Private Wealth

January 2011 issue

Keeping Things Simple

It's time for advisors to trash the fancy reports and help clients achieve a clear understanding of their investments.

By Joseph Geier and Melissa Jordan

Anyone who is professionally involved in investing should have a good understanding of the high level of complexity inherent in this field. So wouldn't it make sense to make things simple, clear and transparent for the investor?

Common sense tells us yes, but for some reason, educating clients and making sure they understand how their assets are being managed has not been a priority in the financial advisory field.

Only 45% of investors believe their brokerage firm does what's best for its customers and not just its own bottom line—the lowest level in four years, according to a study by Forrester Research. In 2009, a stunning 85% of affluent investors told consulting firm Oechsli Institute that they are so dissatisfied with their current advisor they would consider changing. It also revealed that only one in five financial professionals had increased the time they'd spent with clients during the financial crisis

Providing transparency to clients and building relationships with them is paramount in today's virulent marketplace. Fancy 100-page reports and client questionnaires are not enough. An annual meeting and an occasional phone call don't cut it anymore. Investors are speaking up about what they want out of their financial advisor and advisors need to listen if they want to be successful. So let's look at some areas of client management that financial advisors should be extremely focused on right now.

Staying Connected

Staying in touch with clients should mean more than sending a quarterly report and responding to clients' calls. Advisors should be proactive and reach out to clients. One example would be sending clients informative newsletters on a periodic basis.

Constant Contact, Vertical Response and Benchmark Email are among the platforms that facilitate this. Constant Contact, for example, allows an advisor to create e-mails and surveys, manage events and analyze survey data. You can view not only how many people are reading the newsletters, but who is opening them and what news items are getting the most interest.

Aligning a newsletter's articles with the particular interests of your clients is also helpful. It can create a dialogue with clients and show them you're listening to them. Forefield, for example, offers advisors the ability to create customized and branded "client alerts"—timely, FINRA-approved news items that can be sorted by various categories.

Sending out client satisfaction surveys to gauge how well you are meeting the client's needs and expectations is vital. SurveyMonkey.com allows advisors to do this free of charge, but with limited design and customization options. Constant Contact has a survey feature that includes data analysis reports.

Understanding Client Goals

A solid understanding of client goals is not achieved through a questionnaire. It is derived through conversations with your client. An advisor's questions should be strategic, designed to get the client to share more than just their financials. Nothing in life remains the same—things constantly evolve and change, so client goals will change as well. This means advisors should check in with clients, and their goals, on a periodic basis.

The turbulence of the past several years makes it even more imperative that advisors clarify client goals and attitudes. The financial landscape has changed drastically over the past couple of years, impacting clients' expectations about the markets and their retirements.

The 2008 financial collapse forced virtually all advisors to become part-time psychologists. Advisors have played a lead role in helping clients sift through the wreckage and get their financial goals back on course. Advisors need to measure, for example, how recent events have impacted clients' risk tolerance. Lifestyles change, and 2008 is a great example.

Periodic reminders should be e-mailed to clients stressing how important it is to keep the advisor informed of any life changes. The reminders will hopefully be the catalyst for more in-depth conversations.

Keeping It Simple

Anyone can generate a report with one of the numerous financial planning software solutions available, such as Moneytree and Silver Planning Suite. The question is, what exactly does this document tell us? Better yet, what does the client gain from it? It may be safe to say that most clients, when confronted with a 100-page financial report, look at their computer screen like a deer in the headlights.

There is no magic formula when it comes to educating clients. The basic rule: Keep things simple.

High-net-worth individuals with at least $1 million in investable assets rank transparency and simplicity as their top priorities when dealing with

advisors, according to a recent survey by Merrill Lynch Global Wealth Management and Capgemini.

Clients want "fundamental changes" in how they're served by advisors. In particular, they want advisors to have a better grasp of their emotional and intellectual needs, according to the 14th annual World Wealth Report.

As advisors, we are in essence educators. We should be modifying our presentations to match the client's level of knowledge. Clients are more apt to follow a plan if they understand it. One effective technique is to be interactive with clients. For example, a client could be given a budget template in the form of an Excel document and asked to input the spending data. They can then see how their bottom line changes over the course of a year when changes are made.

Asking clients what information is most important to them, and then designing a report that reflects those interests, demonstrates an advisor's willingness to go the extra mile. It also shows the advisor is listening.

To illustrate a point, sometimes you need to think outside the box, be creative and be willing to expend the time and effort to really drive the point home and ensure the client understands. Each client is unique and each of their financial situations will be unique as well. But the purpose of any presentation should be to enlighten the client in any way possible. Quite often, a simple 20-page report is a more powerful educational tool than a 100-page report that no one ends up reading.

Taking the time to explain a report to clients provides further clarity. Explaining what each category represents, how numbers were calculated and highlighting the pertinent "bottom line" can avoid any confusion. This type of hand-holding has an enormous impact on the level of trust that can be built between an advisor and a client, not to mention the bond that's created by seeing a plan to fruition.

The world we live in is changing, the financial landscape has undergone a metamorphosis and the mindset of investors has evolved based on this new paradigm. Advisors can't afford to remain passive in such a dynamic environment. Today's advisor needs to be an artist, psychologist, financial analyst, planner and life coach all rolled into one. Fancy words like standard deviation, alpha, and Monte Carlo are not impressing investors. It is time to put away the financial dictionary and stop trying to razzle and dazzle clients with meaningless charts. It is time to look them square in the eyes, and ask, "What do you want to know?" Then do whatever it takes to provide answers. Phrases like "less is more" and "good things come in small packages" have been around a long time for a reason.

Joseph Geier and Melissa Jordan are president and client relationship manager, respectively, of Geier Financial Group, a comprehensive wealth management firm in Marriottsville, Md. Further information is available at www.geierfinancial.com.

Comments

HaigBedrossian - **excellent** |2011-01-16 13:14:25|

Great article. Communicating clearly not only helps clients understand, it builds a better connection / bond. H.

http://www.creativemint.com/financial/

Please login to write comments.

Login | Logout