



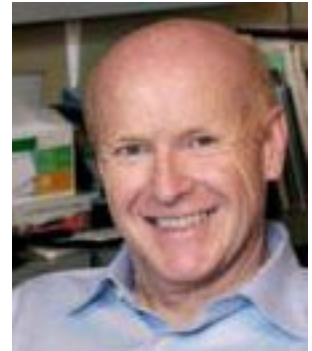
## The Toughest Question from Clients – And How to Answer It

By Dan Richards

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Today, anyone in the business of offering advice is challenged by clients looking hard at the value received for the fees they paid. That's true of accounting and law firms dealing with large corporations, who increasingly are comparing traditional providers to alternatives in India charging \$75 an hour. And given the proliferation of low cost options available online it's true of individuals when it comes to advice on travel, real estate and their investments.



In the back of their minds, many existing and prospective clients wonder whether they're getting their money's worth on the fees they pay. They may not say it out loud – but it's often there, casting a cloud of doubt about the advisor they work with.

That creates an opportunity for advisors to be proactive in raising the subject of the value you provide when talking to existing or prospective clients, with a question along these lines:

*“Some people I talk to wonder about the value received for the fees they pay. Is this something you're concerned about?”*

### **Justifying fees**

I was recently reminded of the concern about the value for money that advisors provide during an interview on Business News Network (BNN), Canada's leading business television network.

The original purpose of the interview was to discuss advisor designations, but during the interview (which was live so questions came without warning), I was asked whether advisors are worth the fees they charge.

I pointed to Warren Buffett's line that it only takes two things to succeed as an investor – first having a reasonable plan and second sticking to it – and that it's the sticking to it part that investors struggle with ... and the critical role that an advisor can play in this.



I also referred to research on the extent to which average retail investors underperform the investments they own by buying and selling at exactly the wrong time – and pointed out that the right advisor will almost always avoid this and add sufficient value to justify their fee.

I delivered that answer on the fly – the real issue is how you would respond to that question. While most people aren't as forthright as the BNN hosts who asked this question, it's an issue that many clients have lurking in their minds ... "what exactly am I getting for the commissions and fees I pay, and would I be better off saving this money and investing on my own?"

### **Six approaches to communicating the value you deliver**

All advisors need to develop their own summary of the value they provide for the fees and commissions paid.

And it needs to be as specific and concrete as possible – value statements like *"my clients sleep better at night knowing their finances are in order"* or *"I give clients peace of mind,"* while perhaps true, are too vague to be persuasive.

Here are six examples of short value statements:

Value Statement One: *"I work closely with clients to develop a plan that will get them to their long-term goals with the least possible stress along the way – and then help them stick to that plan, which is actually the hardest part."* Then you could insert a Warren Buffett quote – *"As Warren Buffett has said, it only takes two things to succeed as an investor – first having a reasonable plan and second sticking to it – and that it's the sticking to it part that most investors struggle with"*

Value Statement Two: *"Research shows that most investors significantly underperform the investments they own, because they buy and sell at exactly the wrong time. I serve as an emotional anchor for clients. I keep the highs from being too high and the lows from being too low – as a result I help clients avoid the mistakes that cost them money."*

Value Statement Three: *"I use the same approach to investing as sophisticated pension plans and high net worth investors. I build broadly diversified portfolios for clients using managers with a consistent track record of outperformance over time. By rebalancing portfolios on a regular basis and sticking to our discipline, my clients have achieved performance above the market as a whole with less volatility along the way."*

Value Statement Four: *"I take a contrarian approach to investing, underweighting investments that have done well and as a result are popular and overpriced, and instead focusing on investments that are now undervalued. For example, value stocks underperformed in the 1990s and at the beginning of 2000 many investors were pulling all*



*their money out and investing in growth stocks, just as tech stocks were about to crash. Many investors have moved to emerging markets in the past couple of years. Today, emerging markets appears expensive – and I’m talking to clients about reducing our exposure there and looking at cheaper stocks like multinational consumer products leaders in Europe and the United States.”*

*Value Statement Five: “I focus on the entire financial picture for my clients, not just their investments. I put particular emphasis on helping clients minimize their tax burden. For example, I help clients use strategies like spousal loans and pension splitting to reduce taxes. And I structure investments for clients over 65 to provide tax efficient income and minimize clawbacks on senior’s benefits.”*

*Value Statement Six: “I specialize in working with NAME YOUR GROUP. As a result, I bring a good understanding of your special needs. For instance, USE EXAMPLE.”*

Here’s how this might sound:

*“I specialize in working with successful entrepreneurs looking at strategies around business succession. As a result, I’ve developed a deep understanding of the key issues involved in selling your business. I’ve also built a network of accountants, lawyers, bankers and other professionals who focus in this area and bring special expertise. In fact, each fall we host a full-day session for successful business owners who are beginning to consider their options around business transition. ”*

### **Developing the right value statement for you**

Those six are general examples – now think about how you would answer the question on what do you do to justify the fees you charge.

If an answer doesn’t roll comfortably off your tongue, you need to spend the time to develop a clear value statement that fits your approach – and then practice saying it until you can deliver it confidently and without hesitation. Arguably, providing and effectively articulating clear value is what will, more than anything else, define successful advisors going forward.

Once you’ve got a tight, persuasive value statement, add a question to initiate this conversation in meetings with existing and prospective clients.

When talking to existing clients you could say: *“Some clients wonder about the value that I provide for the fees they pay. Is this something you’d like to talk about?”* In some cases, advisors are concerned about creating issues in clients’ minds where none exist, but as long as you’ve got a good answer to that question, it can’t hurt to raise this ... and you might be surprised by the number of clients who are wondering about this but don’t know how to bring this up.



And as mentioned at the outset, with prospective clients the question would be a bit different, along the lines of: *“Some potential clients I talk to wonder about the value received for the fees they pay. Is this something you’re concerned about?”*

By being proactive with that question, you open the door to a conversation about exactly what you do for the fees you charge - and can create a positive and frank dialogue about the value you provide with existing and prospective clients who would otherwise be uncomfortable raising this.

Meanwhile, here’s a [link](#) to my BNN interview in which I discussed the value that advisors provide.

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