

Redefining advice to meet client goals

Vineet K Vohra, CFA, of Arete Financial Partners says a better understanding among bankers of clients' goals – and aligning portfolios accordingly – will drive more holistic advice, rather than the focus on short-term compensation.

Wealth management practitioners often get so caught up in the compensation model that they tend to focus more on executing the sale along the lines of what a client is looking for in the short term, rather than on what clients really need.

To be able to provide more holistic advice, the industry needs to focus on what clients' goals are, whether they are appropriate and if their current portfolio is aligned with these or requires change, says Vineet K Vohra, CFA, director and practice leader at Arete Financial Partners.

TOWARDS FEE-FOR-SERVICE

Rather than simply adopt a fee-based model to create the required change, Vohra believes it is not how people pay, but what they pay for.

"It is also not about how much they pay, but the purpose of the engagement," he says, adding that if the goals

are right, the actions are correct and then the compensation is appropriate.

"The first step is to educate the bankers, as part of an organisational drive to deepen their understanding of client holdings on the one hand, and the client's goals on the other, and then attempt a better match of the two before they go out and talk to clients," explains Vohra.

Clients will therefore have greater trust in their bankers, and will come to them more often for advice, rather than just for execution.

More transparency generally will also help the industry move towards the desired situation, adds Vohra.

Wealth management firms can start to drive the process, he explains, by compensating their bankers by the number of client goals they can create, for example.



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Further, as clients then start to bring to the firm more assets to satisfy their goals, bankers should be compensated accordingly. ■