Dear Bev,

We have had solid and steady performance on our portfolios for several years now. Our philosophy is to be caretaker of our clients’ money and help them make solid, incremental gains over time. It’s worked well for many years but now that the market is up significantly, our clients are asking why they aren’t seeing these gains in their portfolios. We do take the time to educate and we show them a blended benchmark so they aren’t measuring us against the S & P but what else could we be doing to give them comfort that we are acting on their behalf by not chasing returns?

Tom E.

Dear Tom,

This illustrates the downside of good news. When the markets go down we worry, but when they go up there is often a lot of media celebration and clients can tend to think they are missing out on something! Unfortunately, you can’t control the media, and you can’t control what your clients are exposed to outside of your firm.

You mention education, but I wonder if you are being proactive enough in talking to clients and helping them to understand how you allocate portfolios and why it is not an apples-to-apples comparison. If you have needy clients, or clients who often ask these questions (as I am inferring from your note), you might want to think about being extra attentive when there is any kind of market news. Investing is complex, and while you probably do explain what you are doing and why you are doing it, a check-in to talk about market dynamics, and how you are responding, could be helpful. Educational one-pagers or a webinar about performance measurement and benchmarks would be valuable too.

How much do you emphasize the planning aspect of wealth management, e.g., meeting or beating
goals vs. a benchmark? This is another area to consider if you are offering financial planning in addition to investing. Full scale planning requires you to go beyond benchmark-relative considerations and analyze investing vs. life-goals. Perhaps you could remind clients of what you do and why it is differentiated. In my experience, advisors will often take for granted that their clients understand exactly what value they are bringing to them. Even clients who are happy with you and have been with you a long time need to be reminded!

Is there any truth to what your clients are saying? How often do you review your investment approach to ensure the choices you are making align with the IPS of a particular client? If you haven’t done a formal, or semi-formal IPS you might want to consider instituting this with your clients. It would allow you have a document to refer to with the client whenever having investment discussions.

I understand your frustration and can glean how much you believe you have tried to address this issue, but I always wonder whether there is more an advisor could be doing.

Clients are often intimidated by what they don’t understand so there is no “going overboard” when it comes to sharing information and education in a proactive manner.

Dear Bev,

I’m considering setting up my own investment advisory practice. Advice?

S.P.

Dear S.P.,

Yes. Plenty, but unfortunately it will fill several pages of this magazine. It’s hard to know what to advise when I’m not sure what you’ve done to date so let me cover some of the high points.

1. Focus on your personal/firm brand. You are probably bringing clients with you and you likely assume they know you well and know what you do but you are probably going to want to grow. You need to help them tell your story so spend time thinking about niche market, your differentiation and how you want to be known in the market.

2. Catalog your strengths and find ways to outsource your weaknesses. I teach Entrepreneurship 101 and a key thing I focus on with people looking to run their own firms is to resist the desire to do it all. You will be much more effective if you can focus on what comes most naturally, or what you really like to do, and find other people to share some of the load for the other areas.

3. Develop a network of key partners and referrers. You will want to have other professionals who can provide you guidance, support and, of course, introductions to potential new clients. You may have contacts now but the relationships will change when you are on your own. Depending on where you are now, some may find you more appealing and some less. Make a list of those you know, or could reach out to, and start to deepen those connections.

Of course, there are a myriad of other things we could discuss so if you have particular areas where
you have questions please write again with more specifics. Good luck!

Beverly Flaxington co-founded The Collaborative, a consulting firm devoted to business building for the financial services industry in 1995. In 2008, she co-founded Advisors Trusted Advisor to offer dedicated practice management resources to advisors, planners and wealth managers. She is currently an adjunct professor at Suffolk University teaching undergraduate students Leadership & Social Responsibility. Beverly is a Certified Professional Behavioral Analyst (CPBA) and Certified Professional Values Analyst (CPVA).

She has spent over 25 years in the investment industry and has been featured in Selling Power Magazine and quoted in hundreds of media outlets, including The Wall Street Journal, MSNBC.com, Investment News and Solutions Magazine for the FPA. She speaks frequently at investment industry conferences and is a speaker for the CFA Institute.