘sales skills’ are specifically excluded from continuing professional development (CPD) accreditation, the skills of establishing relationships, identifying client needs, presentation of strategies and interpersonal communication skills are included.

Thankfully, some of the larger dealer groups are now including these skills in their own in-house training programs for new advisers, but,
Unfortunately, this ‘human’ side of advising clients is often overlooked in initial and ongoing training plans for advisers. 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 often complex strategies in terms that are easily understood and valued by each individual client.

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 he 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 she 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 now seek to retain 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 all? Surely so long as you can satisfy the ‘know your client’ rules and provide the client with a complaint Statement of Advice (SOA) that details a suitable course of action, you’re doing your job?

The answer lies in why you are a financial adviser? 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, and 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 funds under advice or revenue. Rather, it is a firm that is successfully delivering their client value proposition (CVP) to 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 advisers 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; but the bottom line is, you will be able to create more profit 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 relationship you have with 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 high-net-worth clients 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

Contiued on page 6 ➤
We sell products to our clients if we can’t make lots of money it will not work. Fake it ‘til you make it’ will not work.”

The results are outlined on page 5.

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

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”. "Generally, clients felt their adviser connected with them, as opposed to just over five in 10 'moderately satisfied' clients. In their book, The Trusted Advisor, authors David H. Maister, Charles H. Green and Robert M. Galford assessed what benefits you as an adviser would obtain if your clients trusted you more. They found 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 fees 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 organisation); (m) warn you of dangers that you might avoid; (n) be comfortable and allow you to be comfortable; (o) involve you early on when issues begin to form, rather than later in the process (or maybe even call you first); and (p) trust your instincts and judgments.

Prerequisites to relationships based on trust

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.
   A 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 prerequisite for 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.
   (The book, The Trusted Advisor, lists a series of traits that the authors believe are shared by advisers who are truly trusted. They are:)
   ■ seems to understand us, effortlessly, and like us;
   ■ are consistent (we can depend on them);
   ■ always help us see things from fresh perspectives;
   ■ doesn’t try to force things on us;
   ■ helps us think through the facts and consequences;
   ■ doesn’t substitute their judgment for ours;
   ■ doesn’t panic or get over-emotional (they stay calm);
   ■ helps us think and separate our logic from our emotion;
   ■ criticises and corrects us gently, lovingly;
   ■ doesn’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);
   ■ gives us reasoning (to help us think), not just their conclusions;
   ■ gives us options, increases our understanding of these options, gives us their recommendations, and lets us choose;
   ■ challenges our assumptions (helps us uncover the facts and assumptions we’ve been working under);
   ■ makes us feel comfortable and casual personally (but they take our issues seriously);
   ■ acts like a real person, not someone in a role;
   ■ are reliable on our side and always seem to have our interests at heart;
   ■ remembers everything we ever said (without notes);
   ■ are always honourable (they don’t gossip about others, and we trust their values);
   ■ helps us put our issues in context, often through the use of metaphors, stories, and anecdotes (few problems are completely unique);
   ■ has a sense of humour to diffuse (our) tension in tough situations; and
   ■ 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.

“Getting the right message across to your clients
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.

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. Don’t ever lie. Never, ever, ever! Of course, as this read you this you’re saying, ‘I would never do that!’ – especially if you’re justifiably satisfied the prerequisites as discussed earlier – but I include lying by omission in this rule. Ensuring your clients are not given unfulfilled promises or misinformation, and that your promises are based on the facts is key.

2. 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 what is real is most often interpreted in many different ways. A ‘good education’ may mean public school for one client, 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, ask! If you are writing your file notes, don’t assume – call the client and ask.

3. Demonstrate respect. For your client’s cultural background, for their opinions on the world and for their fears and doubts. If you find that your personal values clash with a client’s, don’t take the matter to depths of your clients and yourself, your staff, or a fund manager, openly acknowledge it and show the client you are committed to fixing it and ensuring this won’t happen again to them or any other clients. Taking responsibility for the outcome will engender far more trust in your client than blaming someone else for the outcome.

4. Deliver results. Always do what you say you will for your client, whether this is calling them by Friday or keeping the lines open for them if you allow them to contact you. What you say you will do, do it. And don’t change your mind just like them. Don’t interject your own views of the situation along with your clients. Ask your client to make their point in their own words. What the client is saying. You will be proven right or wrong by the client. You can always say ‘no’ if you are not interested in the fee they are saying. You will be proving to your client that you truly are interested in what they have to say about themselves and what will engage them better.

5. Confront reality. If a client’s perceptions of their position or aspirations are unrealistic, demonstrate this to them. Don’t assume – call the client and ask. Demonstrate respect.

6. Always, without fail, give your client the best advice. Regardless of what your business targets might be, that client is worth more than you over the next 10 years than they are over two. If the right advice is given to 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 clients 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 versus management expense ratios versus advice fees. When it comes to the latter, your client expects to pay for a fee for your expertise, so don’t be ashamed of what you charge for your service.

8. Don’t wait for them to ask about fees – if you show that you have nothing to hide, you will have fewer discussions/negotiations about fees with your clients.

9. If something goes wrong, don’t try to cover it up. Irrespective of whether the error is your own or that of the client, or if you are writing your file notes, don’t assume – call the client and ask.

10. Above all, respect confidentiality. Never discuss your clients to make your point in a meeting. What is important is what the client is saying. You will be proving to your client that you are truly interested in what they have to say about themselves and what will engage them better.

Finally, continue to ask questions of your client throughout your relationship with them. Do so in every interaction with your client – they are unique. People’s views and attitudes change along with their situation.