# THE PRACTICE OF THE FUTURE

Staying Ahead of the Curve with a Future-Proof Practice

THE OECHSLI INSTITUTE

# INTRODUCTION

What does the financial advisor practice of the future look like? What changes do the next few years have in store? While we might wish for the ability to see into the future, parallel annual research projects on affluent investors and financial advisors tell us that for financial services, the future is now.

Research over the past five years has shown that, year after year, elite teams are distancing themselves from the competition. They're exceeding affluent investor expectations and marketing their services at the highest levels. The future is embodied in the profile of today's small cadre of elite practices.

So what are these firms doing that others are not? They are fluidly adjusting to a multitude of factors:

- Changing affluent needs and expectations
- Planning for the next generation
- Minding their bandwidth
- Staying current with technology
- Determining the proper usage of social media
- Redefining their value proposition

This white paper is designed to take you further into the future by projecting what today's elite practices will look like two to five years from today. We have included specific how-to action steps to help you follow in their footsteps and make your business future-proof.

"...for financial services, the future is now."

# MARKETING THROUGH COMMUNICATIONS

High-level personal service is a hallmark of today's elite financial advisors. They are extremely attentive to client needs, always on the look-out for "wow" opportunities, and are masters at stimulating positive word-of-mouth. These are some of the fundamental components of relationship marketing, where you draw on the strength of your non-business, personal relationship with your clients to drive new leads. An example would be taking a handful of clients to a ballgame and inviting their (non-client) friends or family to join them. Within one activity, you not only reach prospects in a natural, non-salesy environment; you also draw your existing clients closer to you in an out-of-the-office setting. The increasing demand for this type of personal touch is a trend that is here to stay.

Elite advisors not only employ but have mastered this relationship management/relationship marketing crossover. Some of their core strategies include:

- Connecting with both spouses on a personal level
- Insisting that both spouses are involved in the planning process
- Involving the adult children of their clients
- Hosting client-focused events on a regular basis
- Connecting with clients online, by phone and in-person
- Taking a team approach to managing their clients' total financial affairs

## STUCK IN THE MIDDLE

Many advisors miss the mark when it comes to this level of personalized service. Their client contact is reactive or too mechanical, both spouses aren't always involved, and few ancillary services are provided. This general population of advisors is in the middle when it comes to client service and at risk of losing market share to the upper and lower extremes: advisors who are better at forming relationships with their clients, and the many less-personalized web-based solutions now available.

Web-based solutions, whether they come in the form of recommendations for do-it-yourselfers, automated portfolio management apps or sites, or real-life advisors operating through the web, are gaining traction for a reason. If an investor is getting only portfolio management and basic investment advice from their advisor, and very little personalized attention, why pay a higher fee when the same level of service is available online? Where is the value? While the current state of online financial advice may make it a long-shot competitor for many advisors, as with many an online enterprise, these web-based models will become bigger contenders as their services mature.

What this means for traditional financial advisors is that they must double down on their competitive advantage now and be certain their value proposition makes them a clear choice over less-personal online resources (see next page). To rise above the middle of the pack and reach elite status, they must further demonstrate their value as a trusted guide to family financial decisions, navigating turbulent markets and conducting a client's financial affairs to work in harmony. In short, if you can't differentiate yourself from the competition, your clients and prospects won't be able to, either.

And your clients would like you to reach elite status, too. Research from The Oechsli Institute shows that the majority of $1M investors (71 percent) still want a go-to financial advisor to oversee all aspects of their financial affairs:

## IMPORTANCE OF HAVING ONE GO-TO FINANCIAL ADVISOR

| | $1M+ CLIENTS |
|---|---|
| EXTREMELY IMPORTANT | 48.6% |
| MODERATELY IMPORTANT | 22.7% |
| NEUTRAL | 11.0% |
| SLIGHTLY IMPORTANT | 9.9% |
| NOT AT ALL IMPORTANT | 7.7% |

Source: The Oechsli Institute

## REDEFINING YOUR VALUE PROPOSITION

Financial advisor value propositions—explanations to your clients or prospects what unique benefit they can expect from their relationship with you—must continue to evolve with the times. Long-winded mission statements are no longer acceptable. They do not differentiate you and have an inverse effect on selling your services. Elite advisors understand that the less they talk about themselves and the vast array of services they provide, the more successful they are at connecting with affluent opportunities. They recognize that their actions speak much louder than anything they might say about how they conduct their business.

You should be able to express your value proposition in a concise statement that is easy for you and your clients to remember (hopefully your clients will use it when referring friends and colleagues to you). You can also use that statement on your website, LinkedIn profile, business cards, brochures, etc. However, the actions behind your value proposition—how you deliver your unique benefit to your clients on a day-to-day basis—should go well beyond that simple statement. For example, your written value proposition does not have to say that you involve both spouses in all discussions about their portfolios, or that you connect with clients socially; but you do need to do those things as part of living up to your value proposition.

A value proposition that does not imply that you deliver to elite-practice standards will be all proposition and no value, and is unlikely to help you stand out against other options.

> "Elite advisors understand that the less they talk about themselves and the vast array of services they provide, the more successful they are at connecting with affluent opportunities."

### THE FOLLOWING ARE A FEW RULES-OF-THUMB ELITE ADVISORS FOLLOW IN CRAFTING THEIR CURRENT VALUE PROPOSITION:

- Less is more: less industry jargon, fewer big words, and fewer words in general.
- Be true and genuine: they are clear about the role they play with clients and state so clearly.
- Don't make an overt attempt to impress: forget the elevator speech of yesterday. Elite advisors understand that whenever they're asked about what they do for a living, it's an opportunity to establish rapport, not launch into a canned spiel.
- Ensure it passes the "spouse test": the majority of the spouses of elite advisors can easily articulate their husband's or wife's value proposition in their own social circles.

## FUTURE-PROOF YOUR PRACTICE

- Over the next two to five years, web-based solutions will improve and consumers will become savvier regarding financial advisor fees and expectations. Your ability to articulate your value over online competitors and other financial advisors in simple, down-to-earth language is paramount to landing new clients.
- Know your online competition. If you're not sure exactly what Wealthfront or Betterment provide or how they structure their fees, how can you sell against them?
- Identify the gaps between services offered by elite practices and the services you currently offer. This drill should focus on the client contact elite teams provide and the services and experts they offer.
- With married clients, be certain to connect with both spouses. Involve them in performance reviews and financial and estate planning. Involve their children when possible as well.

# WANT TO MEET UP SOMETIME? MAYBE I COULD CALL YOU INSTEAD...

The average age of a $1M+ investor is 58 years old. Age often drives communication preferences. The majority of affluent investors (62.8 percent) still want face-to-face meetings as their primary interaction with an advisor. Phone calls are OK with 32.5 percent of investors and email is fine for 4.7 percent. This data is important for keeping emerging technologies in the right context: webinars and video conferencing are wonderful mediums to offer, but clients and prospects shouldn't be forced into them prematurely. Most still prefer more personal means of interaction. This is a strength of elite advisors: they make certain to get face-to-face with their affluent clients, but also customize their communication method and style to each client.

## FUTURE-PROOF YOUR PRACTICE

- Ask each affluent client about their communication preferences.
- Maximize the amount of time you spend face-to-face. Most elite teams measure this.
- Experiment with new technology, but take your time in the pilot phase, only rolling it out to all clients when you're really ready.
- Inspect what you expect. If you've prescribed four in-person touches and six phone calls for top clients, it's smart business to check up on any team members responsible for making any of those contacts.

## PREFERRED MEDIUM FOR REVIEW MEETINGS

| | $1M+ CLIENTS |
|---|---|
| IN PERSON – THEIR OFFICE | 42.9% |
| OVER THE TELEPHONE | 32.5% |
| IN PERSON – OFFICE OR HOME | 19.9% |
| THROUGH EMAIL | 4.7% |
| THROUGH WEBINAR OR VIDEO CONFERENCE | 0.0% |

Source: The Oechsli Institute

## SERVICE ABOVE AND BEYOND

The service expectations of wealthier clients vary based on life stage, investment style, and other factors, and it's a mixed bag with regard to desired frequency of in-person meetings: 29.9 percent of $1M+ clients want four or more meetings per year, 39.8 percent want 2-3 meetings, and 30.4 percent want 0-1 meetings. Any effective communication strategy comes down to knowing your clients. Elite advisors work hard to give each client the right amount of contact; no more, no less.

Elite advisors understand that client interaction goes beyond review meetings. They make a point to interact with their affluent clients on a social level as well. Whether it's a non-business lunch, a cookout or a sporting event, make it a point to mix business with pleasure with your top clients.

## FUTURE-PROOF YOUR PRACTICE

- Personally ask each affluent client how often they'd like in-person reviews. You might say something like, "I usually recommend that we see our clients about three times per year for official reviews, but we want to be cognizant of our clients' preferences as well. How often do you think we need to get together?"
- Tailor your communication strategy on a case-by-case basis. If a client tells you they'd like to get together for one formal review per year, with telephone contact in between, give them what they want.
- Don't forget the social contact. Having portfolio reviews is delivering the expected. Plan for at least 2-3 social touches per year as well. These could be lunches, dinners, or client events, and should involve both members of a couple.

## PREFERRED NUMBER OF REVIEW MEETINGS PER YEAR

| | $1M+ CLIENTS |
|---|---|
| NONE | 11.0% |
| ONE | 19.4% |
| TWO | 29.3% |
| THREE | 10.5% |
| FOUR | 23.6% |
| FIVE OR MORE | 6.3% |

Source: The Oechsli Institute

## CLIENTS: YOUR OPTIMAL MARKETING STRATEGY

Word-of-mouth reigns supreme in driving new business to elite advisors. Over the last three decades, cold calling, door knocking and public seminars have given way to relationship-based methods like personal introductions, social prospecting and intimate client events. You can see this clearly in the results of recent research from The Oechsli Institute—very few wealthy clients chose their financial advisor through colder means.

Colder tactics will continue to lose ground in the coming years for one simple reason: when choosing services across a variety of sectors, consumers have learned to rely on the experiences of others to help in selecting the right products and services. This includes everything from asking a neighbor about the realtor they used and reading online reviews before purchasing a new cell phone to asking a colleague about their experience with financial advisors.

For now, online reviews of advisors are relatively scarce. But this is likely to change in the future. Society is trending towards posting more reviews, not fewer. And since online reviews typically aren't removed, every passing year offers the consumer more information to leverage in their decision-making process.

## FUTURE-PROOF YOUR PRACTICE

- Dispense with colder marketing tactics unless you're brand new to the business and have few other options, and master the art of relationship marketing. Elite teams make this a core focus of their business.
- Wow your clients to a buzz worthy level as often as possible:
    - Find small gift opportunities (travel guides, birthday cupcakes, etc.)
    - Over-communicate in person and by phone
    - Recognize life events
    - Coordinate outside experts such as accountants and attorneys
    - Help them with the bigger picture of staying financially organized

## INITIAL DISCOVERY METHOD

| | $1M+ CLIENTS |
|---|---|
| INTRODUCED FROM A FRIEND, FAMILY MEMBER OR COLLEAGUE | 41.9% |
| INTRODUCED FROM ANOTHER PROFESSIONAL | 22.0% |
| OTHER | 15.7% |
| THROUGH COMMUNITY INVOLVEMENT OR SOCIAL ACTIVITY | 6.3% |
| BASED ON STRONG REPUTATION | 5.2% |
| WENT TO A PUBLIC SEMINAR | 3.1% |
| RESPONDED TO COLD CALL | 2.6% |
| ONLINE RESEARCH OR THROUGH SOCIAL MEDIA | 2.6% |
| RESPONDED TO DIRECT MAIL | 0.5% |

Source: The Oechsli Institute

# LEVERAGING TECHNOLOGY

A few years in the world of technology is a lifetime. A quick glance at your smart phone tells the story. Many of the newer tools being used now, such as video conferencing and tablet-based financial planning apps, will easily go from “wow – you can do that?” to “wow – you don’t do that?” in a relatively short period of time. This is one of the reasons that elite advisors recognize the importance of being associated with a good firm. The following excerpt from a Project Blue report by PricewaterhouseCoopers describes our current situation quite well:

> “While the transformational impact of digital technology has been slower to reach financial services than other fields of commerce, the sector has finally reached a tipping point. Enhanced digital interaction would offer your business the opportunity to engage more closely with its customers and increase wallet share.[1]”

As is the case with most emerging technologies, early adopters have determined how they will be used and are driving their development, while non- or late-adopters are falling behind. Where do you stand? Determine your tech-readiness with the evaluation tool in the sidebar.

[1] Source: Assessing the future trends for financial services. Page 12. PwC Project Blue. 2012.

## TECH-TOCK

Are you on the cutting edge or behind the times with your technology? Use the self-ratings below to gauge your tech-readiness.

### RATINGS

**[1]** *Not True*
**[2]** *Somewhat True*
**[3]** *Moderately True*
**[4]** *Completely True*

**[ ]** I use up-to-date financial planning software for my clients

**[ ]** I have personally instructed my clients on using our online solutions

**[ ]** My clients can use video conferencing for our portfolio reviews

**[ ]** I have connected with my top clients on social media

**[ ]** I use a tablet when explaining solutions to clients and prospects

**[ ]** My clients can use a tablet to access the tools we provide online

Score your readiness on the next page.

## HOW TECH-READY ARE YOU?

| | SCORE |
|---|---|
| WELL DONE: YOU'RE AN EARLY ADOPTER AND AMONG THE INDUSTRY'S TECH LEADERS | **21 – 24** |
| OFF TO A SOLID START; USE CLIENT FEEDBACK TO DECIDE THE TECH SOLUTION TO ADOPT NEXT | **16 – 20** |
| YOU'RE LIKELY LEAVING CLIENTS — ESPECIALLY YOUNGER ONES — LOOKING FOR MORE | **11 – 15** |
| TIME TO GET DIGITAL BEFORE THE TECHNOLOGY WAVE PASSES YOU BY | **6 – 10** |

## TAKING THE CONVERSATION ONLINE

Social media has been in the spotlight for years now. As it stands, there are plenty of advisors on social media, but the conversation is fairly one-sided. There are content streams upon content streams—many are the same—but very few investors are interacting with their financial advisor online.

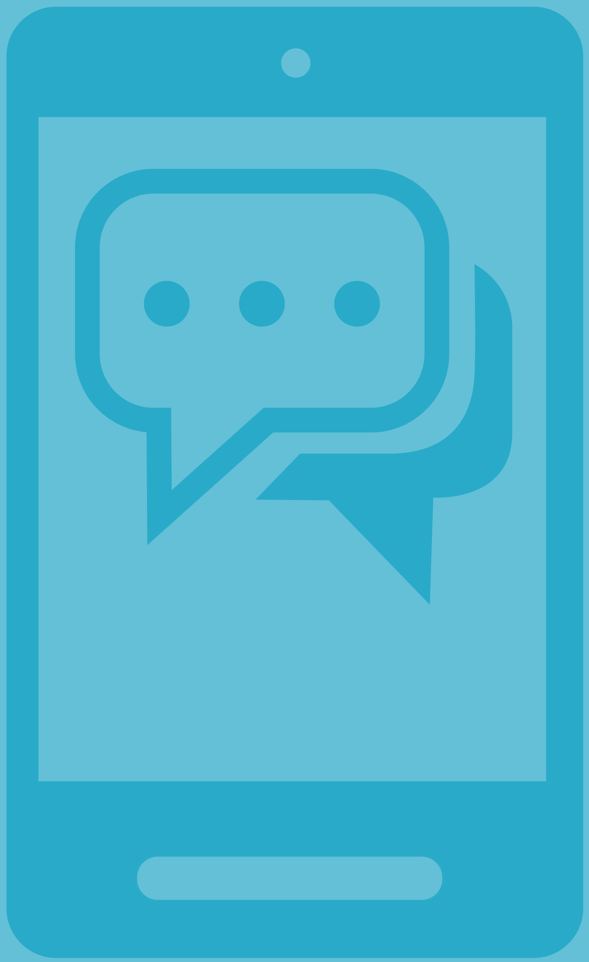
With hundreds of millions of people using social networks, why aren't more of them interacting with their advisors online? Perhaps traditional meetings, phone calls and emails are covering all the bases? The social media innovators within the industry see it otherwise. The sidebar provides some tips straight from focus groups with these tech-savvy advisors on how to best interact with affluent clients online.

## FUTURE-PROOF YOUR PRACTICE

- Review your clients' Facebook, Twitter and LinkedIn pages often. Look for pictures and updates that give you an idea of what's happening in their lives.
- Use the information you uncover to show that you're paying attention: "Did I see that your son just became an Eagle Scout?"
- Comment on or like your clients' posts. It shows them (and their friends) that you're taking an interest in them beyond their finances.
- Post selective personal information, even on your business pages. The truth may hurt, but few affluent investors are likely to peruse your market outlook or retirement tips on a social networking site. But they might look at the pictures from your last client event or an update about a key team member going on a mission trip.
- Source names (research clients' connections) and ask for personal introductions using information found online. You might say, "How well do you know X or Y? Could you introduce me?"

## INTERACTION WITH ADVISOR ON SOCIAL NETWORKS

| | $1M+ CLIENTS |
|---|---|
| FACEBOOK | 2.6% |
| LINKEDIN | 5.8% |
| TWITTER | 1.0% |
| NONE OF THESE | 93.2% |



Source: The Oechsli Institute

# EXPANDING SERVICES

While elite advisors typically offer more comprehensive wealth management solutions to their clients, more and more financial advisors are following suit—a trend that is likely to continue.

The Intuit 2020 Report: *The Future of Financial Services* speaks to landscape changes that add to the need for more services as well:

> "Over the past few decades, economic changes have shifted risk management responsibilities from institutions to individuals, a trend that will continue through 2020. Companies will further shift the responsibility and costs for retirement and health care to employees. Fiscal problems will reduce social support services from federal, state and local governments."

> "Individuals will become responsible and accountable for most risk-related decisions in the areas of financial planning, retirement, insurance and health care. This risk shift will require consumers to look for products, services and advice that will help them anticipate and understand the implications of financial decisions. Financial institutions are well positioned to help consumers with their increasingly complex personal financial planning needs.[2]"

Clients not only want an advisor who can deliver services across the spectrum of their needs; in the future, they may also need it. Building on the services you already deliver can give you an edge for the future—but only if you can deliver them at the level your value proposition promises.

## FORMING TEAMS

Many elite advisors achieve their status and broaden their service offerings by taking a team approach. Within teams, roles are more clearly defined, leaders can take a more active role in leading, and there is a stronger communication structure in place. These benefits make it easier to provide the client experience that attracts and retains top clients.

Teams can be formed from the partnerships of veteran advisors who bring different skill sets to the practice or from adding junior advisors. You can also create strategic partnerships with attorneys and CPAs to broaden client offerings without actually adding headcount.

There are two particular advantages of bringing on a junior advisor. First, it can let you delegate responsibilities in ways other partnerships may not. Junior advisors can take on servicing smaller clients, assisting the children of clients with their financial needs, or attracting younger clients. Second, junior advisors can be part of a succession plan, putting in place and allowing you to mentor the team that will take over your practice when you retire.

[2] Source: Intuit 2020 report: the future of financial services. Page 4. Intuit. 2011.

## FUTURE-PROOF YOUR PRACTICE

- Meet with your team to take a critical self-assessment about the services you and your competitors offer. Ask the following questions:
    - Are we providing this service? If so, at what level?
    - What should we start offering?
    - What should we discontinue (if anything)?
    - If we are to stay competitive, what should we offer in the next few years?
- Create a timeline and assign areas of responsibilities. Don't expect to start a new line of services overnight—be reasonable with your expectations.
- Revisit this list of services each year and determine the appropriate changes, if any.

## SERVICES REGULARLY PROVIDED

| | ADVISORS | ELITE ADVISORS |
|---|---|---|
| INVESTMENT MANAGEMENT | 94.2% | 96.4% |
| FINANCIAL PLANNING | 90.4% | 78.6% |
| LIFE INSURANCE | 79.1% | 57.1% |
| LONG-TERM CARE INSURANCE | 64.0% | 46.4% |
| ESTATE PLANNING | 63.3% | 67.9% |
| BUDGETING/CASH FLOW MANAGEMENT | 50.5% | 46.4% |
| TAX PLANNING | 42.4% | 50.0% |
| CHARITABLE GIFTING PLANNING | 41.8% | 64.3% |
| FINANCIAL DOCUMENT ORGANIZATION | 40.2% | 35.7% |
| MORTGAGE LENDING | 30.9% | 35.7% |
| BUSINESS LENDING | 17.7% | 25.0% |
| NONE OF THE ABOVE | 1.0% | 0.0% |

Source: The Oechsli Institute

# CONCLUSION

Elite advisors—those who are already top of the class in client acquisition, service and retention—regularly meet the challenges of a changing industry head-on. They're thinking and re-thinking their service models, team setup, social media strategy, and anything else that can improve their marketing and client experience. Put simply, they adapt to change by changing.

You can do the same by laying the groundwork for your unique practice of the future. Now is the time to take stock of where you are in your development, make plans for growth or adaptation, and take action:

- How will your business model change in next two to five years?
- How will you define your value proposition in the future?
- Will you need to hire or replace a team member?
- What defines your ideal client?
- What services will you offer them?
- What kind of impact do you want to have in the community?

## YOU DON'T HAVE TO DO IT ALONE

One of the simplest ways to future-proof your practice is to partner with a firm who can provide the tools, resources and educational experiences you need to adapt to the changing needs of your clients and the seemingly endless regulatory contortions of the industry. If your broker-dealer or RIA can't adapt their technology and services fast enough to meet your future needs, it could be what holds you back.

## SOURCE

The data presented in this white paper was from two research projects conducted by The Oechsli Institute in February 2014. There were 434 financial advisors and 751 affluent investors ($250,000 or more in investable assets). Data was collected through an online survey.

## ABOUT THE OECHSLI INSTITUTE

The Oechsli Institute, founded in 1978, specializes in helping the Financial Services Industry improve its ability to attract, service and develop loyal affluent clients. Their research-based performance coaching and training programs have become the standard within the industry. The Oechsli Institute does ongoing work for nearly every major financial services firm in the U.S. For individual advisors, Matt Oechsli and his associates remain in high demand for Performance Coaching, Rainmaker Retreats, and FastTrack for Growth (for new advisors).

For more information on their services, visit www.oechsli.com or call 800.883.6582.

Prepared by The Oechsli Institute. The views are those of The Oechsli Institute. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The Oechsli Institute is not affiliated with any other named entity.