The Importance of Trust in Client Engagement

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Sue Viskovic is the Managing Director of Elixir Consulting, an independent Practice Development firm that provides consulting and coaching services to financial advisers, dealer groups and institutions around Australia.

Sue's finance career started in 1997 in the Perth banking sector before extending into financial services with a five year relocation to Sydney. Since then, Sue has been a financial adviser to private clients, and provided practice development support to financial planning businesses around Australia in various national roles with Challenger International, Bridges Financial Services, Prosperity Advisers and the Sentry Group/Epic Adviser Solutions.

A Certified Financial Planner™, Sue regularly presents at conferences, lectures for Kaplan Professional, and was a valued contributor on the taskforce that wrote the Practice Development course material for the Securities Institute. In 2008, Sue was elected Chairperson for the West Australian chapter of the Financial Planning Association (FPA).

Combining business management knowledge with her experience providing financial advice, Sue is passionate in her bid to improve the quality of advice given to Australian consumers, while assisting advisers to improve their service delivery and achieve the outcomes they seek from their businesses.

The key to being an excellent financial adviser lies in the ability to communicate well, and to create trust with a client. It is one thing to be technically competent and have a comprehensive knowledge of complicated products, but these skills can be rendered worthless if an adviser is unable to relate and communicate with his/her client.

A perfect financial plan that achieves all of a client's objectives is redundant if the adviser can not 'sell' it to the client and the plan is not implemented. These 'soft skills' are vitally important at many stages of the financial planning process and include the following:

1. Developing trust with a client.
2. Exhibiting excellent communication skills in order to develop a thorough understanding of the client's financial, emotional and physical situation.
3. Proficiency in communicating what are often complex strategies and concepts, in terms that are easily understood and valued by each client.

DON'T UNDERESTIMATE 'SALES SKILLS'

Although it might be a 'dirty word' in some circles, advisers need to have good sales skills to assist their clients to grasp the relevance and importance of taking financial advice. This is especially relevant in terms of writing risk. It has been said time and again that clients don't seek to buy risk insurance – it must be sold. Although there are various theories on why this may be so, I believe it has a lot to do with the human psyche – it is uncomfortable and disturbing to think of the tragic circumstances that risk insurance is designed to manage, therefore the subconscious mind tends to push these images and thoughts to the background, rather than confronting them. Clients who have a good relationship with an adviser are given the opportunity to bring these issues into conscious thought, deal with them by implementing an appropriate suite of strategies and/or insurance products, and then place them back into their subconscious, safe in the knowledge that they have taken control of their fears and set actions in place that will lessen the impact of a tragic event.

As an industry, we seem to have dropped the ball on providing and updating sales training for advisers. These are not areas covered in the statutory education requirements (ASIC's RG 146) – in fact, they are not even covered in the curriculum to become a Certified Financial Planner™, currently the highest designation available to our industry! Whilst 'sales skills' are notably absent from Continuing Professional Development (CPD) requirements, fortunately the skills of establishing relationships, identifying client needs, presentation of strategies, and interpersonal communication skills are deemed relevant. Thankfully, we are seeing a focus back towards 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.

DON'T CONFUSE 'SALES SKILLS' WITH OUTDATED SALES TECHNIQUES

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". We have come a long way through regulation to change the way our advice is presented and documented to clients, and we have also changed our thinking on the way we present that advice to our clients.

There are still some financial advisers in our market who have not moved their processes or techniques away from a superficial client relationship. This is especially common in advisers who have always had good prospect conversion rates. A good salesperson 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, advisers who can move past a transactional relationship with their clients also find that the quality of advice provided is greater because they are privy to a better knowledge of their clients, 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, relationships need to be based on trust.

Trust	➜ In the adviser's technical abilities.
	➜ That the adviser has the client's best interests at heart.
	➜ That the client will disclose all of his/her information – both financial and personal, to the 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 '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.

PREREQUISITES TO A RELATIONSHIP BASED ON TRUST

So how do we create trust with our clients? All of the training and development in the world won't help unless you possess the following values:

1. Integrity.

Always act with integrity, defined by the dictionary as,

> *"adherence to moral and ethical principles; soundness of moral character; honesty."*

2. Put the Client First.

You must, without fail, **always** put the clients' needs ahead of your own or, as set out by ASIC, act in the best interests of the client.

3. Truly Care about your Client.

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

In their book, 'The Trusted Advisor', authors David H. Maister, Charles H. Green and Robert M. Galford list a series of traits that are shared by advisers who are truly trusted by their clients. According to their research, clients believe these advisers:

"1. Seem to understand us, effortlessly, and like us

2. Are consistent (we can depend on them)

3. Always help us see things from fresh perspectives

4. Don't try to force things on us

5. Help us think things through (it's our decision)

6. Don't substitute their judgment for ours

7. Don't panic or get over-emotional (they stay calm)

8. Help us think and separate our logic from our emotion

9. Criticise and correct us gently, lovingly

10. Don't pull their punches (we can rely on them to tell the truth)

11. Are in it for the long haul (the relationship is more important than the current issue)

12. Give us reasoning (to help us think), not just their conclusions

13. Give us options, increase our understanding of those options, give us their recommendation, and let us choose

14. Challenge our assumptions (help us uncover the false assumptions we've been working under)

15. Make us feel comfortable and casual personally (but they take our issues seriously)

16. Act like a real person, not someone in a role

17. Are reliably on our side and always seem to have our interests at heart

18. Remember everything we ever said (without notes)

19. Are always honorable (they don't gossip about others, and we trust their values)

20. *Help us put our issues in context, often through the use of metaphors, stories and anecdotes (few problems are completely unique)*
21. *Have a sense of humor to diffuse (our) tension in tough situations*
22. *Are smart (sometimes in ways we're not)."*

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

DEVELOPING TRUST WITH AN INHERITED OR PURCHASED CLIENT

Many advisers find themselves working with new clients whom they have purchased or inherited from other advisers; a situation that brings with it a range of unique challenges. It can be even more difficult to establish a relationship and connect with these clients than it is to do so with an entirely new client who is seeking advice. These clients come to you with an expectation that you already have a full understanding of their situation, and should be able to step in where the previous adviser left off. The ability to do this will depend largely on the quality of the file notes and documentation kept by the previous adviser but, regardless of what you have on paper, you still need to establish a personal relationship on a human level with a client who will inevitably be comparing you with your predecessor.

If there is the opportunity for a hand-over or transitioning period, ask the previous adviser to personally introduce you to your new clients. This can be done in a variety of ways, depending on your time constraints and the size of the client base. You may need to segment the clients and use a variety of techniques.

➜ Send a letter from the previous adviser, explaining the change and introducing you in positive terms.

➜ Hold a farewell function and allow the retiring adviser to address his/her clients in a group setting, introducing you as their new adviser who is keen to meet everyone individually.

➜ Conduct individual meetings with the clients, together with the exiting adviser.

Regardless of which technique is used, if the exiting adviser is available to introduce you and chat about why he/she is leaving, it is important that he/she then leaves you alone in the meeting with the client. This will allow you to engage with the client without interjections from the previous adviser. It will also allow the client to start building a relationship with you without deferring to the previous adviser, as the client may be inclined to do, simply out of habit. You will have the opportunity to 'be yourself' and not pre-occupied with what the other adviser is thinking.

Preparation will be your key to starting off on the right foot. You need to strike a balance between:

➜ providing some continuity in advice (thus minimising the risk of the client seeking advice elsewhere) and;

➜ establishing a new relationship with the client.

Ensure you have read the file notes and previous Statements of Advice (SOAs) and understand the strategy that has been implemented, prior to going into the meeting. A great way to start your conversation is with something like, "I have a good understanding of your financial affairs from your file but I'd like to spend some time today to get to know you as a person. It is really important for me to know all of my clients personally, to ensure that we can continue to give you the right advice. Now I know we have implemented a wealth creation strategy for you, tell me how do you feel that has been going?"

If you are not confident that the files are adequate, you can conduct this meeting like any other fact finding meeting, with the exception that you will have a pre-populated Fact Find document, and can preface the conversation with words to the effect of, "I have a fairly good understanding of your financial affairs from your file. However, I'd like to make sure that I have the most up-to-date information, and I'd like to get to know you a little better while we do that. Would you mind if I step through our data and discuss it with you?"

From there, many of the techniques and skills that you would use with any other new clients will be applicable, albeit that you will combine these with the content of a client review meeting.

DEVELOPING TRUST WITH A NEW CLIENT

When analysing how to create trust with your new clients, it is important to understand the decision-making process that people follow when making 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; and

➜ reputation.

When seeking a financial planner, clients may also look into your qualifications, your licence, and other items they may find recommended on the FPA, Association of Financial Advisers (AFA) or ASIC websites.

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, the client is now looking to determine if he/she can TRUST you.

THE ADVANTAGES OF SAVVY MARKETING

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 prospective clients 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 clients 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 dependent upon the qualitative selection process. From there, it comes down to how you handle your new client process.

When you are meeting with an inherited client for the first time, you should ensure the client is provided with sufficient information about you (his/her new adviser) prior to the meeting, so that Step One is also completed before the client arrives. You must make the assumption that the client will still be making a buying decision as to whether you will continue to be his/her adviser, regardless of what ‘non-compete’ clause the previous adviser may have signed. Whether it is sub-conscious or realised, the client will be assessing you and your ability to continue where the previous adviser left off.

DO YOU UNDERSTAND YOUR 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!

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”? Would your behaviour change in the meeting?

This goes further than understanding clients’ financial affairs – not just 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 clients’ expectations about their potential lifestyle, if clients don’t feel that you understand them and their situation, they won’t accept your advice.

CLIENT NEEDS VS WANTS

During the 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 per cent who bought on the basis of *needs* said they would “certainly” consider buying from another provider.
- ➜ 99 per cent 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.

As has never been more evident, 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.

Focus on the qualitative aspects of your clients – talk in terms of their *wants*, as opposed to only their needs. Of course, the quantitative figures are essential when modelling your strategies, but when undertaking your fact find, discuss the clients' objectives in terms of their *wants*. For example: "So, you'd like to retire when you hit 65 and you'd like to travel overseas every second year… tell me what your holidays will be like?" Your clients will enjoy the chance to explore something of emotional importance to them, and you will gain insight as to their personality, as well as a better idea of the cost of their lifestyle (do they like to travel business class and stay in hotels or do they stick to economy fares and cheap guided tours?).

You (or your paraplanner) will be able to convert the clients' wants into dollar terms when working on their strategy, but the face-to-face time with your clients is spent connecting with them on the level of their wants.

SOME TIPS FOR YOUR FIRST CLIENT 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 stop talking!** Your client should be talking for **80 per cent** 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 the client talks. Make sure you get all of the information you need, but allow the client 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.

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. fee for compiling the Plan then ongoings etc) and explain how and when you will be able to provide them with the detail. This step is not negotiable if you are seeking to develop a trusting relationship. Even if clients do not raise the subject in this meeting, if you do not cover the issue 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 the client 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 not only a better client base, but as a person.

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

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 he/she wishes to engage you and commit to your Plan preparation fee.

DO NOT RUSH THE SOA

From here, you should aim for at least a further one to two strategy discussion meetings BEFORE you present the client with a SoA. Take the time to ensure you really understand the client, allow him/her 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 SoA after one meeting and expect the client to trust their advice without really understanding the full strategies and implications surrounding it. It is part of your responsibility as a planner to educate your clients. For example, a super contribution strategy should be delivered with an explanation of the long term benefits of super savings, including investment markets, tax consequences, compound earnings, as well as the accompanying accessibility restrictions, 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 him/her in person.

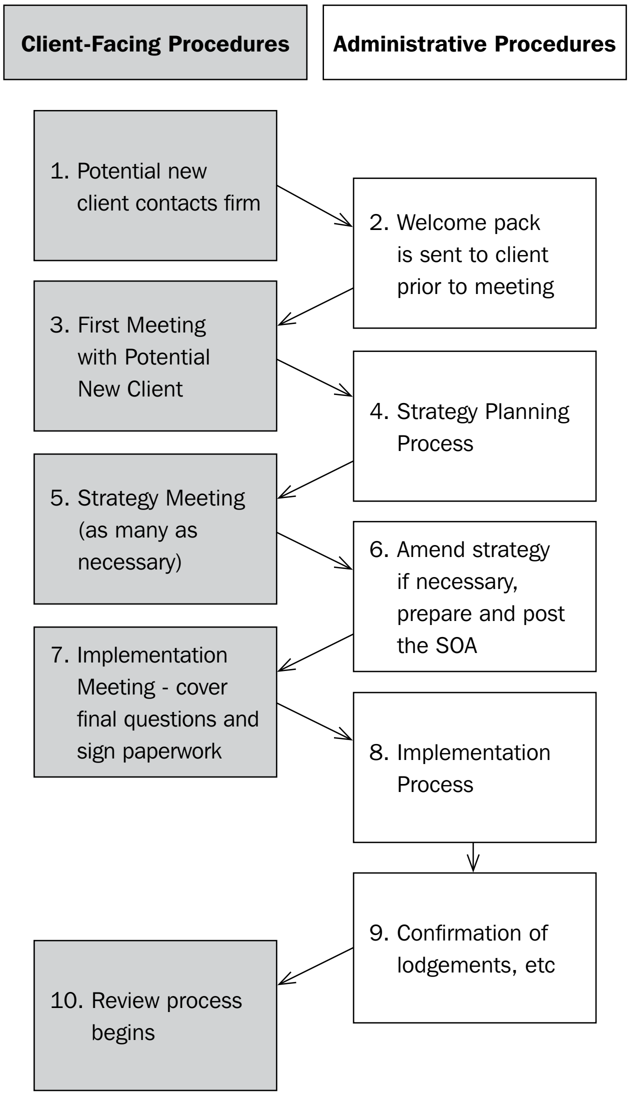
REAL LIFE CASE STUDY: IAN DAVIES

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 a 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. "*

The New Client Process may flow like this:



CONCLUSION

In order to deliver the best quality advice to your clients, and enjoy fruitful, real relationships with them, you need to conduct your processes and your personal interaction in a manner that engenders trust and understanding.