Financial Planning

How a uniform client service plan can help a fledgling firm grow

By Drew Horter
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As I travel around the country meeting with our advisors and their existing clients, I have encountered hundreds of prospective clients -- many of whom have misconceptions about the role advisors play in helping them achieve their financial goals.

Some have worked with advisors in the past, only to be put in portfolios that were unsuitably risky. Too many of these individuals suffered dramatic losses during the financial downturn in 2008; as a result, financial advisors still have a long way to go to rebuild relationships and regain public trust.

Clients have to be shown early on that their needs are understood. When the advisors in our network meet with prospects, we make sure they ask five essential questions:

1. WHAT ARE YOUR FINANCIAL AND PERSONAL GOALS?
It's important for an advisor to understand where prospects see themselves in the short, medium and long term. After our advisors determine and record personal and financial goals, we set actionable steps -- such as saving more money or shifting investment strategies.

Working with an advisor can help motivate individuals to keep sight of their goals. An Insure Retirement Institute survey found that baby boomers with advisors are twice as likely to feel confident about having sufficient retirement savings as those who are planning on their own.

2. WHAT IS YOUR 'FINANCIAL FITNESS'?
Advisors in our network always request that prospects bring key financial documents -- including brokerage statements, 401(k) statements and tax returns -- to initial meetings. We analyze this paperwork to build a strong understanding of each prospect's current financial state before making any formal recommendations.

3. HOW DO YOU FEEL ABOUT FINANCIAL RISK?
We've seen a resurgence of volatility across asset classes in 2015. The markets will continue to be rocky as U.S. equities enter their seventh year of a bull run and the Fed makes its plans to raise rates.

The turbulence can be worrisome to risk-averse investors who need to preserve their capital for retirement and other life events.

Before discussing any "ideal" investment mix, our advisors administer brief questionnaires to determine what level of risk and reward a prospect is comfortable with. Based on the questionnaire results and the prospect's time horizon, we segment assets into separate buckets matching three levels of risk consideration: safe and secure, low risk and moderate risk.

4. HOW COMFORTABLE IS YOUR CURRENT INVESTMENT STRATEGY?
Too many prospects I meet with have been put into inappropriate investment vehicles by their former advisors. Some were in risky portfolios that suffered great losses during market downturns; others had their money in expensive mutual funds and unnecessarily complicated annuities.

Years ago I met with a woman who was recently widowed, and I found that the entire balance of her 401(k) was invested in a single large-cap company in the consumer packaged-goods sector. She explained that she didn't believe the company would ever tank.

I showed her how she could benefit from a low-risk, low-volatility tactical money management system, and we have been working with her ever since.

5. WHAT COMES NEXT?
These conversations shouldn't stop with the first meeting. After discussing a prospect's financial state and goals, our advisors talk about what the prospect can expect out of the advisor-client relationship.

Most clients, particularly conservative investors, want frequent contact with their advisors. We let them know that our advisors "touch" clients at least 28 times a year, through in-person meetings, events, emails, holiday cards and other communications.

By asking these five key questions and engaging in a sophisticated dialogue, advisors can differentiate themselves from the competition and set the foundation for long-lasting relationships.

Drew Horter is founder and chief investment officer of RIA Horter Investment Management in Cincinnati.