



Other Clients Need Even More Help!

In my last two columns I have explored areas where thinking like an adviser may be different to thinking like a client and why clients need your help. In those two articles I have used areas where most advisers are happy to provide advice – accumulating assets to manage income in retirement. This month I would like to follow the same theme but challenge readers to consider non-traditional scenarios where potential clients need different types of help. Here are three scenarios based on real life cases:

Case A

Alistair is a lawyer who earns \$400k but spends \$440k. He has a home and a holiday house but little in the way of investment assets, excluding jewellery worn by his wife (and his ex-wife) and a fine wine collection.

Case B

Bill owns a small business and all of his wealth is tied up in the business. He is not financially astute and he feels that his financial life, both business and personal, is in a bit of a mess.

Case C

Cathy is working through a divorce and wants financial guidance because she is not comfortable with the advice provided by her family law expert. It has been a difficult time for Cathy and she doesn't know what she wants to do with the family home.

Would you agree that in all three cases, there are very important financial problems to solve? Hence, I hope you would agree that all three need a financial adviser.

Now all advisers should be asking whether Alistair, Bill and Cathy are ideal clients before taking them on. Advisers should apply their own criteria and I wouldn't be so arrogant as to be judgmental if you didn't want them as clients because they failed your criteria. But if every adviser concluded that they are not ideal because they don't have investment assets then where would Alistair, Bill and Cathy go for advice?

Perhaps more concerning, what if there were advisers who recognised the critical issues faced by all three but failed to accept any of them as clients simply because they had no model for charging a suitable fee? (And please note the significant difference between non-ideal clients who can't afford your fees compared with potential clients who can afford your fees, if only you knew how to charge them.)

These three cases highlight the gulf between financial advisers who are really just investment advisers compared with financial advisers who can solve real problems of financial uncertainty.



The former would probably:

- Advise Alistair to sell his holiday home and start building real wealth with financial assets.
- Advise Bill to start succession planning and realise the value in his business so that he can invest in financial assets.
- Wait for Cathy's settlement and then advise her how she should invest the proceeds.

The latter would seek to understand the core problems faced by all three and perhaps:

- Provide Alistair with the discipline and accountability required to manage his spending habits and take control over his financial life.
- Act as a CFO for Bill in both his business and personal dealings to reduce his stress and improve the value of his business.
- Work with Cathy to determine her priorities and then work with the family law expert on settlement negotiations that produce an outcome for the family home that Cathy can stop worrying about.

I believe that it is the second set of skills that will provide long term value to clients. Can you do that? Do you know how to charge for that?

These are the best of times for financial advisers to help solve important financial problems for their clients – even if they have nothing to do with investment recommendations.