Money Management

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PRACTICE MANAGEMENT

Getting the right message

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,

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across to your clients

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 are now seeking to retrain 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 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 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

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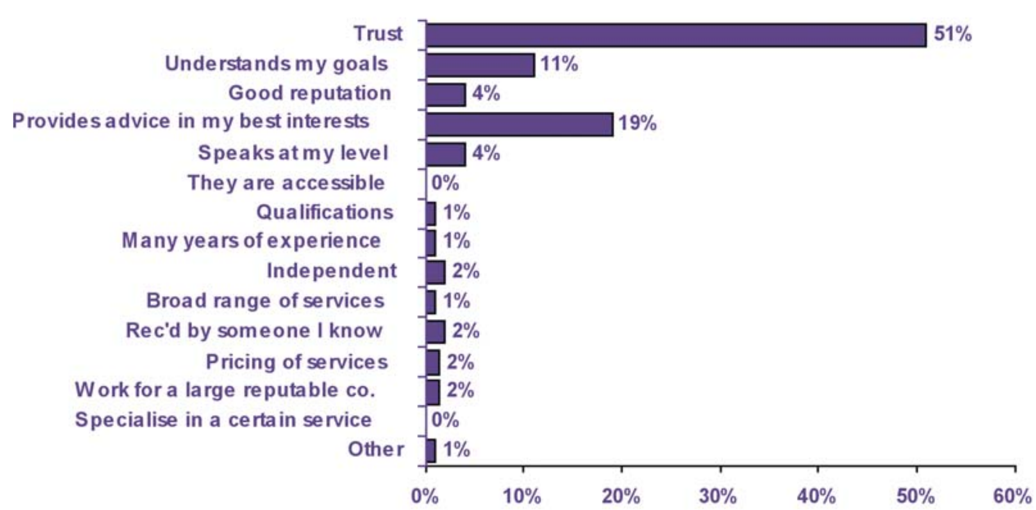
MOST IMPORTANT FACTOR WHEN CHOOSING A PLANNER



Source: Investment Trends/Credit Suisse

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Getting the right message across to your clients

➤ *Continued from page 5*

relationships need to be based on trust:

■ trust in your technical abilities;

■ trust that you have their best interests at heart; and

■ 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 conducted a survey asking consumers what they look for when choosing a financial adviser. The results are outlined in the graph 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 '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, more than nine in 10 'loyal' 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.

> "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."

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 priority by all professionals and clients in our industry.

2. You must, without fail, always put the client's needs ahead of your own, or in the words of the Australian Securities and Investments Commission, 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.

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 things through (it's our decision);

■ doesn't substitute their judgment for ours;

■ doesn't panic or get overemotional (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 those options, give us their recommendations, and lets us choose;

■ challenges our assumptions (helps us uncover the false 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 reliably 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.

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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.

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 versus management expense ratios versus 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. *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 is 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 for little extras like Christmas gifts, once you start, clients begin to expect it, and then they are no longer a 'little extra'.

> "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."

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.

■ 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 E-mail 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 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;

■ enough self-confidence to listen without pre-judging; and

■ enough curiosity to enquire 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 barbeque 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 self-managed superannuation fund?'

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. 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.

Sue Viskovic (previously of the Sentry Group) is now managing director of Elixir Consulting.