



Talking to Prospects about Last Year's Performance

Dan Richards*

March 3, 2009

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives.

A key theme of the morning workshops I recently conducted was the need and the opportunity to engage in conversation with prospective clients. For that reason, half the morning was devoted to prospecting strategies.



Advisors want know to how to respond to the question of how their clients did last year. In some cases, apprehension about getting this query is a key obstacle preventing advisors from approaching prospects. As a result, one key to ramping up prospecting is feeling confident about your ability to address this issue.

Let's start by getting some perspective on the historical role of performance when investors select a new advisor.

Going back to the eighties, research on this subject is quite consistent. Performance was the major reason about 40 percent of the time investors fired their advisor. The rest of the time, the key reasons related to things like dissatisfaction with the frequency or quality of communication, a sense that their advisor wasn't listening, a poor or indifferent relationship, or not feeling valued as a client.

Given last year's events, investors are very much attuned to performance on their investments. Talking to investors who have fired their advisor or are on the cusp of doing so, performance certainly comes up as an issue - but it is far from the only factor driving change. In fact, there is a broad sense among many investors that everyone was hit hard by last year's downturn - and if that's the case, why will clients move for performance reasons if it wasn't different elsewhere?

As a result, the catalyst for deciding to change advisors often relates less to the advice investors got in the past and more to the advice that they are getting today. Fairly or not, many investors are frustrated by what they see as passive, stand-pat advice from their advisors. Some investors take the view that the



market environment has changed dramatically, so why is their portfolio the same?

In other cases, the biggest source of dissatisfaction was the communication investors received through the latter part of 2008.

In light of this, there are three key stages to a conversation with a prospective client.

Stage One - Laying the foundation

The first stage and most important stage concentrates on getting a better understanding of the prospective client's motivations and situation and on getting them talking.

Set this up by saying something like: "Before we get into the approach that I take with my clients, do you mind if I ask you a few questions about your experience over the past while?"

You're almost certain to get a positive answer. Here are twelve questions you could ask during this stage:

"Lots of people lost sleep as a result of last year's markets. Tell me how last year's market downturn affected you"

"Leading up to last year, had your advisor talked to you about the possibility of a significant decline in the stock market?"

"What advice did you get through the latter part of last year?"

"What kind of a written financial plan do you have in place for the future?"

"Has this plan been updated in light of last year's downturn?"

"How frequently did you hear from your advisor last fall? What kind of contact did you receive?"

"What one thing made you decide to consider making a change? Anything else?"

"How long have you been working with your current advisor? Tell me about the advisor you worked with before this one."



“What kind of a process are you going through to select a new advisor?
How many advisors are you talking to?”

“What are the most important things you’re looking for in an advisor going
forward?”

“What kind of timing do you have in mind to select a new advisor?”

“What are the key things you’d like to learn today about my approach and
how I work?”

This is the most important part of your conversation with a prospective client and the foundation for everything that follows — in the perfect world, you’d spend 60% or more of an initial conversation with a prospect in this stage.

The key is to give it as much time as the prospect will allow. Keep asking questions as long as the person you’re talking to seems comfortable answering them. Dig deep by asking follow-up questions like “Tell me more” and “Can you elaborate on that?”

During this stage, you need to be sensitive to how comfortable the person you’re talking to is in opening up about their past experience. Some will be much more willing to do this than others. And don’t barrage people with your questions and have them feel that they’re being interrogated. You need to acknowledge and respond to each answer as you receive it, so that it truly feels like a conversation.

Stage Two - Responding to prospects’ concerns

At this point, you should have a good understanding of the goals of your prospective client.

Having done this, you need to set the stage for your response by saying: “Here’s what I’ve heard you said are the most important things you’d like to focus on today Is that right?” What else would you like me to touch on?”

If poor communication came up as a significant source of discontent, you have an opportunity to talk about what you did last year and what you’re doing today to keep your clients abreast of what’s happening in markets.

On the other hand, if the prospect’s key issue related to unhappiness with their performance, your response could be along the following lines:



“Just about everyone was hit hard by last year’s downturn ... almost no one saw this coming or anticipated the magnitude of the bubble that had developed in the U.S.”

“Certainly, my clients suffered last year just like everyone else’s ... the only saving grace is that most were sheltered from the full effects of the downturn. Especially for older clients, we generally had balanced portfolios in place that offset some of the downside.

“It’s important that you understand that I don’t have one standard portfolio for clients - we tailor a solution to each individual. In fact, before providing any advice at all to a new client, we spend a considerable amount of time building an in depth understanding of their current situation, long-term objectives and ability to deal with risk and volatility.

“At this point, what’s less important than what happened last year is what we’re doing today. I wonder if I could take a few minutes to walk you through our current outlook, the kind of investments we currently favor and the process we have in place to build portfolios given the prospects for the period ahead?”

By taking this stance, you are reinforcing your credibility and candor, while focusing prospects on the future rather than the past. What’s critical here is that you walk the fine line between how much time you spend talking about yesterday versus today and tomorrow - you don’t want to be dismissive of what happened last year, but nor do you want to fixate on it.

Stage Three - Moving forward

If you’ve spent sufficient time in the first two stages, the final stage in the process should flow naturally.

You might say something like:

“I’ve enjoyed the chance to chat today and hope you have also. What questions do you have that we haven’t touched on?”

Assuming that you’ve dealt with their concerns, you might continue on with something like:

“From our conversation, I believe we would work together effectively and that I can help you achieve your objectives going forward.



“If you agree, the next step would be to set a time to sit down and get into a more detailed discussion of your situation and your current portfolio. Is this something you’d be interested in proceeding with?”

At this point, the prospective client might agree - or you might hear that they want to think about this further or want to talk to other advisors. If that’s the answer you get, respond that you absolutely understand and would like to touch base in ten days or so - and in the meantime you would like to add them to the distribution list for information you are sending to your clients (assuming of course that you are regularly sending existing clients something you could extend to prospects).

Whether or not this dialogue leads to agreement on the part of the prospect to move forward in the near term, consider adapting this three-stage process to structure your conversations with prospects for maximum impact - and to answer prospects’ questions about how your clients fared last year.

** Dan Richards conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries and to reach him, go to www.strategicimperatives.ca.*

www.advisorperspectives.com

For a free subscription to the Advisor Perspectives newsletter, visit:
<http://www.advisorperspectives.com/subscribers/subscribe.php>