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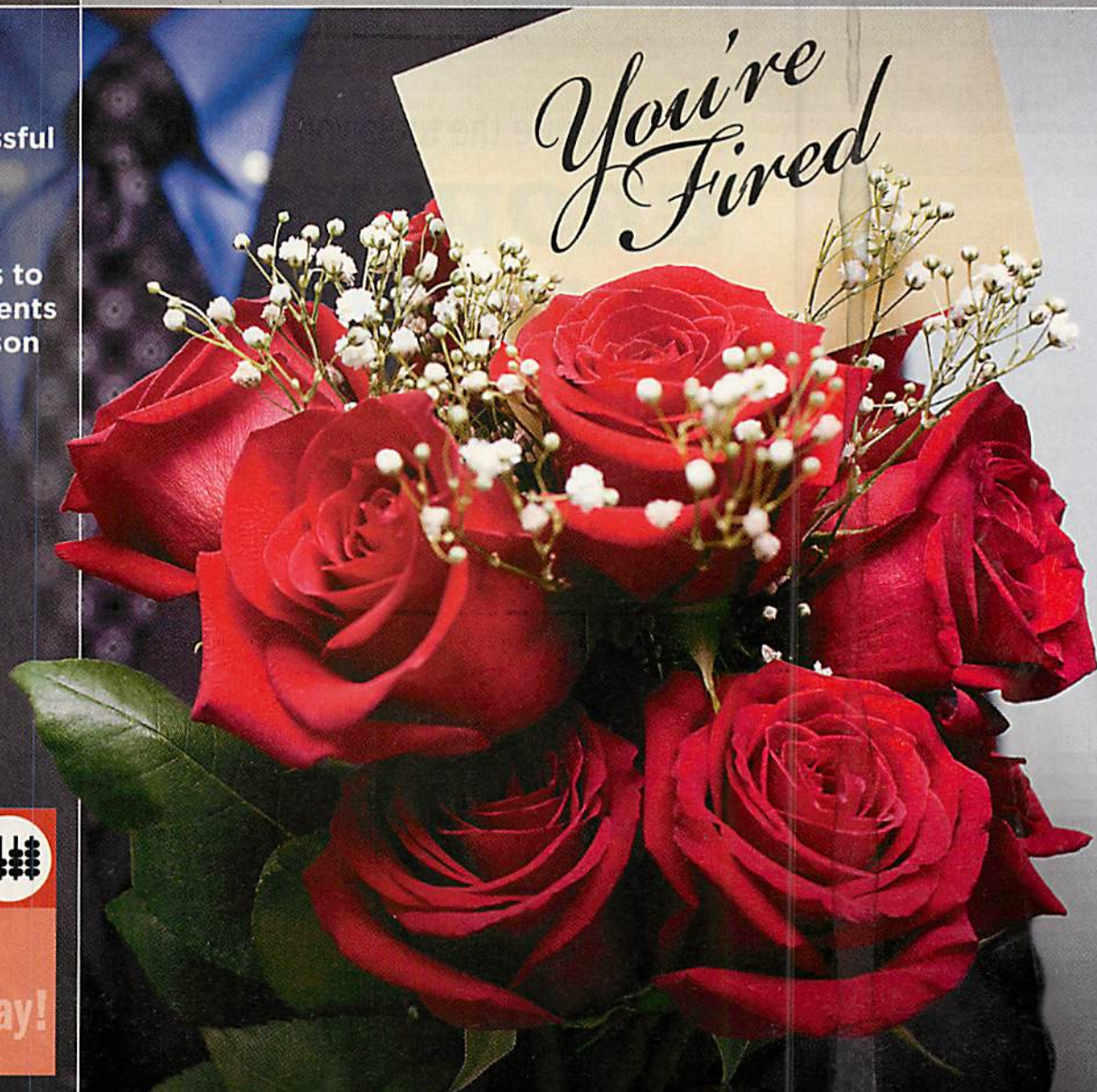
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Secrets of Successful Advisory Boards

by Stephen Wershing, CFP®

It would be hard to overemphasize the importance of client feedback. Among the various feedback tools available, including one-on-one interviews and surveys, many advisers are finding that the client advisory board is the most powerful tool you can employ to get high-quality, actionable feedback. Many advisers have also reported that it is the most powerful driver of referrals they have ever experienced.

There are many purposes an advisory board can serve—helping you gain insight into your unique value, tailor the client experience and get guidance from professionals on the business decisions of your practice. There are also several circumstances in which this level of client engagement is critical, such as taking on a new partner, implementing a succession plan for a senior partner, undergoing a merger or changing broker-dealers. Some external factors, such as wildly volatile markets, are better navigated with client help as well.

If you are considering or currently running an advisory board of your own, a few principles will help ensure you get the most value possible out of the experience.

Select the Right Objectives

On one level is simply getting feedback: How do you like our new reports? Do our financial plans have the right level of detail? Do our portfolio reviews cover issues in enough depth? Do we respond to calls and questions quickly enough? This kind of information is useful and can help you make some adjustments to improve your practice.

However, the most valuable engagement with your client advisory board is in determining the strategic direction of your practice: What is our target market? Are we providing the right mix of services, or should we add or

“An independent facilitator can get away with asking questions an adviser could never ask.”

discontinue some? How should we handle clients who no longer fit our target market? Questions like these can alter the direction of your practice, and they hold the potential to be the most valuable kinds of discussions you can have with your best clients.

Secure the Right Mix of Clients

You want a blend of people who represent both your best clients and the best combination of personalities for the group dynamic. Just like planning a shopping mall, the first thing you will want to identify is the anchor tenants. Think of clients who would be vital to the success of the advisory board because of their influence in the community, their influence in the target demographic, their dedication to the firm as expressed by the number of referrals they offer or because of the quality of the input they are likely to contribute. Have people who would be the answer to the question,

“Who must be in the room to make this discussion a success?”

Some advisers believe they need to invite their biggest clients. While some of your biggest clients will be represented on the board, limiting participation to that criterion is not productive. Some of your biggest clients may not represent the target prospect you wish to pursue. If you are serious about involving your board in significant business decisions for your practice, you may wish to gather participants with a particular professional expertise that may not be represented on your staff. If you bring marketing questions to the advisory board, for example, it could be useful to include a client who is a marketing professional. If you have staffing issues, a human resources professional from your client base would be a valuable participant.

Use a Third-Party Facilitator

I believe in the value of a professional; the important thing is that it not be you. For you to realize the most significant benefits of an advisory board, clients need to see you as an equal in the conversation. This cannot happen if you are running the meeting from the front of the room. For example, John Gugle, CFP®, CRPC®, of Alpha Financial Advisors in Charlotte, N.C., has one of his clients facilitate his board meetings so he can be fully engaged in the meeting.

A facilitator can serve as a sounding board for criticism clients would not be comfortable saying directly to you. People don't want to criticize you, especially when you're buying them a nice dinner.

The conversation doesn't yield much until a client says, "I really don't like" Jackpot. We have uncovered an issue that will positively change the client experience. When clients see you involved in the conversation and that you are willing to discuss things that may concern them, they know they have permission to bring up any other issues they may wish you would fix or improve.

A facilitator can also help prevent you from giving responses that shut down conversation. There is a natural human response to defend against criticism, however minor. But the right response is imperative. Consider a client who says, "This other adviser provides these services much better than you." We have seen advisers respond with a version of, "Let's review why we provide this service this way, and if you think we should change it we can discuss it." Although subtle, the message is, "You are wrong; we know how to do this," and that stifles the conversation. However, an experienced facilitator knows to respond more along the lines of, "What do you like most about how that other adviser does it?" Pursuing that conversation will give you vastly more useful information.

An independent facilitator can get away with asking some questions an adviser could never ask. Let's say a board member suggests a new service that other participants respond to positively. Consider the question: "What do you think would be the best way of delivering a service like that?" From a facilitator, this is gathering information. If the adviser asked this question, it may sound like a sales pitch.

Taking Action

The 2010 study "Economics of Loyalty: Anatomy of the Referral" by Julie Littlechild of Advisor Impact investigated what puts clients in that coveted category from which all referrals flow: "engaged." One finding was that three-quarters of engaged clients had been asked by their

adviser for feedback. Another was that 72 percent of engaged clients believe feedback made a difference in the service their adviser provides.

It can be powerful to ask clients how you can improve their experience. It is far more powerful to demonstrate your orientation to client service by taking that advice and making changes. Conversely, receiving feedback and taking no action is worse than never having asked in the first place. Creating an advisory board implies a commitment to making change.

For example, Emerson Investment Management was about to release a new website when the firm showed the design to its advisory board. The board expressed clear feelings about some basic changes.

"The website was on the verge of going live, and it was quick to go back to the designers ... we're glad we did it," says Meghan DeTore, Emerson's director of marketing.

When Freedman Financial floated the idea of an automated call routing system, the board's feedback was unequivocal. The firm's phone continues to be answered by a person.

Over the long term, a practice that systematically incorporates its board's suggestions will gradually be tailoring the client experience to its target market. Customizing your service mix, procedures and environment to your best clients is a powerful driver of referrals.

Tell the World

The final secret to a successful client advisory board is having a communication strategy. Many advisers report that simply telling people about their board is a powerful marketing message. S. Andrew Sullivan, CFP®, of Sullivan & Schlieman Wealth Management LLC in Alpharetta, Ga., says, "It is one of the main ways we differentiate ourselves." Alan Goldfarb of Weaver and Tidwell LLP in Dallas reports that the composi-

tion of his board (not all of whom are clients) helps attract the right kind of prospect. "Some clients came in just because they saw who served on our advisory panel—they felt if we could help this guy who's heavy in the community, maybe we could help them."

Communicating the workings of your advisory board enables you to take the experience of the small number of your clients and generate benefits across the rest of your client base. Whether through your newsletter, blog, announcements on your website or even in conversations with individual clients, you can describe the feedback you have received from your advisory board and their recommendations for improvements. Most important, you have the opportunity to broadcast the changes you have made to your practice based on the advice of your clients. This is about the strongest proof you can find of a commitment to client service. ○

Stephen Wershing, CFP®, is president of The Client Driven Practice (www.theclientdrivenpractice.com). He consults financial practitioners on many practice management issues, including strategic differentiation, client advisory boards and implementing technology.

Kudos for Advisory Boards

"The best referrals we have gotten have come from board members."

—John Gugle, CFP®, CRPC®,
Alpha Financial Advisors
in Charlotte, N.C.

"[The board said] if you would give us a list of some of your accomplishments, we could sell you better."

—S. Andrew Sullivan, CFP®, Sullivan & Schlieman Wealth Management LLC
in Alpharetta, Ga.

"Running client advisory councils is one of the smartest things we ever did."

—Marc S. Freedman, CFP®,
Freedman Financial in Boston