ADVISOR PERSPECTIVES

Five Tips from Accountants on How to Get Referrals

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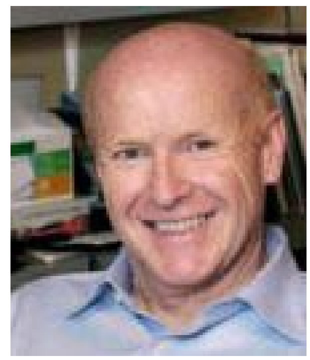

Over a recent lunch, three partners in a small accounting firm told me how financial advisors should go about getting referrals.

Ranging in age from their late 30s to mid 50s, they focus on mid-sized businesses and farmers, a good number of whom over time sell their properties to real estate developers and have to deal with the "sudden wealth" issue.

They get regular calls from financial advisors, who are sometimes referred by a client or someone they know; on other occasions the calls are cold. Typically the focus of the call is the advisor's desire to set up a meeting to discuss the process and approach they have successfully used to manage investor portfolios.

Almost all of those attempts by advisors fail. But these accountants identified five successful strategies for advisors trying to establish referral relationships:

1. *Get introduced*

   In their experience, the chances of an advisor getting in the door as a result of calling cold are virtually zero; the only way they'd meet with advisors is if they already knew them, the advisors worked with a client or the advisors were referred by someone they know and trust. The one exception is if they heard a financial advisor speak at an event put on by a local accounting society and that advisor said something that really captured their interest.

   I asked how they'd react if they got a call from an advisor saying "*We've got a client in common. I've heard great things about you from Bob Smith and am calling to see if we can schedule time for a coffee, to learn more about you and the kinds of clients you work with.*" All three said that chances are they'd make time to meet – the key words being *"we have a client in common."*

2. *Understand going-in perceptions*

All three emphasized that to establish a referral relationship, advisors need to be seen as just as professional and client-focused as they are.

This is a challenge. What I'm about to say won't be good news, but the partners told me that in their experience, many accountants view most financial advisors as glorified salespeople rather than true professionals. The bar to becoming an advisor is seen as dramatically lower than what it takes to get your accounting or law degree, these accountants said – and advisors who are compensated directly or indirectly by their sales are seen as only slightly above someone who sells high-end cars or real estate. Even some advisors who are paid on a percentage of assets are included in this category.

In fact, they suggested that many accountants see advisors the same way that some advisors view real estate agents – some real estate agents are excellent, but many are primarily motivated by the immediate commission on a sale. For that reason, just as many advisors would be cautious if approached by a real estate agent about the possibility of establishing a referral relationship, so accountants are cautious when approached by advisors.

3. *Build trust*

All three made the point that most accountants are innately conservative – if they refer someone to a client, the cost of the client getting bad advice and becoming unhappy dramatically outweighs the reward of the client getting good advice and seeing a good outcome. As a result, the critical first step is to build trust.

That's why that initial introduction is so critical. Credentials help as well – holding a CPA or similar designation; in fact, the financial advisor all three refer clients to is a CPA himself. With regard to designations, one of the three accountants was familiar with the CFA designation and saw an advisor holding that as a cut above average – the other two didn't see designations as useful in differentiating advisors.

Another strategy to build trust is to employ the portfolios of common clients to demonstrate your conservative approach and build confidence; this assumes that clients have signed off on sharing this information. These accountants said it would be helpful to arrange joint meetings with the clients they have in common, although they pointed out that many clients would resist paying their hourly rates unless their presence was truly necessary.

Something that can get an accountant's back up is if an advisor is too flashy – the car you drive, how you dress and your general demeanour can all position you as a "salesperson" rather than a professional. The final point is to know your audience – some accountants are so conservative and risk averse that they're unlikely to refer someone, no matter how hard an advisor works to build trust. To avoid wasting time, advisors need to try to identify these cases early on.

4. *Focus on creating value*

To obtain referral s, the first question that advisors need to ask is how they're going to create value for an accountant. Accountants clearly see the benefits to advisors when they provide referrals – often the benefit to them is less clear.

Here's where knowing your audience comes in. For some accountants, being confident in the quality of advice their clients will receive is sufficient. In other cases, value comes in different ways.

The accountant these advisors refer to was originally introduced via a common client. What impressed them initially is that he scheduled a time in January to come in with his client service manager and to discuss how they could facilitate the preparation of that year's returns – what information they needed and how they'd like to receive it. Then this advisor persuaded their common client that the three of them should meet to discuss tax planning issues (something the accountant had tried to do without success) – and in advance of that meeting, the advisor came in to see the accountant to talk about some of the strategies they could explore.

Other advisors use different strategies to create value. For example, one advisor organizes an annual one-day due diligence trip to New York for six key accountants to meet with some of the money managers he uses. The accountants pick up the cost of their flights, but the advisor handles all arrangements and other incidental costs.

The three also agreed that if they received a quality referral from an advisor, they would be open to meeting to learn more about the advisor's philosophy and approach as it might apply to their clients. "*We all have a conscience"* said one of the accountants. *"If I got a referral from a financial advisor, I would feel obligated to at least listen to what he had to say. And provided that I felt good about him coming out of that meeting, the chances would go up of my thinking hard about clients who aren't happy where they are and might be a fit for him. '*

One final note on what creates value. The three accountants agreed that receiving email updates from an advisor in and of itself doesn't represent value; that said, this can be part of the process of building familiarity and trust that can lead to the opportunity to demonstrate value subsequently.

5. *Be patient*

The final ingredient to a successful referral strategy relates to the subtleties of being patient.

"*There are two ingredients to being patient"* said one of the accountants. "*The first is not rushing things, so allowing us to build our comfort level gradually. And the other is to maintain sustained contact over time, even if it doesn't seem like you're making much progress."* This accountant went on to say that one recent new client that he'd begun working with is someone he'd been talking to casually at a local golf club they both belonged to for over five years.

As we wrapped up, I asked for their reaction to a successful initiative in which a financial advisor, accountant and lawyer teamed up for three events, in which each invited clients to sandwich lunch sessions at their office. Whoever hosted moderated the session and delivered a short update, but each of the other two had 15 minutes to talk about something that the people in the room might find interesting.

The turnout at the three lunches ranged from 10 to 15 clients and each of the three participants got at least one lead where someone who attended expressed interest in sitting down. Beyond this, the feedback from clients was excellent – and they've decided to repeat this next year.

The accountants emphasized that you can't rush the trust-building process – and that doing so is likely to be counterproductive. They generally liked the joint lunch idea – provided that they had first built up comfort with the financial advisor before exposing him or her to their clients. The fact that there was a lawyer involved also increased their interest in this approach.

Many advisors have "referral relationships with professionals" on their wish list. If this is a priority for you, some of the advice from these three accountants will help you shape an effective strategy to make referrals happen.

Dan Richards is a top-rated presenter at advisor conferences and an award winning instructor in the MBA program at the University of Toronto, as well as author of Getting Clients Keeping Clients: The Essential Guide for Tomorrow's Financial Advisor. To learn more about his conference keynotes and workshops, email dan@clientinsights.ca.