



Your Clients Need Your Help!

Do you think like an adviser or do you think like a client? I suggest that if you are unable to think like a client then you will have difficulty understanding them. And if you don't understand them then it will be very difficult to successfully communicate with them. Let me illustrate using one of the most common challenges for your clients – planning for their retirement.

For many clients the challenge boils down to a single simple question: “Will I have enough money to live on?”

I am amazed that most advisers think like advisers and answer this question with reference to the value of accumulated assets. It is not surprising that advisers think in terms of assets as they mistakenly see their role as investment advisers who help to build the asset value. It is even less surprising when we remember that most advisers still charge on the basis of the value of assets (ie % of FUM). Nevertheless, how does it help the client answer this important question when regular reports focus solely on the lump sum figure?

In my experience, clients think about income when they want to answer this question. “I need \$70,000 a year for my wife and I to live comfortably in retirement” not “I need to accumulate \$1.5m in assets”. So why don't advisers communicate in a way that makes sense to a client? I know that it is difficult to translate the assets value to an income figure but that is not a good reason. You see, at risk of stating the obvious, your clients need your help with this question.

I recently listened to an address from Susan Thorp, Professor of Finance and Superannuation at the University of Technology, Sydney. She was adamant that, despite the power of Google, your clients are poorly equipped to plan for retirement because they lack knowledge. They lack knowledge about products, regulations, tax and life expectancy. In the context of this article, they especially lack knowledge about the relationship between the value of assets and the related income adequacy.

Worse still, Susan quoted from US research that demonstrates that the “illusion of wealth” deludes clients with lower asset values into complacently thinking that they do have enough. (It is interesting that for higher asset values the research shows that clients tend to understate their confidence in their income sufficiency - but they don't need as much help from you.)



So what can you do about it?

Firstly, I recommend that you review your client communication, particularly your regular reports, and balance the emphasis on lump sum values. Yes, it may take some work but I hope you agree that it will be worthwhile for the improved understanding it delivers.

Secondly, I recommend that you record your next client conversation and, listening to the recording afterwards, write down your client's own words and see how different they are to what you actually wrote down at the time. Maybe your hearing is great but your listening needs work?

Finally, I recommend that you invite another member of your team (preferably not an adviser) to attend your important client meetings. Ask them to take the client's perspective and then seek their feedback after the meeting on how well you explained matters in language that worked for the client.

These are the best of times for financial advisers to understand the way their clients think about retirement income plans and to change their communication methods to better engage with them.