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PRACTICE MANAGEMENT
Forget ROI, Focus On ROL

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Mitch Anthony, founder of adviser-training firm Advisor Insights Inc., says that advisers need to shift the value proposition they offer clients away from returns. No adviser or adviser group can really control returns, but until the downturn, few advisers appreciated how dangerous it is to have a value proposition that you can't ultimately control, he says.

Anthony urges advisers to emphasize what he calls the return on life (ROL) approach. ROL means going beyond gathering the financial data on clients to capture their stories, their experiences with money and their values surrounding their wealth. Says Anthony, a return-on-life proposition enables advisers to help the client answer a key question: How do they get the life they want out of the money they have?

He recommends that advisers focus their conversations with clients on four Ps:

1. The past. The future is ethereal and whimsical. What clients think they want tomorrow can change tomorrow, he says. The past, however, is done. It's a completed story with lots of experiences related to money and wealth. There have been situations where they tried something financially or with investments and they worked out well and others where they felt they got taken or made big mistakes. By understanding that back story, advisers understand their clients on much deeper levels that facilitate trust.
2. Philosophy. Advisers next need to understand how their clients think about money, the principles they apply to their financial decisions and where they come from. Attaining this knowledge requires discussing financial values and going beyond the usual suspects. The industry tells advisers that a risk-tolerance questionnaire will help them understand a client's philosophy and how they will react, Anthony says. But those questionnaires are useless. For example, in 2001 and again in the current market, it turned out everyone is low risk.

3. The present. This item is all about transitions in personal and family matters, careers, finances and legacy/community concerns. Money is in motion when life is in transition, children going to college, divorce, death, and so on, says Anthony. So advisers who understand what transitions are going on or about to occur in their clients' lives are ahead of the curve and can put together a proactive response plan that can result in additional assets.
4. Possibilities. Framing clients' futures around possibilities is smarter than around goals, according to Anthony. Goals shift and change regularly. Anthony was reminded of this when he happened upon a six-year-old list of goals he had written down at a goals workshop. He looked at half of the 35 goals and wondered what he had been smoking, he says. What's more, people feel like failures when they don't reach their stated goals. Not so with possibilities. Advisers can go out and show clients what it would take financially to achieve various possibilities they come up with, and the clients can then choose what to pursue.

The end result of this type of discussion is stronger client relationships that can quickly translate into big opportunities. Example: One adviser Anthony works with learned about an additional \$3.5 million that a top client had and needed help with.

Our money plays a big role in making our story come out the way we want it to, concludes Anthony. If a client feels he is working with an adviser who is concerned about making his story happen, he becomes more likely to give that adviser more money and stick with that adviser over his lifetime.

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