

## A Conversation that Tripled Referrals

By Dan Richards

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Last fall, a veteran advisor contacted his retired clients with the suggestion that they meet to discuss one simple goal – to lay out detailed monthly cash flow forecasts matching funds coming in with cash going out. Not only did this exercise benefit those clients, he was able to leverage his efforts to triple his referrals.



The response to his outreach was way beyond this advisor's expectations. Clients who he'd had difficulty getting into his office suddenly made meeting him a priority. The response afterwards was generally relief. Even clients who had absolutely no concerns about cash flow expressed appreciation for his time and the peace of mind they felt as a result.

The good news was that most clients were fine, although there were a few cases where income didn't cover expenses. In those instances, he talked about the two alternatives: curtail spending or reallocate some of their portfolio into investments which threw off more income. In one case, he agreed with a client that they would temporarily eat into capital with the proviso that they would revisit this in a year's time.

At the end of each meeting he asked clients whether they'd felt it was time well spent. Without exception they said it was; retired couples were especially effusive. A number said they'd each been worrying about this but hadn't known how to bring it up. Another client with assets of \$5 million said that he'd been uncertain as to whether he could afford to offer to cover university tuition for his three grandchildren.

After hearing clients out, this advisor mentioned that, should they have family or friends in circumstances similar to theirs who might be interested in going through a similar process, he would be happy to meet with them. He suggested that either their friends could call his assistant to book a meeting or if his clients called her with their friends' name and phone number, she would contact them directly.

He started getting calls right away as clients talked to friends about the experience. He saw a particular increase in calls in early January as his clients got together with friends and family during the holiday season.



## Tapping into hot buttons

Why was the response to these meetings so positive?

I've written in the past about the need to focus on client hot buttons. Many people in retirement worry about their finances. Historically, under-spending has been a bigger problem than overspending (although it remains to be seen if this continues to be the case as boomers enter retirement, with their "*I want it all and I want it now*" mindset).

With all the uncertainty about the economy and stock markets it's understandable that clients worry – particularly retired clients. The reason that this worked was that it addressed a preoccupation and concern for many retired clients, whether warranted or not. It gave them certainty, something they love, especially those getting on in years.

The exercise achieved two other things as well.

First, it provided context for discretionary decisions. In preparing cash-flow forecasts, it provided a framework within which to make decisions on large items – buying a new car, the kind of holiday to take, giving gifts to charity or to children and grandchildren.

And second, it consolidated everything into one place, income as well as expenses. The advisor asked clients to bring in their last year's tax return as well as statements for any investment accounts outside of his firm. By putting everything onto one piece of paper, it clarified exactly where they stood, and in some cases opened this advisor's eyes to accounts that clients held elsewhere.

As this advisor put it, "*There were two lessons for me from this experience.*"

*"First, seeing how much clients without a clear cash flow forecast were worrying; even those who had nothing to worry about."*

*"And second, discovering how much some clients where I was positive I had all their money held elsewhere. There were a few Holy S... moments that emerged from this exercise."*

## Making this happen

Like many advisors, this advisor had historically shied away from focusing on client spending. While he had provided cash-flow forecasts to clients in the past showing income from dividends and interest payments, getting into conversations about expenses was a new experience for him.

He started by pulling down one of the many budgeting forms available online. Where clients asked for the budget documents beforehand, he sent them out in advance of the



meeting. More often, he asked clients to bring their bank and credit card statements along to refer to if needed, and he worked through the budget along with his clients. Once he'd done about 10 of these, he began compiling averages of his own that he used to give retired clients some perspective about their spending habits compared to other retired clients.

Something else that this advisor learned was to book longer sessions for those meetings. Initially, he scheduled one-hour meetings, but after a couple of sessions in which couples had lengthy conversations about some line items, he moved to a two-hour time block. Towards the end, for his smaller clients he had his assistant do the initial work to formulate their spending, joining in for the latter part of the meeting.

Getting into the details of client spending is not every advisor's cup of tea. That said, this example truly represents an opportunity to create peace of mind and to add value for your retired clients; and if you don't make this offer, at some point there's a chance that another advisor will.

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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](mailto:dan@clientinsights.ca).*

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