

Practice Lifecycle

The indispensable practice management tool for advisors

Aligning Expertise and Personal Attributes to Serve Clients

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“It is all about the client, not about me.”

Jane was moving her office and I was encouraging her to take the opportunity to create an office environment that more effectively served her clients. I had just asked her to think about how she could reveal a little about herself through her office décor. She initially declined because she felt she was not a part of the equation.

Unfortunately, she was wrong. Financial planning is not all about the client—it is all about the relationship. Relationships are two-way exchanges and the relationship will be stronger when the advisor’s expertise and the advisor’s personal attributes are both aligned with the client’s needs.

Certainly the primary objective of all advisors is to help clients achieve their goals. It is the right thing to do and the best way to build a business. Advisors must listen to their clients and sometimes modify solutions so they will be accepted and implemented by the client. But in the end, advisors have to provide technical expertise to their clients and use relationship skills that will push their clients at the margins to accept solutions that will best meet the clients’ needs.

Expertise: Experience, Planning Perspectives and Biases

Each advisor has a perspective on the solutions and products that are appropriate for their clients. Each advisor might have areas of the practice where they have strong opinions and areas of the practice where they can accept a variety of solutions. The very best advisors know their biases and structure their practice to reflect those biases.

I met with Scott who has turned away clients because they wanted a concentrated investment portfolio. He is a firm believer in a well-diversified portfolio, in part, because his clients’ portfolios became somewhat concentrated in the late 90s and paid for the drift in allocation. He has a strong opinion on diversification and will not allow his clients or his practice to suffer from concentrated positions again.

Some advisors insist that all of their clients understand their cash flow; others gloss over cash flow issues. Some advisors meet their clients’ needs with individual securities; others use only mutual funds and other packaged products.

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Some advisors provide detailed recommendations for their clients' tax planning; others follow the lead of their clients' accountant. Advisors who have strong opinions about the need for cash flow analysis might not have a strong opinion on who should conduct the tax planning.

Advisors structure their practices based on their training, their experience and their personal attributes. In part, clients choose their advisor based on comfort with the practice that results from the training, experience and personal attributes of the advisor, or on comfort with the expertise of the advisor:

- a client who is unwilling to budget is not likely to hire an advisor who spends a lot of time on cash flow analysis;
- a client who is firmly in the passive investment camp is not likely to hire an advisor who creates portfolios of individual securities;
- a client who holds minimizing taxes above all other goals is not likely to hire an advisor who relies heavily on the accountant for tax planning.

A client's needs and experience determine the advisor he will choose. When appropriate, advisors should consider modifying their recommendations to make them more acceptable to the client. (A client moving in the right direction is better off than a non-client standing still or going off on a tangent).

For instance, equity investments are appropriate for most young people saving for retirement. Yet some young people are uncomfortable with that risk and you may accept one of these clients with a goal of moving their risk tolerance over time. Some clients may have a large concentration in their company's stock and be uncomfortable reducing their holdings. An advisor might reduce the holdings over time rather than taking the client to an appropriately-diversified portfolio immediately.

This modification is not always appropriate. An advisor once told me that he does not write down his recommendations for clients until discussing the recommendations with the client and gaining acceptance. After all, the recommendation might change if the client does not like it. That seems like excessive modification of one's recommendations. The client is coming to you for your expertise and advice; you should give it to them.

This advisor achieves 100% implementation of his recommendations but has no documentation that he recommended anything (like insurance products, or greater diversification, or more savings, or less spending) that may have helped the client but was not accepted by the client. I am not sure what the advisor gains from this practice—certainly not compliance documentation.

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Many advisors refuse to do business with clients who are traders and not committed to long-term investing. Many advisors refuse to work with clients with unreasonable expectations. Some advisors refuse to work with people who have excessive debt. Each advisor needs to identify the issues that are not negotiable and those issues that can be changed to initiate the relationship and grow over time.

Educating the client over time could be one objective of the relationship. Sometimes forming a relationship hoping to change the client works; often forming a relationship hoping to change the client leads to an unhappy relationship -- just as a marriage proposal based on changing a spouse often leads to an unhappy marriage.

Relationship: Finding Common Ground

Recently, I spoke to a group of advisors about ways to differentiate their practices. One of the options I presented was to differentiate one's practice based on his personality preferences. For instance, some clients like a detailed review of the analysis that supports a recommendation and other clients are only interested in the recommendation, not the analysis. Some advisors might view the detailed review as lack of trust while other advisors might view a cursory review as a potential compliance issue.

One advisor in the meeting thought advisors should be able to work with all personality types. While it is certainly good to be able to work with all personality types, you also want to minimize the relationships that are forced or unnatural.

Take, for example, clients who like to review analysis in depth paired with advisors who view this as a lack of trust. Advisors might benefit by allowing a few clients like this in their practice because the clients have other attributes that the advisor finds appealing. But imagine how painful it would be to have a significant number of your clients requiring a detailed review of all your recommendations.

Now imagine a practice with no clients who dig deeply into the analysis. I know it was not difficult for you to imagine either practice because trust is the number one characteristic advisors tell me they want in clients.

You may enjoy working with three or four personality types and you may find a few more personality types pretty easy to accommodate. Perhaps only one or two personality types require significant effort to tolerate. These are the personalities you want to eliminate from your client base while you draw into your practice those you enjoy serving.

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Personality type is one perspective on the relationship; shared experiences and common interests are another perspective. Often these shared experiences and common interests naturally flow from the conversation but it never hurts to nudge the conversation along with your décor. Instead of buying a Picasso reproduction when you know nothing about Picasso, buy a painting that shows the location of your semester abroad in college. (If you do know something about art, by all means put a few of your favorite pieces on the walls). Instead of a painting of a generic mountain or lake scene, put up something that represents your favorite vacation spot or prints by a local artist you enjoy. Perhaps you might display something that represents your favorite hobby or sport.

A story that goes with the art and knick knacks is even better. By providing clues to your interests, you can help clients and prospects find a way to engage you in conversation. Why put something on the wall or shelf that means nothing to you? Decorate your office to tell your clients what makes you happy.

You can be successful emphasizing your expertise and you can be successful emphasizing your relationship with the client. The strongest relationships and the most successful advisors are those who balance their expertise and their relationships to help clients achieve their goals.