ALTIUS LEARNING

Developing Loyal Clients

There are four levers any advisor can implement in order to reach a million dollar plus practice, and the "lever of loyal clients" is one of the most important. In his book, Cultivating the Middle Class Millionaire, Russell Alan Prince quantifies the value of a loyal client. Through his research Prince determined that a loyal client generates a significantly higher number of referrals, brings in considerable new assets, does substantially more business, and has a much higher retention rate than clients that consider themselves "satisfied, but not loyal."

Every financial advisor who is motivated to grow their business should have the majority of their clients in the "loyal" category. The question is, how exactly do you develop a loyal clientele?

The Six Factors That Drive Loyalty

Our firm has concluded that there are six factors that the most successful advisors in the industry utilize for growing their list of loyal clientele:

Time: Retaining a loyal client requires investing both personal and professional time. As with any important relationship, time must be invested to make that relationship strong. In our experience and research we have found that the top advisors commit at least 10 hours annually to each loyal client.

The consequence of having a loyal client base is the limitation of the number of clients an advisor can work with. Because of the time requirement it is very difficult for an advisor to have more than 100 loyal clients: this would mean committing at least 1,000 hours a year, which is close to 50% of most advisors' annual working hours. However, the tradeoff of quality versus quantity is a much more effective and productive business practice. In our research we have found that the most successful advisors are primary relationship managers for between 50 and 100 affluent households.

Monthly Contact: Based on our research reviewing hundreds of client surveys and our own observations, affluent clients want to have proactive face or voice contact with their advisor every month. This monthly contact is one of the most important and productive activities an advisor can engage in. Monthly contact not only helps to develop loyal clients, it is also an opportunity for the advisor to leverage their loyal clients to help them grow their practices. The following are some examples of how an advisor can grow their practices through monthly contact:

- Engage in referral discussions
- Invite loyal clients to an event where they can bring a guest
- Ask permission to contact their CPA and Estate Attorney building a professional referral network

- Discover and acquire assets held at another firm
- Expand wallet share through the recommendations of appropriate products and services

Trust: There are three levels of trust that an advisor needs to develop with an affluent client if they want them to become loyal. The first is ethical behavior – matching your words with your actions. The second is professional competency – providing high quality financial advice that leads to achieving their financial goals. The third and highest level of trust is the belief that you are a shareholder in their life – you care at a deep level about the welfare of your clients and their families. It requires an interest beyond the professional relationship and results in developing personal relationships with the clients where you can demonstrate empathy and an emotional connection.

We recommend that financial advisors integrate themselves in their clients' lives. The first step is to create a personal profile for each client. This profile includes: the names of children, the client's passions, hobbies, and outside interests, and a birthday/anniversary calendar. It also means visiting clients in the hospital, celebrating successes and consoling disappointments, entertaining, and doing random acts of kindness. As you develop a personal relationship you may be asked--and should attend-- weddings, baptisms, bar mitzvahs, and funerals of their loved ones.

Problem Resolution: One of the most basic but essential requirements for having a loyal client is the successful and timely resolution of the inevitable problems that occur with their accounts. Affluent clients want their problems resolved quickly. As basic as this requirement may be, too many advisors fall short by not "owning" their client's problems from start to finish. The temptation is to delegate the problem to a client associate and forget about it. The risk is that no one suffers the consequence of an unresolved problem more than the advisor– therefore they must stay on top of problem resolution.

As former managers we believe that we were never presented a legitimate problem from an advisor that we couldn't get resolved. We recommend a policy of "Elevate and Communicate," simple operating procedure for delegating a problem. It requires the financial advisor to delegate a task with the caveat that progress needs to be reported within 48 hours. If the problem is not resolved the financial advisor can then communicate to the client that s/he is working on it. Meanwhile they can bring the problem to the attention of a higher authority. The advisor continues to elevate the unresolved problem until it gets resolved – communicating the status to the client every 48 hours.

Portfolio Performance: Without consistent, good performance you will not have loyal clients. The following are the factors that top advisors have shared with us that have contributed most to their ability to deliver consistently good performance to their clients:

Conservative Advice – Having a conservative bias is important to maintain consistently good performance. Most affluent investors would rather not get as a high of a return if it required taking high risk in order to achieve it. In other words, they would rather not lose money than make a lot more than they already have.

Reviews – The top advisors never skip quarterly reviews because they are able to make the intangible nature of investing – more tangible. This is accomplished by sharing exactly how each client is tracking versus their financial goals. The financial advisor is bringing to life the value of their professional advice.

Discovery - to deliver good performance the advisor needs to have a deep understanding of the client's goals, dreams, fears, and risk tolerance. This enables the advisor to customize their investment plan and portfolio management to the specific needs of their client. The discovery process needs to be revisited every year during the annual review.

Goal Based - The most important objective for most affluent individuals is the fulfillment of their financial goals. Every other measure, index or performance numbers are just a means to reaching their goals. Advisors that focus on performance relative to goals are performing in a way that matters most to the client.

Emotions – The greatest sabotage of successful performance are emotions. The emotions of fear and greed will destroy the performance of even the most sophisticated and intelligent investor. Most individual investors are helpless to these powerful emotions, causing them to buy and sell at exactly the wrong time. As an advisor you have to remove the emotional component from investing by developing and implementing a process that can be adhered to during the most extreme fluctuations in the markets.

Under Promising and Over Delivering: The first 90 days of a new relationship sets the stage for the development of a loyal client. As an advisor you want the first 90 days to create a raving fan. If the first 90 day experience exceeds expectations then you will develop the coveted reputation of "unpromising and over delivering."

The best way to accomplish outstanding early performance is to develop a checklist of all the things your team will deliver to the client in the first 90 days – and then deliver on the checklist. Some actions that might be included are:

1. Review statements directly with client
2. Ensure all the transfer paper work is completed and processed
3. Check in with the client every two weeks

4. Send a small token of your appreciation –book, customized stationery, nice pen, customized coasters, picture frame, photo album, coffee mug
5. Have your manager or senior partner call and welcome them to the firm
6. Have your associates call to introduce themselves and explain their roles
7. Create a checklist of information that the client would like to receive from you on a regular basis

By consistently implementing these six factors the financial advisor will create a loyal clientele and engage one of the most powerful levers in growing their practice.