Client-centricity rule #1: stay focused on client goals

Understanding what clients want to achieve is the first step for every adviser on the path to doing what is best for the client – and in a sincere way.

In my former life as chief executive of an international private bank in South-east Asia, of the countless interviews I had with candidates for the position of a wealth manager, I still remember two of them vividly (these are true stories).

The first one tried to persuade me that he had excellent deep relationships with his clients. He told me: "Every day I have a telephone conversation with my best and biggest client." Impressive. "I give him a daily update of the exchange rates for all the major currencies." Ouch.

The other candidate tried to convince me to hire her on the basis that she was smart enough to never sell a trust to her clients. "My clients can be transferred easily. Bringing AUM to the bank should be no issue for me," she beamed.

Admittedly, these two cases were at one end (the wrong one) of the spectrum. But they are nonetheless symptomatic of a big challenge we still face as an industry: a lack of client-centricity.

WE'RE PROFESSIONALS, AREN'T WE?

It is often assumed that wealth management is an industry for specialists, professionals and advisers – just like in the health sector. After all, physicians aren't accused of advising their 'clients' to buy medicine, and instead guide them on how to become, and stay, healthy?

It seems obvious to say that the advice of any professional adviser should be aimed at improving the life of the person they give this advice to. But if this is the case, then how does sharing exchange rates, keeping assets mobile, or selling financial products for the sake of generating revenue improve your clients' lives in any way? Clearly, none of it does.

The most successful, and best-remunerated wealth managers in the industry are those individuals who can figure out what their clients want to achieve in their lives.

They ask them questions like: what are your goals and objectives? And, how do you want to be remembered?

They then use these insights to work out how their clients' wealth could be instrumental in achieving all this. Only when that is clear do they offer any recommendation with this in mind.

A professional connects every recommendation, explicitly, to the end goals and objectives of the client. It is not about 'what' is in the portfolio, but 'why'.

Compare two examples. First: "Buy Bond XYZ, because the yield is high and you can leverage up to 80%. You can make a huge return with little risk."

Secondly: "To ensure you have sufficient means to maintain your lifestyle until age 90, we agreed you should aim for the next 20 years to achieve a return of 4% per annum. We further agreed on an asset allocation to support this ambition, whilst taking into account your risk tolerance. Due to market developments, the equities in your portfolio are overweight. So I recommend to take profit on stock ABC and buy bond XYZ."

In both scenarios, the client ends up buying bond XYZ. But there is a key difference: in the first case, they simply buy praying the investment makes a lot of money. In the next, the client buys the bond in the context of an overall strategy, aimed at realising an agreed objective.

In a client-centric world, a professional adviser is not effective because he or she happens to make the right bets. Success comes from helping the client take responsible wealth-related decisions, helping them to achieve (clearly articulated) life goals and objectives. ■

Contact Kees - kees.stoute@hubbis.com