

The Private Client

Become an elite advisor by specializing, setting minimums and focusing on relationships and service. BY PATRICIA J. ABRAM

Finding (and Keeping) Wealthier Clients

FINANCIAL ADVISORS UNDERSTAND that with increasing competition, downward pressure on fees and commissions, and rising expenses and compliance costs, finding and satisfying wealthy clients has become of vital importance. Indeed, every study that we've undertaken at CEG Worldwide confirms that moving up-market is a top concern of the vast majority of financial advisors.

For example, consider our groundbreaking 2007 study of 2,094 financial advisors, including wirehouse brokers, independent broker-dealer representatives and registered investment advisors. These advisors were segmented into four quadrants based on number of clients and net income. Regardless of their success, nearly every advisor

The Four Quadrants

		Net Income	
		\$300,000 or less	More than \$300,000
Client Base	150 or fewer	Q1 (21.2%)	Q4 (12.8%)
	More than 150	Q2 (34.3%)	Q3 (31.7%)

in every quadrant was very concerned with finding wealthier clients.

The results differed, however, when the advisors were asked about *competition* for wealthier clients. While 82.4 percent, 87.2 percent and 79.1 percent of the advisors in Quadrants 1, 2 and 3 respectively were very concerned about competition for wealthier clients, only 59.9 percent of the Quadrant 4 advisors — elite advisors with fewer than 150 clients and net income of \$300,000 or more — shared this level of concern. Quadrant 4 advisors were demonstrably less concerned because they already had a good handle on strategies for finding and serving wealthier clients and moving up-market. Having found the formula for finding and retaining wealthier clients, they have a diminished focus on what other advisors are doing.

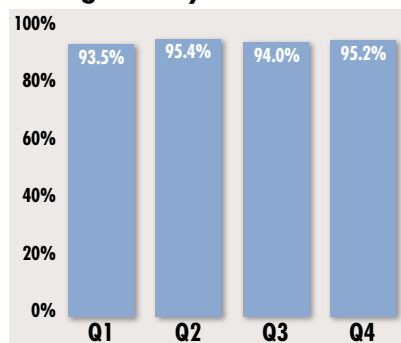
Our research, along with consistent evidence from our coaching program, points to three strategies for finding and keeping wealthier clients. But before you can effectively make use of these

strategies, you must first change your attitude and learn to pass up inappropriate retail business. You will need to focus all your attention and resources on finding and then retaining wealthier clients so you can no longer simply accept any potential client who happens to come along.

The First Strategy: Specialization

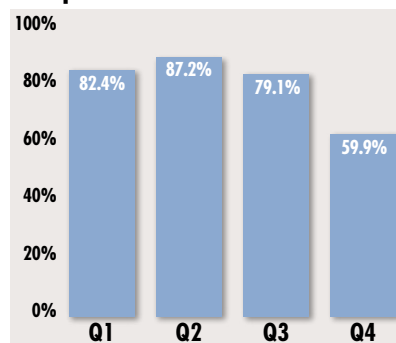
The first strategy is to become a specialist. Specialists in every field of endeavor have more refined businesses, command

Advisors Very Concerned About Finding Wealthy Clients



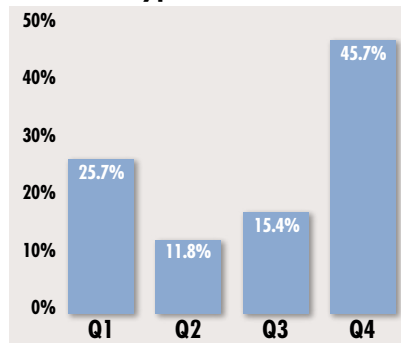
N = 2,094 financial advisors. Source: CEG Worldwide

Advisors Very Concerned About Competition for Wealthier Clients



N = 2,094 financial advisors. Source: CEG Worldwide

Advisors Who Specialize in a Particular Type of Client



N = 2,094 financial advisors. Source: CEG Worldwide

more respect, receive higher fees and have greater revenues and profit margins. As the chart above shows, 45.7 percent of Quadrant 4 advisors specialize in a particular type of client, while for Quadrant 1, 2, and 3 advisors it is 25.7 percent, 11.8 percent and 15.4 percent, respectively. Specialization allows advisors to become more influential within their target pool of clients, makes use of pull rather than push marketing, and enables advisors to better serve the clients in their target populations.

What type of clients should you specialize in? Of the Quadrant 4 advisors who specialize, 40.7 percent focused on corporate executives, 27.6 on widows and widowers, 22.8 percent on retirees and 17.9 percent on private business owners. Note that if you specialize in more than one or two areas, you won't be able to develop the in-depth expertise necessary to retain specialized clients for the long run, and you may be perceived as a dilettante.

So if you focus on finding and working with executives of a major corporation headquartered in your city, you'll want to learn about their benefits package, deferred compensation, stock option plan and all their other opportunities and challenges. Or if you target widows and widowers, you'll need to develop great expertise in income generation and distribution planning, estate planning and

custodial issues.

You want to become the "go to" person for clients in your area of specialization. Learning everything you can about serving your target population will give you an aura of confidence and expertise, and will also put you in a position to find the wealthy individuals you're looking for.

Strategy 2: Minimum Requirements and Maximum Service

The second strategy is simple to put into place, but often hard to carry through for attitudinal reasons: You must set minimums for investable assets (account size) and fees. More than anything else, setting this internal policy will force you to think differently about your business. Since we often get what we aim for in life, by setting minimums you'll likely end up working with fewer but wealthier clients. Virtually every one of our coaching program graduates tells us that setting minimums was among the most important changes they've ever made. Truly, if it's no more work to find a client with a million dollars versus one with \$250,000, why would you want the latter?

Strategy Three: Focus on Client Relationship Management and Satisfaction

The third and final strategy is perhaps the most important of all: While finding wealthy clients is the necessary first step, satisfying and retaining these clients is even more important for the long run, and this can only be accomplished by focusing on relationships and service. For example, every study CEG Worldwide has ever done shows a high correlation between frequent client contact and advisor success. Our recent research shows that the elite Quadrant 4 advisors on average contacted their top 20 clients 14.8 times a year, while Quadrant 1, 2,

and 3 advisors contacted their top 20 clients on average just 5.2 times. Many of these contacts are about non-investment subjects — children, pets, anniversaries, important dates, interests, hobbies, etc. — enabling advisors to develop richer and deeper personal relationships with their clients.

You should also use a formal mechanism to assess client satisfaction, whether through an in-depth annual client survey or some other method. Listen carefully to this feedback and then adjust your business accordingly. To ensure that you regularly contact your clients and solicit their feedback, put in place a client relationship management system, and make sure that someone other than you is responsible for keeping track of what needs to be done when.

Attitude and Action

Ultimately, finding wealthy clients comes down to your attitude and your willingness to specialize and then look in the right places. Having found wealthier clients, you must then do whatever it takes to retain them, which means not just fully satisfying their investment needs and providing exceptional service, but regularly contacting them to build strong personal relationships.

While CEG Worldwide's survey has found that virtually all advisors are concerned about finding wealthier clients, how many are *doing* something about it? One definition of insanity is doing the same things over and over again and expecting a different result! If you want to attract and retain wealthier clients, then begin by changing your attitude — fully embrace the attitude that "less is more" — and then adopt the three strategies outlined here. By specializing, setting minimums and focusing on relationships and service, you'll be well on your way to creating a great business. **R**