



INSIGHTS FROM
CFA SOCIETY SINGAPORE

By Galit Ben-Joseph

The financial adviser value proposition: The five components

It's a two-part process of explaining our value to clients and then continually demonstrating that value in the months and years ahead

WHAT can we do for our clients that they can't do on their own? What can make us better at managing their money than they are?

These aren't always easy questions to answer as a financial adviser. But modesty aside, we need to be able to explain to potential clients how we can help them and why we are worth the cost. And once we convince them to make that decision, we have to demonstrate that we really do walk the walk.

It's a two-part process: explaining our value and then continually demonstrating that value in the months and years ahead. So, what is our value proposition? To me, it comes down to five key contributions that we can deliver that many clients can't get without an adviser.

1. Managing emotions and controlling for bias

Even if the client is brilliant, a genius, and smarter than any adviser out there, chances are they may get emotional about their money and might have trouble staying focused and unbiased when it comes to managing their own wealth the way advisers can.

They might hold on to a stock as it goes up and up without any strategy to protect themselves, only to watch it crash. Or they might panic and go to cash if the Dow drops 3 per cent for four days in a row without the discipline to recognise that they may miss the upswing. A good adviser will have the discipline to stick to an investment philosophy and follow the data. Historical data shows that over the past 20 years, seven of the best days happened within just about two weeks of the 10 worst days. As professionals, we need to help clients manage their expectations and emotions.

I have seen so many clients insist on holding on to a stock simply because they "like it", even though its earnings and profitability tell another story. And I have seen so many clients try to bail out at a bad time. That's where we come in. Advisers are driven by objective factors – no emotions allowed. We provide the process, the philosophy, and the discipline that clients often can't exercise on their own.

2. Resources

As advisers, we have resources that clients can't access themselves. This could be in the form of investment opportunities, proprietary research

and insights, or access to specialists who can help with more complex situations, such as estate planning or liquidity events.

Everyone's financial situation is different. Financial goals and investing timelines vary from person to person. Creating a financial strategy is not one-size-fits-all, which is why it's so important to have a personalised investment strategy. Advisers can sit down with a client and help outline a customised financial road map that is tailored to their personal needs and goals. Some advisers also specialise in particular areas, which can help clients who are navigating unique situations.

3. Brainstorming and listening

As advisers, we take and return our clients' calls. We listen to their thoughts, whether it's their worries and complaints or their hopes and dreams. This is significant and it matters. We can serve as sounding boards, even if we don't always have the answers.

Clients may have complex issues that we haven't seen before. But simply talking through the pros and cons can be a great way to build a good client-adviser relationship. I had a client who struggled with whether to retire. She was so concerned about cash flow but no longer enjoyed the expensive city she called home. We brainstormed what it would mean to retire somewhere with a lower cost of living. At first, she merely mentioned it in passing – almost like a dream. It had little to do with her finances. Rather, she thought about missing her local friends but being closer to family as she aged. Ultimately, she went through with the plan. She now enjoys a stress-free life in retirement, with no cash flow issues. Our years of back-and-forth discussions went beyond numbers. I listened and made sure I heard her concerns clearly.

4. Explaining

Don't downplay how important and helpful it is to simply explain things to clients. We should be spending a tremendous amount of time here. Good advisers will describe to their clients, in clear, direct language, exactly what is going on in their investment portfolio – the portfolio they created – as well as in the market and the broader economic landscape. A good adviser knows how to communicate and breaks things down to a level that's easy to understand. We shouldn't condescend and use big words and impenetra-



A good adviser knows how to communicate and breaks things down to a level that's easy for clients to understand. PHOTO: PIXABAY

ble jargon. We just need to be kind and polite and truly stand behind what we have created so that the client understands from start to finish.

I think to myself, "If I were a client, what would I like to know?" And then I try to provide those answers. At every quarterly meeting with a client, I make a point of going through what I think is obvious. How much money did the client start with? How much is there now? What is the dollar increase, the percentage increase, and how do these returns compare to the benchmark? What is the appropriate benchmark, anyway? What were the fees paid, down to the penny? What is the income estimate and what was the income earned? How much can be drawn out without touching the principal?

When describing our relationship, we hope clients would say, "I meet with my adviser regularly, and they explain my money to me clearly. I understand what is going on. I even understand what is happening in the markets." I always shudder when I onboard a client who says, "I really have no idea what's in my portfolio." Be the adviser who takes the time to explain – it is invaluable.

5. Being close confidantes

A good adviser functions as a trusted partner. I serve as a partner not only to my clients, but alongside the other advisers in their life. For example, I work with clients' tax and legal professionals, to help them craft strategies to prepare for all stages of life.

I have walked clients through what will happen when they die and what steps I will take to prepare their financial estate. I am devoted to supporting my clients. I am careful not to overstep, but I don't underestimate how important that role of an adviser really is.

Trust me, a good adviser is not an easy role for clients to fill. To do it successfully, to really demonstrate our value, we need to put our hearts and souls into it. Remember: being a human supersedes being an adviser. Sometimes, showing compassion can be the most important thing.

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