The Expansion Lever

One of the most powerful levers a financial advisor has in their arsenal is the lever of expansion. This strategy is defined as the ability to "increase wallet share" with affluent clients. The reason this is such a powerful lever is that loyal clients already have strong connections with their advisors: the essential relationship of trust has already been established. Gaining wallet share is then just a matter of exposing these loyal clients to additional, appropriate financial products and services.

However, most advisors we have worked with have not fully incorporated this lever into their practice. Many have not developed a systematic process of exposing new and appropriate products and services to their clients. What's more, they have not embraced the holistic financial consulting approach that most affluent clients desire. In this white paper we will outline the necessary steps for implementing the lever of expansion.

The Lever of Expansion Formula: P+D+E= 100 – We encourage the financial advisors we work with to take full advantage of expansion leverage by applying a formula we have developed to work towards attaining 100% wallet share with their affluent clients. The more affluent the client is, the more the formula applies, and the more it benefits the advisors that utilize it.

The wallet share formula is P+D+E = 100. The variables are defined as:

P = Positioning – The financial advisor should be the single advisor to develop a financial plan and guide the client to the successful outcome of reaching their financial goals.

D= Discovery – The financial advisor should work to discover those assets and financial needs each affluent client has that are not being managed by the financial advisor.

E= Exposure – The financial advisor should contact the affluent client on a systematic basis to showcase those appropriate financial products and services that the client is not utilizing, or to acquire assets that could be transferred to the advisor that are held away..

Create a Positioning Statement – We recommend that financial advisors make a strong positioning statement to their loyal, affluent clients. The purpose of this positioning statement is to make sure each client understands that the advisor is willing and capable of handling every aspect of the client's financial life, and takes responsibility for designing and implementing a financial plan that is tied to their individual financial goals.

An example of a positioning statement would be:

"Mr./Ms. Client, it is my obligation to provide you with the best financial advice that I believe is in your best interest. However, it is up to you as to whether or not you follow my advice. There is no question in my mind that your long-term financial interests are best served by having a single trusted advisor coordinate every aspect of your financial life. This is the model that most affluent people follow. It simplifies your life, prevents confusion, and saves time. I am capable and willing to be that advisor for you, and would like you to consider me for that position."

In the best case scenario, the client would agree to consolidate all of their assets with the advisor making this request. However, even if the client decides not to consolidate all of their assets with the advisor, from that point on the client knows what their advisor believes is the ideal relationship.

The advisor should never give up consolidating all aspects of the client's financial life, and should never apologize for making the attempt to do so. Continue emphasizing that this strategy in the client's best interest. Additionally, this positioning statement should be made with prospective clients so that from the beginning of the relationship the advisor is making clear the role they would like to have: the prospective client's sole financial advisor.

Some advisors worry that by suggesting the consolidation of all their financial needs with one advisor, the client might have a stronger relationship with another advisor and transfer their assets away. We believe that an advisor should only make this positioning statement to "loyal" clients, and that they should be diligently working to have most, if not all of their clients in the "loyal" category – the highest level of satisfaction based on their service model.

Discovery – Most affluent clients have more than one advisor, multiple accounts, and assets in different places. Unless an advisor has validated where all of the client's assets are, they should never make the assumption that it is with them or in one place. We recommend that advisors present a formal discovery process with every affluent client they work with. This is best done by developing a financial plan. This is not only the right thing to do in an advisory relationship, but it also gives the advisor the opportunity to validate where all the assets are held.

This discovery processes includes both assets held away as well as discovering how the client is handling other aspects of their financial life, including credit needs, mortgages, intergenerational planning, insurance, and retirement plans. Once the discovery process is complete the advisor needs to document where all of the assets are held, as well as the other aspects of the client's financial life that the advisor could manage.

Exposure – We strongly believe in maintaining monthly contact with affluent clients. The advisor should perform an annual "strategic review" with every affluent client, during which time the advisor performs an inventory of every aspect of each client's financial needs. In doing this strategic review the advisor does a "gap analysis" between what the client is currently doing with the advisor, and the appropriate financial products and services that they are not utilizing. In many cases these missing financial products and services are not traditional investments but involve other aspects of the client's financial life, such as insurance, credit, and estate planning needs (remember the objective is 100% wallet share). The advisor can then review these underutilized products and services with the client during the monthly contact in order to make appropriate recommendations.

By implementing the increased leverage of expansion formula (P+D+E = 100) financial advisors will find that they can more easily attain an increase in wallet share with each client, working towards the goal of 100% wallet share.