



**WHAT
YOUR
CLIENT
SAID**

(While You Weren't Listening...)

By Robert M. Gignac

I was speaking to a large group of financial professionals recently and during the Q&A afterwards, I was asked the following question: “What do you think the biggest issue coming down the track toward our industry is?”

Wow. I was hoping for an easy question.

After reaffirming to the audience that I am not a financial professional and never have been, I said “This just might be the biggest challenge that you’re going to face...” With that I picked my iPhone off the podium (I was using it as a timer...), pressed menu, then music, then ‘play’ and held the phone up to my lapel microphone to catch the first dozen seconds of Meghan Trainor’s song *Lips are Movin’*:

If your lips are moving, If your lips are moving,

If your lips are moving, Then you’re lyin’, lyin’ lyin’

Admittedly, it’s catchier with the music than on the printed page. I could tell from the looks I was receiving, that they weren’t sure what to make of it. In fact, one agitated advisor asked “Do you think we’re lying to our clients?” “Not at all,” I replied, followed by “but my fear for you is that you’re going to hear this refrain a lot soon. Why? Because the media and the banks are telling everyone who’ll listen – including your clients - that’s what Financial Advisors have been doing for a long time. The CRM2 compliant statements which will start hitting mailboxes later this year are likely to generate some interesting conversations.”

I know what you’re thinking, “But Robert, I had this conversation with my client; we talked about fees, costs, MERs, transactions, trailers, and commissions.” I’m sure you did. There are two parts to an excellent conversation – the ‘telling’ and the ‘understanding.’ I’m sure you did a great job on the ‘telling,’ but in 90% of the cases I’ve encountered, when a client is confused or angry it’s because, although you thought you were crystal clear in the communication, the client was left feeling like the algae filled pool at the 2016 Rio Olympics – which is to say – not crystal clear.

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Yes, as a client, we’ve heard you use terms like MER (Management Expense Ratio), DSC (Deferred Sales Charge) and perhaps even Front End Load (payment of fees/commissions at time of purchase), Back End Load (payment of fees at time of sale), or No Load (zero fees/commissions to buy or sell). What did any of that mean to us? Very little. Why? We are not financial professionals, we don’t want to be, and that’s why we turn to you. If the conversation turned to “What is this going to cost me?” at all, the response was often, “Nothing. You don’t have to write me a cheque. The investment company pays me.” I know, I know – that’s not it.

The media have been talking about CRM2 as “the looming crisis for the Canadian financial services industry.” But isn’t it interesting that in Chinese the word “crisis” is a combination of two symbols: 1) Danger, and 2) Opportunity. Let’s start with the danger scenario. Here’s a scene that might play out in financial advisor offices across Canada in the not too distant future. A client will have booked a meeting, arrived at their agreed upon time and when shown to the office may walk right past an extended handshake attempt holding their first CRM2 compliant statement. There might be large yellow highlighted area on that page and in the middle will be something similar to “*Your Cost/Fee for Service Was:*” followed by a number, likely with a comma in it.

The conversation opens with, “My best friend/neighbor/idiot brother-in-law was right. I had no idea this is what it’s costing me to work with you! Give me one good reason why I shouldn’t just go to the bank now, because it’s *free* there!” Ok, stop laughing, I know it’s not free at the bank, so do you – but you are now about to have a very important conversation with a potentially irate client (who you may have had for a long time...) and I want it to go well – not just for you – but for your client too. Remember, I’ve never been you, the financial professional; I’ve only ever been the client.

I believe that financial professionals in Canada today are faced with an incredible opportunity. The CRM2 opportunity exists because for the first time you will be able to show the value that you deliver for your clients against a number they’ve never seen before. In any transaction value is delivered when the client’s perception of the value received exceeds the expectation.

This is where the ‘opportunity’ lies.

I believe it is the conversation that happens next that is key. You’ll need to reduce the confusion and potentially diffuse some anger. You get to educate the client. Can they move to the bank? Sure. But it’s not free there either, and you need to explain that. Is it cheaper there? Maybe. Your role is to help them understand that if the yellow highlighted area contains a value of – say \$3,500.00

that the bank may be able to do it for \$2,500.00 – but show them the value of the \$1,000.00 difference.

You are adding value to the lives of your clients, right? If you can't show \$1,000.00 in value for everything you are already doing for that client – then I suspect a T2033E may be in your future. True financial professionals always demonstrate their value. But their unasked question – what they said while you weren't listening – is “Why should I stay with you? Why shouldn't I leave and go to the bank – they've been courting me for years”.

It's time to demonstrate your value. Let them know that if they choose to go to the bank, they'll start a relationship with David, in 18 months David will become Brenda, in 18 months Brenda will become Mark and 18 months after that, Mark will become Peggy. No offense to any of them – they are probably all CFP® designated financial professionals – but to your client, it means that they will have to tell their story over and over and over again as they try to build a relationship with an ever changing in-branch advisory team. There is a substantial value to the client in having a long term relationship with you – you'll cross generations – facilitate family discussions – build a protective wall (no, not the Donald Trump version...) around a family's assets.

What the client is saying through all of this (or may desperately want to say but isn't sure how) is this: “Show me that you value me;” “Are you worth this fee?” and “Why shouldn't I just dump you for a Robo-Advisor and a piece of term insurance I bought on the Internet?” That is what the potential anger they expressed as they walked into your office is all about. Clients you've served for a long time know, like and trust you – but the media is telling them they've been had – you need to address those fears.

Can you compete on cost of investment selection with a Robo-Advisor? Not likely. Can they get term-insurance cheaper on the Internet? Probably. Don't try to compete on cost alone – once you get into a cost competition, you'll always be in a cost competition and the day somebody undercuts you – you're done. Oscar Wilde once said, “Beware the man who knows the price of everything

and the value of nothing.” Can you keep them as a client? Certainly. Build/demonstrate the value equation for the client – it is about all of the ‘non-revenue’ things that you do, such as:

- Ensuring they have proper wills and power of attorney – offering comprehensive family financial advice when a client tells you their son/daughter is getting divorced (or married and there are assets to protect)
- Helping a client navigate an insurance company labyrinth during a claim – walking clients through the “do I pay the mortgage, load up the TFSA or reduce my debt?” conversation (often multiple times...)
- Assisting them with personal cash flow planning to pay for goals, “can you help us figure out how to pay for Shandra's university?”
- Referring them to professionals to minimize income tax and help them receive competent legal advice.

You demonstrate your value by becoming the financial coach who sees the field and designs the plays – you don't score the touchdown, the client does – but you are instrumental in the development of the game plan (with the client's complete input of course...) and ensure the game plan is executed.

What the client said when you weren't listening was this – “help me sort through the confusion of the myriad of choices in order to create the life I want for our family.” I know, you didn't hear it, and you're sure they didn't say it. The client won't use those exact words. Your hearing of it will come from your ability to ask us questions you never asked us, listening to our fears about what we don't understand, hearing what we didn't say or ask because we didn't know how. When you do all of these little things right, you earn our trust, helping us manage risk, and alleviating our fears about our financial future. Your goal is to always be building value to the point that when the CRM2 conversation happens (and it will...) – it will end in a handshake and a “Thank you for reassuring me!” and not an angry soon-to-be ex-client walking out saying “We're done!”

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