The Five Points that Belong on Every Advisor's Website

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by Bob Veres

Shouldn't clients be able to look on a financial planner's website and see what services they can expect to receive for the fees they expect to pay? Shouldn't the profession evolve a pricing model where people who do more for the client can charge more, and those who do less will charge less?

My thinking on this topic goes back 15 years, to when *Boston Globe* columnist Chuck Jaffe (who moved on to MarketWatch and now hosts his own investment-oriented radio show) called me up and asked an interesting question.

"Bob," he said, "I'm confused."

"About?"

"I've got these two well-respected financial planner types here in town that I've been talking to for years. They're both fee-only."

"So what's confusing you?"

"They've been telling me about their services," he told me. "One of them does full-service financial planning, soup-to-nuts, including estate and gift planning, and the financial plan is updated every year. He also manages client portfolios, using mostly index funds. The other one," he said, "only manages client portfolios, using mostly index funds."

I confessed that I was having a hard time seeing the problem. "So?" I said.

"So," he said, "they both charge the same 1% or so of assets under management. I think the clients of the first advisor are getting a great deal," Jaffe added, "and the clients of the second advisor are getting overcharged. But I wanted to check with you to see what you thought about it."

Today, a decade and a half later, consumers are still facing what I'll call the Jaffe Dilemma. They're still trying to figure out what services they can expect from a financial planner, and how to measure the value of what they're paying for. The situation is complicated by the fact that even pure asset managers will do a perfunctory financial plan that mostly assesses how much a client needs to accumulate in order to afford retirement – surely the most basic of all financial planning calculations, but it qualifies under some definition of “financial planning.”

In the most recent issue of my *Inside Information* newsletter (www.bobveres.com), I summarized a lot of reader input and defined, at length, what services can be offered in a financial planning engagement. I also assessed different ways to calculate the value of each service across four dimensions, depending on whether the service is derived from professional expertise, wisdom-based analysis and counsel, client convenience (clients don’t have to spend their time doing it) or motivational (getting the client to take action). In some cases, you can calculate the value in dollar terms. If you save the client $15,000 in tax obligations, that’s a pretty straightforward value. In other cases, the value can be categorized as “priceless,” as in: knowing the date at which work will become optional – or clients knowing that if they become disabled, they’ll still be all right.

I identified 13 categories of service, with multiple values for each. The asset management service happened to have the most of the four value components and the most straightforward value calculations – and anybody reading the article would conclude that the 4-6% annual return value of a professional advisor is well worth the 1% or so that most advisors charge. (No alpha was included in the calculation.)

The situation that Jaffe was asking me about represents a huge lack of efficiency in the financial planning marketplace. And if you broaden the issue, all the hidden fees and costs in separately-managed accounts recommended by brokers, and the commissions from non-traded REITs and equity-indexed annuities, represent other payments that most consumers are not aware of – further complicating the lack of efficiency.

Every profession provides clarity about what you get for what you pay, and if financial planning or asset management aspires to be a true profession, then its practitioners are going to have to create that kind of clarity where it does not exist today.

Here are some things I recommend for your website or in your initial presentation:

1. List your fee schedule. If you charge only fees, say so. If there are commissions involved, show the percentage and dollar amount per $10,000 invested. For those who are willing to make the commitment, have a fiduciary oath posted on your website indicating your willingness to give clients a signed version. (Here’s a particularly good one: *http://www.thefiduciarystandard.org/fiduciary-oath/)*
2. List the services that you (or the members of your firm) provide for your compensation. This certainly would have helped me years ago when I was looking for a financial planner. I sat down expectantly across the desk from a well-known fee-only professional, and was disheartened when he immediately buried his nose in my portfolio statements. I had come for advice that had little to do with the portfolio, but every attempt I made to talk about those other issues came back to a discussion of how I needed to move my assets under his control. If his website had contained a clear indication that he was a pure asset manager disguised as a financial planner, I wouldn’t have wasted my time.
3. Give prospects an idea of the potential dollar value and types of value that each of your services

can deliver to clients. Most clients have no idea, for instance, that your charitable advice can save them thousands of dollars in capital gains, or that tax-aware decumulation from multiple different types of accounts can deliver four, five, sometimes six additional years of retirement income from a portfolio.

4. Tell stories about clients who had been managing their own affairs, and the time they no longer have to spend on their financial life, how they now have an online hub that organizes all their accounts and documents, how much they saved on their most recent tax return, how they know they're on track for retirement or have taken early retirement and moved to a more fun, more interesting job. Highlight the value, and make sure to add in the "priceless" elements. Did you give Social Security advice whose increase in benefits paid for your fees many times over? It's time people realized just how much real world value they're getting from the financial planning profession – or how much they *could* be getting if they hired a planner.

5. If you're fee-only, you have another value: you protect the client from a variety of predatory and/or hidden fees. Compare the expense ratio of your recommended portfolios to the average fund expense ratio. If you have lower fees for the fixed-income portion of a portfolio, highlight this. Tell the story of a client who came to you with a lot of broker-sold junk in the portfolio that had to be unwound at a loss – and only after the trail fees were paid off. Being your clients' financial bodyguard can save them thousands more.

It's time for the profession to become more transparent and provide consumers with more and better information so they can comparison shop. Each advisory firm has a responsibility to raise the transparency level of the profession as a whole – and those of you who are providing a lot of different services will benefit greatly from a more aware consumer base.

Bob Veres' ***Inside Information*** *service is the best practice management, marketing, client service resource for financial services professionals. Check out his blog at: www.bobveres.com. Or check out his Insider's Forum Conference (for 2017 in Nashville, TN) at www.insidersforum.com.*