



## **A Proven Path to Gaining Client Assets**

By Dan Richards

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When I talk to successful advisors about their business objectives, for most increasing assets is at the top of their list.

Some advisors believe that winning a greater share of assets from existing clients is driven by performance.

And while that may be true in some cases, research with 50,000 investors pinpoints eight advisor activities that lead to increased client assets – none of which relate directly to performance.



### **A starting point on increasing client assets**

Research shows that the majority of clients with multiple advisors had never been approached about consolidating assets, even though many have made a conscious decision to work with more than one advisor.

They may have developed strong relationships with multiple advisors, like to get multiple perspectives, work with more than one advisor to diversify risk, or seek out different advisors for different skill sets.

And in a few cases clients are reluctant to consolidate assets with one advisor because they're concerned they may lose some control over their money.

That said, clients making a conscious decision to work with multiple advisors were a distinct minority. Most often this was a historical accident which just evolved over time. In those cases, the first advisor who approaches a client about consolidating assets has an advantage.

Just approaching clients about consolidating assets isn't enough, however – you have to demonstrate the benefits of doing this, whether it is reducing overlapping positions, improving the overall risk-return profile of a portfolio, improving the client's tax situation or simplifying reporting.



## **New research on share-of-wallet drivers**

In May, I conducted a webinar sponsored by Northern Trust and Advisor Perspectives, discussing some of the issues in moving a financial advisory business forward.

During that webinar, I talked about findings from Corporate Insights, a Vancouver based research firm that has collected information from over 50,000 investors on behalf of some of Canada's largest investment dealers, financial planning firms and private banking operations.

For the typical advisor, his or her largest clients make up 25% of households and 65% of existing clients – but those largest clients make up almost 80% of the assets with clients that existing advisors don't currently hold.

The good news is that advisors can do specific things to increase their assets among their largest clients. Corporate Insights has identified eight share-of-wallet drivers. If those drivers are in place, the percentage of client assets goes up; if they aren't the share of assets goes down.

If none of those eight drivers is in place, share-of-wallet is under 20%. If four drivers are in place, share of assets is about 50%. And if seven of those drivers are in place, percentage of assets is over 80%.

## **Client communication drivers**

The first four share-of-wallet drivers all relate to client communication – contact level, having a service agreement in place, portfolio reviews and holding conversations about fees and charges.

### *Driver one: Client contact*

There were two measures of contact level – whether investors thought advisors spend enough time managing their account and whether they received sufficient contact.

On the first question, about half of clients think their advisors spend enough time managing their account – which leaves half who don't.

And just under 30% complain of lack of sufficient contact.

### *Driver two: Service agreements*

Service agreements were also measured two ways.



First, do clients say they understand the level of service they can expect from their advisor? Just over half said “yes” to that question.

And second, is there a written service agreement in place spelling out exactly what clients can look for? And there only about 20% of advisors have a written service agreement in place.

Just by putting your commitments to service in writing, the share of client assets goes up.

#### *Driver Three: Portfolio reviews*

Regular portfolio reviews increase satisfaction and they increase share-of-assets. And yet only 40% of clients said they receive regular portfolio reviews.

Some advisors might say, “well I offer those to clients but clients simply aren’t interested.” But research shows that almost half of clients want more regular portfolio reviews.

Again, regular portfolio reviews drive satisfaction and share-of-assets.

#### *Driver Four: Communication on fees and charges*

Again, communication on fees and charges was measured two ways.

First, do clients understand how they’re charged? Just under 60% said they do, which leaves four out of ten who said no.

And second, do clients want an update and clarification of fees and charged? A full two-thirds of clients said yes to this.

### **Wealth management drivers**

The other four drivers all related to wealth management advice – things like financial planning, advisory services and insurance.

#### *Driver five: Wealth management advice*

A third of clients said they’re currently getting wealth management advice.

And among those not getting it, a quarter expressed interest in receiving broad wealth management advice.



#### *Driver six: Advisory services*

Advisors who provided advice on tax issues, estate planning, education savings and charitable giving experienced a higher share-of-assets.

Just over half of clients said they were currently receiving advice on these issues.

And just under 40% of those not receiving this kind of advice expressed interest in getting it.

#### *Driver seven: Insurance services*

Just over half of clients use insurance services.

A third buying insurance use their main investment advisor – and just under one-in-five clients expressed interest in insurance advice.

Again, another driver of share of assets with a client.

#### *Driver eight: Financial planning*

Having a financial plan was the single factor that drove share-of-wallet the most –truly, the advisor who owns the plan owns the client.

Half of clients surveyed said they had a financial plan – but only 28% had a written plan, so about half that number.

And what research shows is that if the plan isn't written down, it doesn't really count in terms of impact on asset level.

Even more interesting, over 40% of clients expressed interest in financial planning, a very big number.

On financial planning, failing to have a written plan in place doesn't just cost advisors potential assets. It also represents a point of vulnerability – if another advisor offers to prepare a financial plan for that client, he or she will be at risk of leaving.

### **Financial planning among affluent Americans**

The importance of financial planning was reinforced by research from Cerulli Associates in Boston.

They issued a report in the fourth quarter of 2009 in which they pointed to data on the importance of a written financial plan.



Their research showed that about one-in-four of all US investors said that a written financial plan was important.

Once you got above \$100,000 in assets, however, that number went up to 40%.

And over \$5 million in assets, that percentage was over 50%, reinforcing the fact that that most Americans with substantial assets want a written financial plan.

### **Making this happen**

The good news is that this research provides a roadmap on how to increase client assets.

For advisors who want to act on this, use this five step process:

1. On a piece of paper list your top ten clients – chances are that a good number of those have assets elsewhere.
2. Across the top of the page write the eight share-of-wallet activities:
  - Providing what clients see as sufficient contact
  - A written service agreement
  - Regular portfolio reviews
  - A conversation about fees and charges
  - General wealth management advice
  - Advice on tax, estate planning, charitable giving or education savings
  - Advice on insurance
  - A written financial plan
3. For each of your top ten clients, check off any of those eight activities that haven't happened.
4. Schedule time to call your each of your top ten clients to talk about any of those gaps.
5. Finally, once you've done this for your top ten clients, repeat the process for your next ten – and then the next ten after that and another ten, until you've done this for all your meaningful clients.



By going through this process, you not only lock in your relationship with top clients, but chances are you'll garner additional assets.

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*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.clientinsights.ca](http://www.clientinsights.ca).*

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