Four Ways to Attract Affluent Clients
By Dan Richards
September 24, 2013

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

Last week, I wrote about a California advisor who transitioned her book to focus on affluent clients. Central to her success was the understanding that marketing to affluent investors requires a different approach. Attracting HNW clients is all about credibility – as a result, it’s typically lower key, takes longer and requires an upfront investment of time and effort to position yourself to interact with HNW prospects.

Here are four strategies that I have seen help many HNW advisors attract clients. These principles apply to prospecting more broadly – even if your target client has $500,000 rather than $5 million, you can still adapt them to your situation.

**Strategy One: Become the safe choice**

Successful HNW advisors typically have fewer than 100 clients and a high minimum-asset threshold, allowing them to deliver a personalized and high-quality experience.

But many HNW advisors go beyond assets in the clients they target. Similar to the advisor I profiled last week, who became the go-to advisor in her community for women going through million-dollar plus divorces, these advisors focus on a defined client profile. Every advisor has read articles describing the advantages of narrowing your focus:

1. As a specialist, you’re able to develop expertise that lets you serve these clients in a way that generalist advisors can’t match;

2. You’re able to establish credibility and narrow-cast your marketing to reach prospects more efficiently; and

3. As you add more clients from within a community, your visibility grows, word-of-mouth kicks in and you become the safe choice for these clients
My conversations with advisors who’ve built HNW practices suggest that the decision to focus is the single most important ingredient in their success. And this isn’t just true of advisors – Michael Porter of the Harvard Business School, considered today’s leading thinker on strategy, says that successful businesses aim to be different from competitors, rather than trying to be better. In other words, they focus on being specialists rather than generalists.

So why then do most businesses still operate as generalists? Porter believes that these businesses make the mistake of concentrating on what they’re giving up rather than what they’re gaining from a specialist focus. One starting point is to identify two or three clients in your book who fit a profile upon which you’d like to focus. That’s how one advisor started with a single client who owned an auto dealership and turned it into a niche that now consists of 15 multi-million dollar clients representing over half of his practice.

You can read more about Porter’s views here. And for more about transitioning to a specialist focus, you can read about why specialists earn twice as much as generalists and becoming the safe choice for target clients.

**Strategy Two: Put yourself in a position to obtain introductions**

The need for discretion means that traditional mass-market approaches to raise the subject of referrals don’t work and in fact are counterproductive. That said, you can get introductions from HNW clients; you just have to go about it differently.

I once spoke with an advisor who started his career as a private banker at JP Morgan, dealing with clients with $10 million or often much more. He described how private bankers would research company boards on which clients sat and identify senior executives who served with them on that board.

Then they might say something like:

“I know you and Bob Smith have been on the board of XYZ company for some time. At J.P. Morgan, we’re always on the lookout for people who are a fit with how we work and who we can help. From what I know of Bob, I think he might fall into that category. Should this ever come up in conversation, if you’re comfortable doing this, I’d be grateful if you’d tell him that you work with us and that J.P. Morgan would be pleased to invite him to one of our quarterly breakfasts or lunches to discuss the market outlook.”

Another advisory team has found an annual outlook lunch to be their single best prospecting strategy for the retirees who make up the bulk of their highest value clients. Every January, they invite all clients to an outlook lunch at the leading country club in their community. Those who accept get a call to determine menu preferences; during that call,
their advisor says that she’d be happy to extend an invitation to one couple among their friends. A quarter of the audience ends up being people invited along by existing clients (sometimes out of curiosity to see the club) with solid success in converting guests to become clients.

Another advisor, who concentrates on business owners, hosts about 60 clients and his professional referral network to an annual morning session at the Ritz Carlton. The session runs from 8 to 11, focusing on issues of specific interest to entrepreneurs. A substantial number of attendees are guests – he’s found that many accountants and lawyers are most comfortable inviting their clients to accompany them to this session with them, rather than referring clients directly. And again, he’s had good success in converting these guests to clients.

**Strategy Three: Get inside prospects’ social circle**

Another approach to attract HNW clients is becoming a part of their social circle and having them view you as a peer.

An article last spring described how an advisor with a billion-dollar book invited top clients to join him on one-week golf trips to Scotland and Ireland, then encouraged those who accepted to bring a friend along. All the participants paid their own way, although one of the advisor’s team did the heavy lifting in terms of organizing these trips. Despite the fact that each group is deliberately kept to two foursomes and is small as a result, spending a week with this group led to an average of one new client per trip.

There are lots of examples of advisors who’ve become part of a HNW client’s circle through pursuing common interests – not just sports like golf, but through passions like cooking, opera, art, exotic cars or charitable causes. Merrill Lynch calls this “passion prospecting” – tapping into your passions to interact with prospects.

Here’s another example of how this strategy worked to help an advisor add $250 million in assets in the past five years. It comes from the head of Janus Labs, John Evans Jr., who wrote after reading the article on how the billion-dollar advisor’s golf outing led to new clients.

*I recently talked to an advisor, practicing in Central Florida, who has added 50 million dollars in EACH of the last 5 years.*

This advisor, let’s call him Tom, is an avid and competitive polo player. Five years ago he decided to abandon conventional approaches to growing his independent business – no more cold calling, letter writing, rubber chicken seminars, or even asking for referrals
Tom developed a plan that centered on playing polo. He committed to taking “outrageously good care” of clients and prospects that fell into his world of polo playing. For example, Tom orchestrated champagne tastings under a magnificent tent after events, and has worked on delivering memorable toasts, honoring outstanding participants. It is a genuine, delightful experience for all involved.

Tom’s success cannot be replicated, because polo playing is his unique business tranche. He loves and dominates the space. But many other advisors have their space too, some abiding passion that would love to show its face and grow their business.

**Strategy Four: Respond to HNW clients’ hot buttons**

A final strategy is to address key hot button issues for HNW clients.

Here’s an example: Earlier this year, I talked to a successful high-tech entrepreneur who’d taken a couple of companies public and in 2002 grew concerned about how his kids would handle the wealth they’d inherit. This is a hot button for many HNW clients – the stories about unmotivated heirs depleting their inheritance are legion.

At the time, this investor worked with Goldman Sachs and found the firm unresponsive when he asked for a solution for his kids. It took him a while to find an advisor with an established firm with a compatible approach to his. But today he works with an advisor in New York City who, with his partner, manages $4 billion for 60 clients. Half of that comes from a few very large accounts, with most clients between $10 million and $50 million. Of their AUM, $800 million came from an initiative this advisor developed at the request of this client.

This initiative contains a few key elements:

- While this investor expects competitive performance on his portfolio, his advisor’s mandate is to help teach this client’s kids not just about money but about life. At age 16, each kid got $500 to invest in the stock market. They typically put money into stocks they knew like, Apple or Facebook. With web access, they could buy and sell on their own – and while they sometimes had early success, almost always learned hard lessons in the end.

- The advisor met with the clients’ kids annually. He helped the kids track how they’re doing each quarter and monitored their accounts, using Google alerts to systematically communicate with them and send them info on stocks they’re following. It’s easy for kids to connect with the advisor via text messages, sending questions via a button on their phone.
• The focus is on financial advice – this is not a concierge service that will get concert tickets. But when his son wanted to get an apartment, the client told him talk to his advisor about putting together a budget to see what he could afford.

• The advisor charges a base amount for investment advice, then additionally for value-add activity. The minimum target threshold for these advisors is $10 million, although they will take $5 million if clients have growth potential. This service offering is unique enough that they’ve received referrals to friends of clients who share the concern about the lessons their children get about money.

None of these strategies guarantees success. But if you make a serious commitment and are disciplined and patient in applying them, your chances of attracting HNW clients will go up substantially.

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, go to www.clientinsights.ca. Use A555A for the rep and dealer code to register for website access.

www.advisorperspectives.com

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