

WHITE PAPER

How to Build Loyalty through the Annual Client Review: Four Questions All Advisors Must Ask Their Clients

In today's economic climate, even experienced financial advisors are finding it difficult to attract new investors. More than usual, successful firms are growing their businesses at the expense of less successful firms. Successful advisors are courting and winning over clients who are dissatisfied with their current advisors.

That's why, if you want to be successful, you must focus on cultivating client loyalty. In today's highly competitive marketplace, you'll never be able to grow your business if you're losing clients.

The key to building a business is building loyalty,
and the key to building loyalty is building trust.

Trust fosters loyalty. When investors trust you, they will naturally be loyal to you. But how do you build that kind of trust with your clients?

You do it by taking a genuine interest in their well-being. You move beyond being simply a service provider to being a trusted business partner.

That's not a quick or simple process. Building trust always requires time and effort. You must build personal rapport over the long term by delivering value beyond what your clients expect. And your actions must be genuine. Clients will see right through manipulation.

Building client trust and loyalty is worth the investment.

When you proactively focus on building loyalty, your business will prosper, even in down markets. Not only will your clients stick with you, they'll provide you with referrals that will grow your business.

Loyal clients have always been the best source of referrals. There are no better advocates than clients who sing your praises to family and friends. That's priceless advertising!

On the other hand, if you fail to do the work required to strengthen your existing client relationships, your business will suffer. Falsely assuming that all is well with your clients because they haven't complained is a high-risk strategy.

Times have changed. Firms and individual advisors who fail to come to grips with the realities of the new business climate risk significant client defections. Unless you build client loyalty by building trust, you could find your client base eroding like a sandcastle in a rising tide.

The annual review provides one of the best opportunities for you to build trust with your clients.

Use this meeting to assess unmet client needs and uncover areas of dissatisfaction. Then take the actions that will strengthen trust and deepens loyalty.

Because my firm specializes in helping financial institutions and financial advisors achieve their growth potential, I am aware of how some of the most successful firms use the annual client review to build loyalty. Instead of playing it safe by limiting their client discussions to investment performance, investment policies, and market outlook, they expand the meeting agenda to uncover needs and concerns.

Four Questions to Ask Your Clients during the Annual Review

Based on research I've conducted with advisors and high-net-worth investors, I've created four questions you can ask your clients during the annual review to dramatically increase your odds of building a loyal client base.

Question #1: "What are your biggest financial concerns?"

Ask your clients the above question every time you conduct a review, no matter how well their portfolios performed over the past year.

Economic conditions have changed since your last review, and so have the concerns of your clients. Areas where they were at ease eighteen months ago may now be sources of tremendous worry.

If you don't ask this question in every review, you risk not learning about their needs. And if you don't know about their needs, you won't be able to help them. To best serve your clients, know the types of concerns they are likely to have.

My firm recently conducted interviews with more than a dozen individuals in their late 30s to late 50s, all of whom held investments well in excess of \$1 million. It revealed they are deeply concerned about :

- Having enough funds to cover the cost of higher education for their children
- How much money they will need for retirement, especially for healthcare costs
- The possibility that rising tax rates will reduce their after-tax income from retirement accounts below planned amounts
- Unanticipated cash outflows to cover costs associated with care for elderly parents
- Potential changes in tax laws that might adversely affect the amounts of their estates that would be available for children and charity

Seek to understand your clients' worries.

How do they feel today, right now, about these and other potential problems? Look behind their expressed concerns to see what's driving them.

Demonstrate a genuine interest in your clients' welfare by providing them with the knowledge and guidance they need to make good financial decisions to ease their concerns. If you can't help them, they will do the research to find someone else who will.

Takeaway: Don't assume that your clients – even those with significant net worth – are operating with the same degree of comfort they had one, two, or even three years ago. When clients express a concern or worry, it's their way of asking you for help. Failure to listen and respond puts you at risk of losing the relationship.

Question #2: “What types of additional services can we provide to help you be more confident in achieving your goals?”

In addition to uncovering your clients' needs and concerns, use question #2 in your annual review to identify their desires and expectations. Find out what services they want you to provide.

You can't personally meet all of your clients' wealth management needs. It's unwise to even try. But you can and should attempt to exceed their expectations by helping them develop effective strategies to get all of their wealth management needs met.

As you listen to your clients, consciously decide:

- What services you should develop and offer in-house
- What services you want to provide by bringing in outside experts
- What services are best provided by creating a network of outside experts to whom you will make referrals

For example, suppose a number of your high-net-worth clients are concerned about having enough money for retirement. Enhancing your in-house retirement-planning services to better serve these clients might very well be a good investment. It probably would enhance your client-loyalty levels and your client-acquisition efforts.

On the other hand, if you have clients who are concerned about planning and caring for aging parents, it might be preferable to host an event and invite one or two guest speakers. These outside experts could talk about options for care, the associated costs, and other related issues. After the event, they could make themselves available on an on-going basis to meet specific needs.

In this scenario, you need only to recruit qualified, trustworthy professionals and host the event. That's a rather small investment that stands to pay tremendous dividends in terms of increased client satisfaction and loyalty. Not to mention that these outside experts will probably be a future source of referrals for you.

Takeaway: It's impossible to meet all of your clients' financial needs, but it's imperative to help them get their needs met. Cultivate a network of experts you trust to meet the needs you have decided not to provide in-house. Then help your clients develop actionable plans to satisfy their needs in the way that is best for them. When you serve clients in this way, you build loyalty. When you don't, you risk losing their business.

Question #3: “In what ways have we exceeded your expectations?”

Loyalty is built by exceeding expectations and creating a personal connection. Use the review to understand what you are doing particularly well in the eyes of each client, so you can leverage these successes across your entire client base. You may be surprised by what your clients will share with you.

One investor from our exploratory interviews told us the following about his advisor:

“She (advisor) does an especially good job of reviewing how I am tracking against my goals. Twice a year we have a face-to-face meeting to review not only my investment performance, but also where I stand relative to my goals. This knowledge helps me organize the rest of my affairs.”

Have you recently asked clients specifically what you’re doing to help them feel confident about their decision to continue to work with you? Ask your clients this question, and use the feedback to identify the activities and services they regard as exceeding their expectations. Then institutionalize these practices across your client base.

Takeaway: Build client loyalty by identifying where you are exceeding client expectations. Then implement those services and activities across your entire client base.

Question #4: “What are two or three ways our firm could improve how we serve you?”

Notice that I saved the toughest question for last. In fact, most firms never get around to asking this question, because it makes them feel too uncomfortable. But if you want to improve your performance and grow your business, you need to know where you're coming up short.

There's another reason I put this question last on my list. Your clients also may feel uncomfortable answering it in face-to-face discussions, so I suggest that you first build rapport by asking questions 1 – 3.

Actually, this question need not cause anyone discomfort.

If you genuinely desire to serve your clients, you will want to know how you can serve them better. And if your clients sense that you are sincerely interested their welfare, they will feel comfortable giving you the information you seek.

If your client is hesitant to provide specifics, I suggest probing for feedback in areas related to communications and service. Below are a few sample approaches you can try:

- We are reviewing the effectiveness of our quarterly reporting. Can you tell me how valuable you find the reporting we provide? Is there enough information? Does it clearly explain how your portfolio performed? Why or why not?
- We pride ourselves in being responsive to client requests. Are there ways we could improve our timeliness and effectiveness of our responses?
- Are there any improvements we could make in how we service your account?
- Are there ways we could improve our communications? (Cite a specific communication piece, such as investment commentary, marketing outlook, or newsletter.)

Takeaway: A dissatisfaction that is known is an opportunity to improve. Don't miss out on this opportunity by waiting for clients to complain. Invite negative feedback to guard against surprise defections and propel your business to new heights.

Implementing this process

If you're accustomed to an annual client review that focuses on the basics, this process may initially take you out of your comfort zone. You'll need to adjust your approach and your priorities. But the results are worth the effort.

After all client reviews, I suggest that you send follow-up e-mails thanking them for their business and acknowledging the needs and concerns you discussed in the meeting. Be sure to express your commitment to addressing these needs in a timely manner that exceeds their expectations.

When your clients sense that you genuinely care about them and are capable of helping them solve their financial problems now and in the future, they will gladly give you their loyalty. And as we've said, increased client loyalty leads to increased profitable growth.

About the Author

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