



Talk About Fees!

We all know that the number one issue in the industry today is fees. There is plenty of attention given to how to determine the right price, how (and when) to present the fee and various business transition strategies. I would like to address an issue that is of serious concern for most of our clients – and, I suspect, for most advisers – but one that seems to be taboo. If I may be provocative, I think that most advisers are very uncomfortable talking about fees with their clients. So, let’s talk about the fee conversation....

It’s not difficult to understand how the discomfort has arisen. Historically, financial advisers have had little experience in verbalising their fee arrangements. It’s not just that commission structures had removed the need to talk about fees. It’s also the result of an industry culture of “full disclosure” that put all of the emphasis on documenting rather than enunciating the fees. That documentation also meant that advisers never had to mention fees again and so even those advisers that gained experience in explaining fees at the initial engagement rarely mentioned them at subsequent review meetings.

However, I would like to suggest that the real cause of the discomfort is more insidious: I’m not sure that all financial advisers really believe in the value that they provide their clients. When I hear advisers talking about how to “justify” or “sell” their fees I detect a defensiveness that indicates a disturbing lack of belief. This also manifests itself when I hear it argued that “ordinary Australians are not able to afford financial advice”.

This issue boils down to a simple but profound question. What do you do? If your answer is along the lines of “investment advice”, “retirement incomes”, “wealth management” or “wealth protection” then I suspect that Australians may not be prepared to pay much for that. Even if your answer is along the lines of “providing a road map for people to achieve their financial objectives”, I doubt that many Australians are prepared to pay that much for a plan. Clients don’t want to pay for products or hours – they want to pay for results or outcomes, even intangible ones. You see, I believe that many Australians are prepared to pay you well if they trust you to provide “time”, “peace of mind”, “confidence” and/or “financial freedom”. And the key word in that sentence is trust.



There are some advisers that think that trust takes years to build. I would argue that trust can be built in the very first meeting if you can deliver the following experience for your potential client:

- A conversation that is all about your potential client and not about you, your firm or your process
- An in depth exploration of the values and goals of your potential client, without judgment or “me too” responses, producing increased self-awareness
- An understanding of the complexity of their financial lives and the options that are available to solve their problems and achieve their goals, long term

If you would like to be able to speak more confidently to your clients about fees, not just when you are pitching your services but at every review meeting, your client must have the right mindset about your relationship. More importantly, you must have the right mindset about your relationship. Clients can smell fear and they can also detect uncertainty. If you can't explain your fees clearly and confidently, and if you don't believe that you can genuinely add value to their lives, you can expect to be challenged, or at least queried, about your fees.

How can you improve your confidence, your belief in your value proposition? Perhaps you can think about why you are in this business. Perhaps you can reflect on a recent client experience that delivered great personal satisfaction – to you. Alternatively, you could meet with some of your favourite clients and ask them: “What do you value most about our relationship?” These insights may provide you with some words to express what you do and, more significantly, reaffirm your personal commitment to financial advice.

These are the best of times to hone your skills in enunciating your fees – based on a solid foundation of belief in the genuine value that you can add to your clients' lives.