VAN Satellite 2019

Session summary

Session: The meaning of value

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The relationship between an adviser and their client is built on trust. But the growth of that trust depends on **successful communication** between the two parties.

When thinking about improving communication in an advice business, we need to start from the premise that clients respond to words **emotionally**. That means we need to be very careful with our language to make sure clients understand our meaning. For example, when asked how we are, many of us say "busy". We say it because it's true and because we think it makes us sound successful. But what clients hear is: "I don't have time for you. You're not important".

What words should you be using with your clients to improve communication?

Words to lose	Words to use	Why
Cutting edge technology	Smart technology	'smart' works and is reliable
Low cost	Cost efficient	low cost = high risk
Hidden costs	What you pay matters	shows your interests are aligned
Premium service	Full service	'premium' implies high cost
Financial plan	Financial planning	implies planning is ongoing
Our mission	Our approach	'mission' is a cliché
Discretionary account	Advisor-managed account	'discretionary' is secretive
Financial freedom	Financial security	'freedom' isn't plausible
Exposure	Participate	exposed = to virus/cold
Dial your risks down	Adjust your risk down	'adjust' is easier to understand
Bulk beta ETFs	Market ETFs	clients don't know what 'bulk' means
Passive investment	Index investment	Why pay for something passive?
Factor-based	Objectives-based	Factors = jargon
Leading strategies	Progressive strategies	'leading' is reactive
Customised	Personalised	'customised' has become meaningless

How to talk to your clients about your costs

Your clients want you to be smart with their money, so being open and straightforward about what they are paying you is an important starting point for building a trusted relationship. Two-thirds of clients say 'unexpected or unexplained fees' are the most likely factors that would cause them to lose the most trust in their advisor – compared with a third who said it was 'underperforming investments'. If you can't explain your commissions and fees to your clients in a clear, straightforward way, they won't trust you to manage their complex investments. Use this communication strategy to clearly explain costs to your clients.

1. **Acknowledge** and show respect for whatever a client's paying. Often, advisers don't acknowledge a client for paying what they pay. No matter how much or how little they are paying, respect them.

2. **Transition** into your statement about value. In other words, the transition statement would be, "You may be wondering what you're getting for this cost. Let me explain…" Here's the chance to communicate your value.

3. **Disclose** your actual costs. This may seem obvious, but it's the bit many advisors leave out. Remember, it's vital that the client knows exactly what they are paying for and why. If you've done the first two steps correctly, this step is much easier.

For example:

Acknowledge	**State value** (sample only)	**Describe costs**
Thanks for asking about our costs. First, let me say it's important that we're smart with your money. What you pay matters to us. It's important for you to know exactly what you pay so there are no unexpected or unexplained costs.	*Our ultimate goal is to make sure you achieve your financial goals. So, we're always looking to design long-term diversified investment strategies – and are always looking for the most cost-efficient, high-value ways to manage your money.*	*With that said, the costs are…*

How well do you really know your clients?

Financial advisers know they need to deliver what clients want. But research shows that, while most advisers believe they understand their clients' wants and needs, most clients don't feel the same way. There is a significant gap between what advisers think they understand and what the client is feeling.

However, the gap is easy to address: clients want personalised strategies based on their adviser's complete understanding of their complex situation. The trick for advisers is that they need to work on making sure the client **feels** understood.

The review meeting, revisited

Invesco's research highlights the potential for a revised approach to the client review meeting. This annual event can serve as more than just 'checking in' and be a vehicle to encourage clients to talk positively with their network about their experiences.

If clients feel they are on track with their goals, they are more likely to feel they're getting great value from the relationship and even feel motivated to recommend your services. In contrast, research shows that, if clients they don't feel like they're on track (even if they are), almost two-thirds would question the very nature of the relationship they had with their existing adviser.

Clients are dissatisfied when they go to a review meeting and their adviser defaults to what they know best – going over the investment performance and justifying their existence based on the investment management. But this has nothing to do with the client and their goals.

It's as if a client is asking the time, and the adviser tells them how the watch works.

Clients are looking for answers and ways to better their financial lives. But advisers can sometimes fail to connect the dots for clients. When this happens, advisers fail to give themselves the best opportunity to deliver their knowledge and skills in effective ways for their clients. You need to join the dots on how the services provided will lead to the outcomes the client wants to achieve.

Eleece Quilliam is the National Manager of Invesco Consulting in Australia, a US-based group dedicated to helping financial advisers get new clients, keep the clients they have and grow their businesses. Invesco's findings are based on 22 years of research with 10,000+ financial advice clients.