# New Research on Attracting HNW Clients

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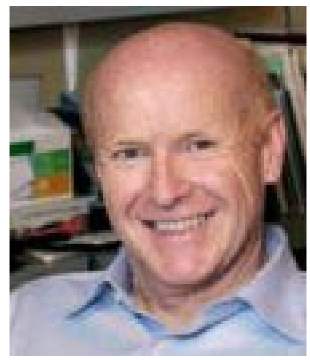

When it comes to winning new clients, most advisors think they need to persuade prospects to *replace* their existing advisors.

But new research shows that an easier course of action is to persuade those prospects that they should *supplement* the advisor they are currently using. This is especially the case if you're working with high net worth investors.

**The trend to multiple advisors**

An August report from Boston-based Cerulli Associates showed that approximately a quarter of American households who seek financial advice used multiple advisors. For households with assets of $2 to $5 million, the percentage with multiple advisors was 33%. And of investors with assets over $5 million, 58% had multiple advisors.

One Cerulli analyst said: "*Investors are taking the idea of diversification one step further and diversifying across firms and across advisors."*

The drive for multiple sources of advice has been fuelled by the financial crisis of the past three years. As Cerulli's analyst put it, *"Today, fear is outweighing convenience."* With that trend to multiple advisors, there is an increased push for quantitative measures of performance as well as a greater interest in understanding an advisor's credentials, qualifications and knowledge level.

As a result of this shift, many advisors overestimate the extent to which they are a client's primary advisor. When Cerulli surveyed advisors about a cross section of their clients, advisors indicated that they were the primary advisor 73% of the time; when those same clients were asked the question, only 34% said that advisor filled this roll

**Action items for advisors**

There are some immediate implications from this trend – as well as some down the road.

When it comes to existing top clients, don't assume you're the primary or only advisor. Open a dialogue about how things are going – and also about whether they may have begun working with another advisor of whom you're not aware.

With prospective clients, some advisors have historically had an *"all or nothing"* stance when it came to a client's investments. You should reconsider that position.

You also need to restructure your conversations with prospects, positioning yourself as a supplement rather than a replacement. Finally, you can relax your account minimums – one advisor tells prospective clients that his normal minimum is $1 million, but that he's willing to drop this to $250,000 for the first 12 months that he works with new clients, so they get to know him before making that big a commitment.

Finally, position yourself for the point in time when the pendulum shifts and convenience becomes more important than fear, leading to a consolidation of advisors. Suggest to clients with multiple advisors that you'll do a monthly or quarterly summary of all their investments – what you manage as well as what they hold elsewhere. The opportunity to identify inefficient and overlapping holdings will help position you to be the winner when that consolidation occurs.

If you don't make that offer, the risk is that another of your clients' advisors will.

These steps are essential for any advisors looking to maximize the number of new clients on board. The financial crisis of the past three years has fundamentally changed the world in lots of ways – especially how to attract new clients.

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*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.*