

Practice Management—Comprehensive Wealth Management is the Way to Go

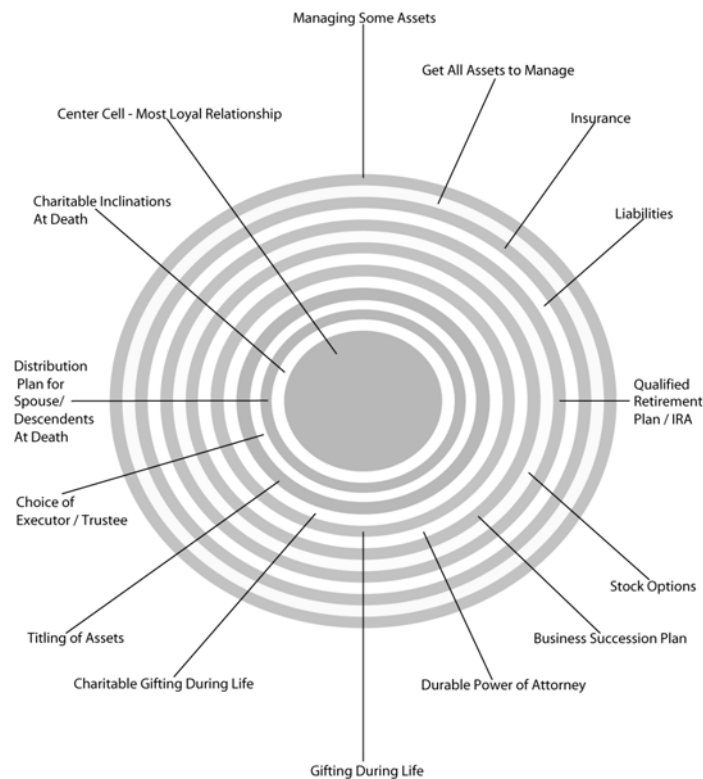
A core premise of many Cannon courses is that advisors who offer comprehensive wealth management solutions retain clients for a longer period of time, have deeper client relationships, and insulate their clients from competition.

What Cannon Says

Said another way, the more products and services that advisors provide their clients the less likely it is that that client will seek advice elsewhere.

This concept is illustrated by Cannon’s “onion diagram.”

Figure 1



Advisors who design their practice to address the 13 Wealth Management Issues faced by most high net worth (HNW) clients place themselves at the center cell of the client-advisor relationship. As a client ages and consolidates assets and relationships, the advisor with the most connections to a client through the products and services provided is most likely to be “the last advisor standing.”

What the Research Says

All right, that’s what Cannon says. But what does the research say? Does the research support what Cannon has learned “on the street” and has been teaching top advisors for years?

You bet it does.

Clients are on the Move

First, several recent studies illustrate that the financial downturn experienced in 2007-2008 has greatly undermined client trust and confidence. Concerns are heightened to the point that a significant percentage of clients are willing to move assets, notwithstanding the old saying that “it’s better to dance with the devil you know, than the one you don’t.”

Here are some sobering findings:

- ✓ 46% of clients lost trust in their primary advisor in 2008.
- ✓ More than 25% of HNW clients withdrew assets from their advisory firms in 2008.
 - Younger and middle-aged investors most likely to leave.
 - Business owners more likely to leave than those with established wealth.
- ✓ About 40 percent of clients say they either changed firms last year or are considering doing so.

Source: Capgemini/Merrill Lynch World Wealth Report 2009.

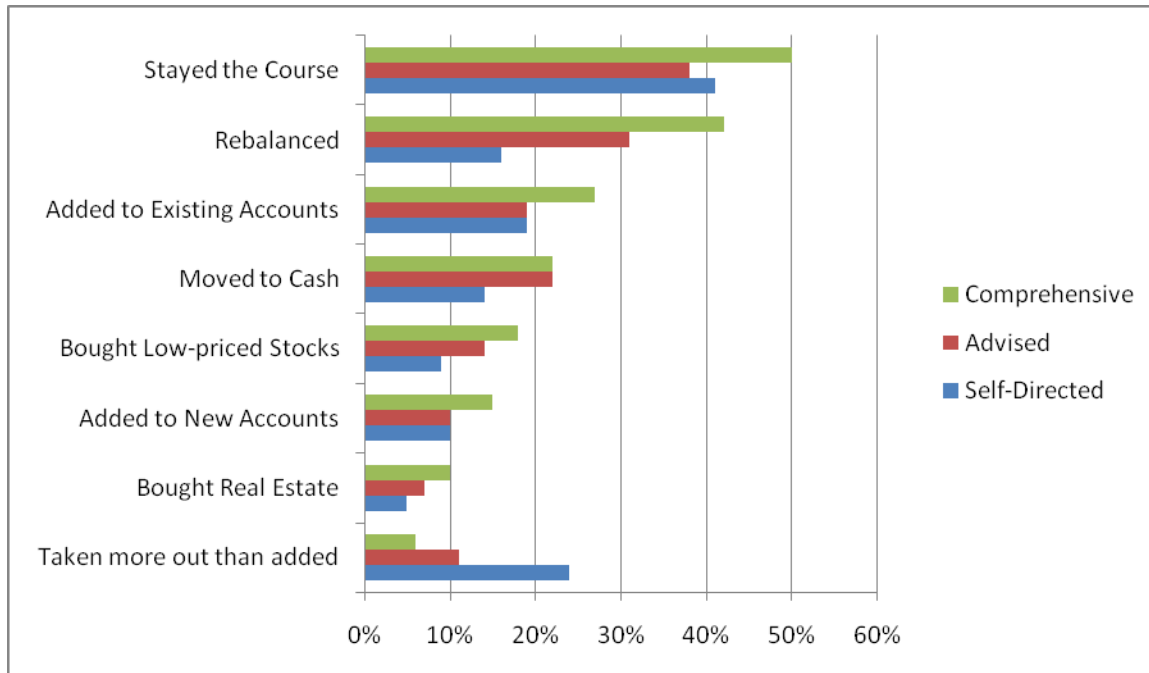
And, if that’s not enough, the research shows that advisors don’t know their clients nearly as well as they thought they did.

- ✓ Only 36% of HNW clients think their advisors performed well (*Source: Spectrem Group*).
- ✓ 65% of advisors think investors are satisfied—only 31% actually are (*Source: Wharton Business School/State Street Global Advisors*).
- ✓ 92% of advisors said “relationship” assures retention—only 73% of investors agreed (*Source: Capgemini/Merrill Lynch World Wealth Report 2009*).

What Clients are Saying

Despite client willingness to move, strong evidence shows that the more comprehensive the advice provided the more likely it is that the client is satisfied. Consider these findings:

Figure 2



Source: FPA and Ameriprise Value of Financial Planning Study: Consumer Attitudes and Behaviors in a Changing Economy, 2008.

As the authors of this study conclude:

“Comprehensive Planning clients feel more in control about their financial futures, are more likely to say they are on track when it comes to such goals as retirement planning, saving for education, and having financial protection for themselves and their families, feel optimistic and confident in their financial future even in times of market downturn. They report being more proactive in managing their finances, including saving, investing, and managing their overall portfolios and feel more prepared for unexpected events because they made emergency funds a priority and were generally better informed about financial issues that could go wrong.”

How Your Competition is Responding

There is little doubt about the direction your competition is headed. At the end of 2008 all of the top ten wealth management firms offered their clients “comprehensive wealth management.”

Source: McGee, Suzanne, “Good Gracious,” Barron’s October 13, 2008.

Increasingly, these comprehensive wealth management services are delivered *in a team environment*. In fact, according to the Capgemini/Merrill Lynch study cited earlier:

“Of those Advisors that kept clients in 2008, 69% operated in a team-based model, while only 31% were from an individual-advisory model. Executives in several regions told us the industry is starting to embrace the team-based model as the preferred approach for serving HNWIs going forward, and this finding confirms the validity of that shift.”

For relationship managers operating inside a large bank offering global wealth management that team is likely to be comprised of *internal* experts in credit and banking, financial planning, portfolio management, estate planning, and insurance. Independent financial advisors are more likely to rely on *external* experts that may also be their clients COIs.

In either case, the writing is on the wall and is borne out by the research—successful advisors develop teams to work with them in the delivery of comprehensive wealth management.

And clients admire and respect that approach.

The Bottom Line

The streets are a little meaner following the recent economic downturn. Lack of client confidence and distrust abound. Clients are willing to move assets and trade-in longstanding relationships. This only makes it easier for them to move again the next time the economy hits a bump in the road.

The good news—Clients who received team-based comprehensive wealth management from their advisors were the most satisfied and were much less likely to move than those clients who received fewer products and services.

Furthermore, the Capgemini/Merrill Lynch study cited the following as a key driver of success going forward:

“Initiatives that support and enhance the client-advisor-firm relationship, especially differentiators such as meaningful client segmentation, touch-point alignment and collaboration, operational design, as well as personalized services, are usually the most visible to clients.”

Said another way, a key to success going forward is to work collaboratively with internal and external experts to deliver comprehensive wealth management based on client needs. This assumes the creation of an effective branding message that reflects a comprehensive planning approach, development and of a plan to communicate this message to existing clients and new prospects, and formats for discovering a wide range of client needs and positioning solutions to address those needs.

Practice Management and similar topics are covered in great detail in many of Cannon's professional development solutions. To find out more visit: www.cannonfinancial.com.

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