

TOOLS OF THE TRADE: How to Be a Wealth Manager

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By Dan Wheeler

To deliver true wealth management, get to the core of your clients

In a column of mine last year, I contrasted advisors who act as facilitators (those who serve as conduits for their clients to purchase investment products, and give clients what they want) with advisors who serve clients as true advisors (those who bring a full range of solutions—not just investments—to their clients' financial lives and give them what they need). At that time, I showed you how the winning model belongs to the true advisors who really understand their clients and serve them on a deeper level.

Certainly if you want to deliver wealth management to your clients, you need to focus your time and energy on them instead of on a Bloomberg screen all day. We know, too, that the affluent increasingly want and value wealth management. You're well aware of this fact. It's one reason why virtually every advisor I speak with says he provides wealth management. The question is: Are you really being a wealth manager on behalf of your clients, or are you primarily helping them conduct transactions with their investment capital?

To help answer that question, let's start by defining wealth management. As I see it, there are three components to wealth management:

1. Using a consultative process to establish close relationships with clients. This is done to gain a detailed understanding of their goals and their crucial financial needs.
2. Offering customized choices and solutions designed to fit each client's needs. These interrelated solutions can include investment management, estate planning, tax planning, and so on.
3. Delivering those solutions in close consultation with clients. A true wealth manager works closely with clients on an ongoing basis to identify and reassess needs and find the appropriate solutions.

Wealth management is centered around a consultative relationship between advisors and clients. That means that in order to be a wealth manager and receive the resulting benefits—loyal clients, higher fees, and a stronger business—you must focus on delivering the value that comes from a consultative relationship with your clients.

Consultative Versus Transactional

Most advisors are trained to sell financial products, not a consultative service. Transactional advisors tend to have short-term relationships with customers. If a client comes to you and, after answering a few questions, you give him the best product from among all the products you offer, you're being transactional.

Consultative advisors, by contrast, have long-term relationships with clients. If a client comes to you and you engage him in a defined discovery process that includes active listening and an exchange of ideas and you make a recommendation only after this process is complete and you know your client's true goals, you're acting in a consultative manner. The fact is, this approach is going to garner you lots of repeat business. Consider research by CEG Worldwide showing that consultative advisors enjoy significantly greater assets under management than their transactional peers. The firm found that among RIAs who experience the lowest levels of success—that is, they manage less than \$25 million in assets—100% are product driven. However, among the top advisors—those managing more than \$100 million, 65.6% take a consultative approach. Only 34.4% of advisors in this top bracket are product driven.

Clearly a consultative approach is a winning one for many advisors. But it doesn't just happen. You have to have a systematic process—one that enables you to create a real partnership between you and your clients that fosters loyalty, referrals, and other benefits. This process will allow you to ask clients detailed questions resulting in the formulation of a comprehensive set of customized solutions.

I recommend a series of five meetings, each of which is structured to build trust from the start, and then win, serve, and retain affluent investors. The five meetings are as follows:

Meeting #1: Discovery Process

When they first meet with a prospect, many advisors spend the entire time describing in great detail their qualifications and expertise. In short, they talk, talk, talk. The prospects barely get to speak and are expected to simply listen to the advisor's pitch.

The Discovery Process meeting turns that approach upside down. You've got to realize that your clients and prospects are going to judge you largely by the quality of the questions you ask them. If, right away, you ask your clients questions about themselves—instead of trying to impress them with your abilities—you'll immediately start building trust that translates to business.

Your interview process at this meeting will seek to define the prospect's true financial needs, goals and current position. Your success as a wealth manager will depend greatly on this first meeting and your ability to identify and document the key components of your clients' financial lives.

To uncover these key components, you've got to go beyond simply learning about their current assets or estate plans. Those elements are important, of course, but equally important are the prospect's values, relationships, dreams, and attitudes toward their money. That's how you really find out who your clients are, where they are today, and where they hope to be tomorrow. That's the only way you can truly build customized wealth management solutions for them. What are the prospect's interests? Goals? What relationships are important in the prospect's life? What does he or she value in life? What other advisors do they currently work with? These are the kinds of "soft" issues that are crucial to knowing your clients.

Of course, this process can also be used for existing clients. If you've only worked with clients in a transactional manner before, you can begin to create consultative relationships with them that can help you garner additional assets and greater client satisfaction.

Meeting #2: Investment Plan Meeting

Once you know where the prospect is today and where she hopes to be down the road, you'll perform a gap analysis and schedule this meeting, during which you'll review the investment plan you propose to get her to her goals. This plan should describe the prospect's needs and risk tolerance, and offer a comprehensive road-map for her financial future (along with benchmarks for tracking her progress along the way). Any such plan should include the following:

Identifying the client's long-term needs, objectives and values that you identified from the discovery process.

Determining risk tolerance. When you design a portfolio, determine the absolute loss the investor would be willing to sustain in any 12-month period without firing you or "breaking discipline" by terminating the plan.

Setting a time horizon. Assist the prospect in determining the investment period—which should be at least five years if stocks are involved.

Listing asset classes to be used and rate of return objectives. Spell out how the investment capital will be allocated and the return target of that investment mix.

Establishing a rebalancing policy. Establish a defined plan for making any periodic readjustments to the portfolio, if necessary.

Meeting #3: The Mutual Commitment Meeting

Notice that up until now I have referred to the investor as "the prospect." It's only after you've learned all you can about the investor and presented a comprehensive wealth management solution that you agree to move forward. By this point, then, your expertise and credibility will be fully established in the eyes of the investor. At this meeting, answer any questions the prospect has about the plan. Then, make a decision about whether to work together. If you both agree to do so, ask the client to sign the documents needed to implement the investment plan and formalize the relationship.

There's another key aspect to this meeting. It's the perfect moment to begin a formalized referral process with your new client. Studies show that most clients are more than happy to refer friends and associates to their advisors. Studies also show that most advisors don't ask. If you begin right away, you'll maximize your chances of having a steady stream of referrals.

Meeting #4: The 45-Day Follow-Up Meeting

At the start of a new client-advisor relationship, clients are usually inundated with paper, e-mails, forms and so on. Therefore, you'll want to schedule a meeting 45 days out to help the client understand and organize the paperwork. This meeting is also a great time to start educating clients on key investment issues such as the importance of taking a long-term perspective, the media's investment pornography, and so on. Finally, keep asking for those referrals!

Meeting #5: Regular Progress Meetings

These quarterly meetings let you keep building deeper relationships with your clients. At each one, you'll review the client's progress toward his or her goals, determine if any significant changes have occurred in the client's life recently (such as a

divorce or a death in the family) that would alter those goals or needs, and simply catch up.

By now it's obvious that this five-step consultative process takes time—time to learn about the investor's needs and values, and time to turn the prospect into a full-fledged client. I know some of you will want to shy away from such a lengthy approach. That's okay—but if you do so, you can't honestly call yourself a wealth manager. The fact is, this type of defined, interactive and comprehensive process is key to providing the high level of service that affluent investors with complex needs demand from their advisors.

The upshot: The consultative approach will help you do a great job for clients.

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