Building trust to drive referrals

Skills and tools for advisors to successfully grow their business

WHITEPAPER

In a rapidly changing wealth management landscape, referrals remain the number-one way for advisors to grow business profitably. Generating referrals organically, however, requires a solid foundation of trust with existing clients. This white paper explores some of the skills and techniques advisors can employ to help engender trust and loyalty and turn clients into advocates.

Rewriting the rules

Wealth management today is a different ball game than it was just a few years ago.

What was once a sleepy corner of the financial services industry has now become a hotbed of new technology innovation, increased competition and tighter regulation—all driven by a focus on helping the millions of retiring baby boomers meet their financial goals in a world without company pensions, declining government support and a much more volatile global market environment. This generation, and the generations that follow, will need financial advice and guidance more than ever, yet most are confused as to whom they can truly rely upon.

What can advisors do to stand out in this new environment?

For top advisors and firms, one common contributor to their success through the years is a focus on the client. Everything they do is designed to reinforce the advisor-client relationship. By doing so, they cultivate a high level of trust that leads to client loyalty, satisfaction and a most welcome byproduct: increased referrals.

With so many new, venture-backed entrants and established brands targeting wealth management with a sharper focus, differentiating from the competition and adding value that clients are willing to pay for are now more important than ever to build a sustainable business.

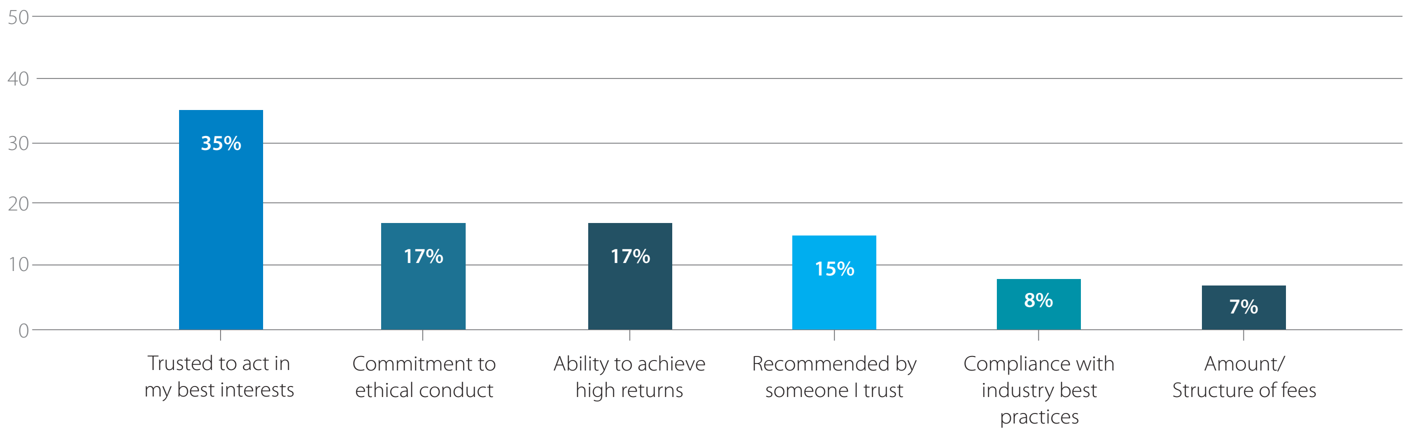
For advisors, this underscores the need to leverage referral networks as the pipeline for future growth in a more competitive environment. Industry studies show that referrals are the predominant source of new business for advisors. No amount of marketing dollars can replace the personal referral for independent advisors, enabling them to continue to be successful in a much more fragmented and complex business.

In an industry that has seen high-profile betrayals of trust, company failures, scandals, even outright fraud on a large scale, building trust has become paramount for everyone in financial services. Once again, financial services and banking were the least trusted industries in the US last year, surpassing only the chemical industry[1].

So what can advisors do to cultivate trust in this new environment? This whitepaper will provide an actionable path to building trust with clients and prospects so that you can differentiate your approach to wealth management, translating these efforts into a robust referral pipeline, all built on trust.

[1] http://www.edelman.com/insights/intellectual-property/2015-edelman-trust-barometer/trust-across-industries/

Figure 1: **The CFA Institute and Edelman Investor Trust Survey**



To get at the root of what drives investor trust, the CFA Institute and the PR firm Edelman conducted a survey of affluent investors and uncovered some very telling clues to the factors that influence the decision process in selecting a wealth management provider. Trust and ethical conduct were the top aspects in choosing a financial partner, with fees at the bottom of the list. These results reinforce the notion that trust is paramount in the decision to work with a financial advisor.

What is trust?

Jack Welch, the former CEO of General Electric and now a popular management consultant, famously once said about trust, "You know it when you feel it." While this is a very intuitive statement, what does it mean for advisors? How can you deliver an experience that nurtures trust with your clients, prospects and centers of influence?

Industry experts and psychologists all agree that qualifications and experience are key to developing trust with a professional service provider. Knowing that an advisor has the skills and credentials needed to offer appropriate advice goes a long way toward creating trust on the part of clients that the advisor has their best interest at heart. In the wealth management world, that translates into obtaining advanced degrees and widely respected financial and investment planning designations and certifications such as the CFP, CFA, CIMA, and CPA.

A cautionary note here is that the designation needs to have a rigorous training curriculum and robust testing component, as well as an ongoing continuing education requirement. Regulators are now cracking down on "senior" designations and others that can be obtained easily, with limited effort.

Along these lines, regulators are also doing more to promote their databases of advisors with problem histories, such as Broker Check and others, so having a pristine record with regulators will become ever more important as investors become educated.

Another key aspect to building trust is to communicate your core values and ethics in a clear and transparent manner. Many successful advisors publish their values on their websites and pitch decks, and integrate those values into their company culture so that anyone interacting with the firm knows what to expect and how they'll be treated.

A firm's values translate into all touch points, including transparency in pricing, disclosure of all potential conflicts of interest, and the fact that assets are held at independent, third-party custodians. Moreover, these values imply a service promise to be responsive and follow up on a timely basis for all client requests.

After all, the wealth management industry deals with "other people's money" as its core service model. As countless studies have shown, people are often emotionally tied to their wealth and want to know that they and their money will be well cared for, beyond just the numbers. Successful advisors recognize this and incorporate a behavioral finance approach into their interactions with clients, a process that engenders empathy and builds comfort that "my advisor knows me," a powerful way to build long-term trust.

For advisors, increased competition underscores the need to leverage referral networks as the pipeline for future growth.

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The top four trust-building skills

1—Listen (Don't just hear)

The key to building trust comes down to that one universal skill that is common to all successful advisors: listening.

Clients come to advisors not only to solve their financial and investment planning concerns, but also to be heard about their non-financial issues such as ensuring the happiness of their children, taking care of their aging parents, ensuring their legacy and having a fulfilling lifestyle.

Top advisors who excel at listening to their clients and prospects elicit these underlying themes by asking the right questions. In doing so, they nurture relationships and connect at a deeper level beyond just a financial transaction, which translates into building trust over time.

2—Map recommendations back to client needs

Other key skills and capabilities top advisors have developed include framing their recommendations and providing back-up as needed to show that they have really listened to their clients' concerns.

3—Deliver what you promise

On the service front, meeting promises in terms of timing and deliverables also goes a long way towards building trust, as clients and prospects know they can rely on what you say.

4—Care for the family

Showing interest in and engaging the client's family is an important way to generate trust and help build a bridge into the next generation. There has been quite a bit of academic work focused on helping parents raise money-savvy and responsible children. Advisors who can help their clients educate their kids not to take wealth for granted, to appreciate their opportunities and embed accountability have a greater chance of retaining that next generation of investors when the wealth passes. It also engenders more and more trust as clients see their advisor as a caring individual who has their families' best interest at heart.

Communication tools to build trust

Much has been written about ways to build trust through communication style. One renowned figure in this arena is the best-selling author Stephen Covey. In his seminal book, "The Speed of Trust: The One Thing That Changes Everything," Covey writes that words and expressions matter in trust building, particularly the type of language professionals use.

Some of his top tips are to begin conversations with, "How can I serve you?" This simple question sets the stage for putting the client or prospect in the forefront and the advisor in a listening mode, as opposed to "What do you need?" which does the opposite. A good rule of thumb as you begin a conversation is never to talk for more than two minutes and quickly segue back to the client with transitional phrases such as, "Enough about me and our firm. Let's talk about you and your goals."

Another tip is to smile frequently. Simply smiling puts people at ease and creates a friendly atmosphere in what can be an intimidating situation when money and numbers are going to be a key focal point.

Famous management consultant Peter Drucker spent quite a bit of his career studying the role that trust plays in any business, with a key conclusion that it can't be about the leader or the advisor or the owner of the firm – it takes a team effort.

Figure 2: **Five must have advisor technology features that build client trust**

1	Offer 24x7 access for investors to view their investment holdings, financial plans and current overall financial situations. Full-featured client portals that have accurate, integrated, and aggregated financial information can enable this approach.
2	Integrate data and workflows to enable client information to be current and accurate in CRM, financial planning and portfolio accounting systems.
3	Offer easy-to-understand reports and presentations with dynamic views and dashboards that make it easier for both advisors and clients to explain progress toward and answer questions about clients' wealth goals.
4	Make it easy to conduct meetings with timely information via collaboration tools, screen sharing, or video chat.
5	Be mobile friendly so clients can access their information or interact with their advisor on any device, anywhere they are.

"The leaders who work most effectively never say 'I.' And that's not because they have trained themselves not to say 'I,' they think 'we.' They understand their job to be to make the team function. They accept responsibility and don't sidestep it, but 'we' gets the credit."

The two biggest causes of trust breakdown or the inability to build trust are not listening to the other person and accelerating to the answer before the other person is finished talking. John Gottman, a psychologist specializing in relationships says, "Understanding must precede advice. You must let the other person know you understand and empathize before offering a solution."

To build trust with clients in the wealth management setting, it's important to involve and interact with them, engaging with them in conversation as well as in writing and leveraging visual communications. Today's new technologies make this much easier with the graphical, interactive features of portfolio management, performance reporting and financial planning systems. The more you can show the results on a shared screen, the higher the engagement, which results in higher trust in the recommended action steps.

Technology's impact on trust

With the proliferation of new technologies and the widespread introduction of online automated advisory or "robo-advisor" platforms, technology most certainly will play a role in building or limiting investor trust going forward.

The good news for advisors is that according to recent articles, wealthy investors prefer face-to-face meetings and currently have low levels of trust for online platforms alone. Of course, perceptions can change over time. It is important for advisors to constantly have the latest technologies to maintain investor trust that their advisor has the best tools available, including many of the best features of the robo-advisor platforms.

Accordingly, advisor technology can play a big role in building and maintaining investor trust.

Translating trust into referrals

The days of developing business through cold calling or "dialing for dollars" are long gone. A random call from a stranger at the office or during family dinnertime is more likely to create annoyance than engender credibility or trust.

Today's top firms and advisors are using an educational approach through networking with centers of influence and building their own niche-focus areas of expertise to build their businesses.

Key to building credibility and trust with a target audience is to become an expert on niche aspects of wealth management that are either technical in nature (tax efficiently exercising employee stock options, for example) or are tied to a demographic or occupational sub-sets (developing retirement plans for radiologists).

This specialized knowledge positions you as the go-to expert for investors and centers of influence that are looking to work with someone who knows their situation, which quickly provides credibility and trust, enhancing the referral process.

Top advisors who excel at listening to their clients and prospects elicit these underlying themes by asking the right questions.

A niche focus also lends itself to leverage communication channels such as blogs, social media and PR, as investors and media seek out experts on the specific topic they are searching upon, another key source of referrals.

As you are building your referral networks, obtaining the endorsement of successful people in your network and turning them into "fans" can be an accelerant. For example, when hosting events for clients and prospects, you can use a strategic seating chart to locate top prospects next to your biggest, most successful fans. Additionally, including prominent centers of influence in your events, such as a well-known attorney or CPA, brings added credibility and trust because these famous people believe in your business enough to spend time with you.

Another way to build trust with clients is your service model. As mentioned earlier, delivering on your promises demonstrates reliability, which in turn engenders credibility and trust.

Having a service guarantee, such as responding to all client inquiries in 24 hours or less, or providing progress reports for more complex tasks, helps clients feel they're being kept in the loop. Beginning conversations or communications with phrases such as, "As promised…" reinforces your trustworthiness when you've made good on a promise.

Advisors can use these various approaches in combination, leveraging their networks, service models, expertise and deliverables to visibly demonstrate their value and trustworthiness, all of which leads to enhancing the referral process.

The opportunity is at hand

Today's wealth management environment has created tremendous opportunities for advisors who can differentiate their service models, become experts in a niche and above all develop long-lasting relationships based on trust. This powerful position provides ample opportunities to generate referrals as clients and centers of influence truly value their advisor and are happy to make introductions to their networks.

Now more than ever, trust matters in the financial services industry, and is the hallmark of any profession. With the industry changing rapidly, it's urgent for advisors to leverage the great work they do for clients and translate it into stories that illustrate what a true wealth management relationship can be.