Transformational Wealth Management: How to Enhance your Impact and Delight Clients

Malik Sarwar, CEO of wealth management firm K2 Leaders and Chairman of Hubbis, has forthright and bold views on how professionals in the wealth management industry can enhance their levels of expertise, service quality and client-responsiveness to move their offering up several notches and thereby retain and expand their client relationships. He presented a detailed, insightful and interactive workshop at the Hubbis Asian Wealth Management Forum, outlining his concept of the five habits of effective advisers, advising delegates on how to become a differentiated adviser via continuous self-enhancement, expressing his views on engaging clients in challenging markets and offering ideas for simple solutions to discuss with clients today.

SARWAR BEGAN BY ASKING THE AUDIENCE what clients are truly asking for from wealth management experts today. Answers included trust, advice, service, information, relevance, transparency, convenience and performance. But Sarwar's answer, he reported, is encapsulated in one word that sums up what clients want most from their advisors and their firms, namely 'worth'.

"Worth," Sarwar explained, "means treat me with respect, demonstrate competence and help me achieve life goals - for me, my family and for the causes close to my heart. Client-centricity, understanding, transparency, integrity, quality, dedication, consistency, service - all these elements and more - are captured by the concept of 'worth'."

He added that from a client's perspective, the clients want to be made feel important. "It is all about the client," he stated, "not the advisor. Recognising the client's 'worth' as the keystone of the relationship will help the provider become the

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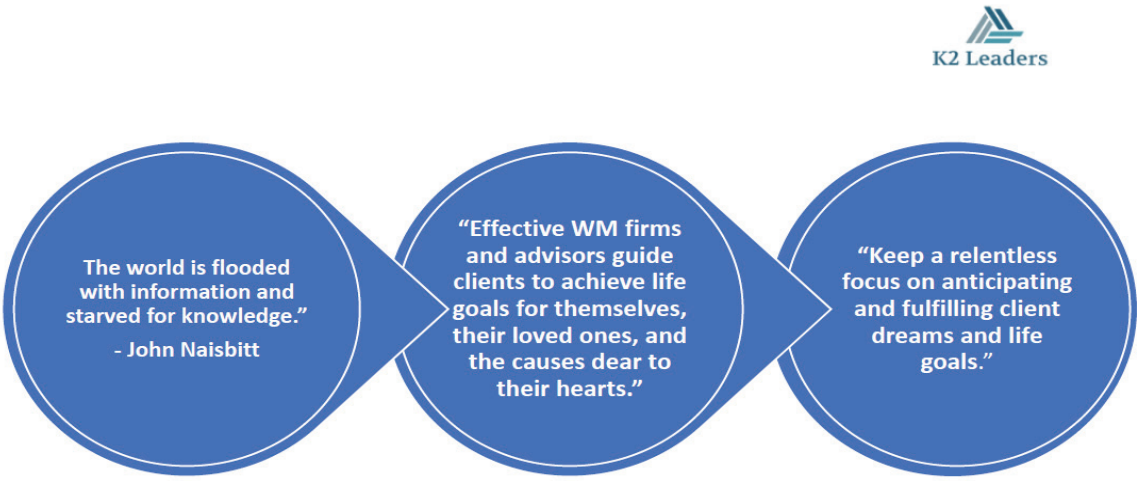


primary advisor. The mission is to become the primary advisor and to target clients by crafting value-added ideas and solutions which help them achieve their dreams and goals."

Sarwar then shared his vision by expounding what he calls the five key levers of wealth management business growth: (1) omnichannel, (2) acquiring, deepening and retaining clients, (3) delighting clients, (4) hunting for returns by following a planning-led process, and (5) empowering talent.

These levers go hand-in-hand with attributes vital to the success of primary advisors, which range from continuous self-enhancement to leveraging the power of colleagues. By cultivating these essential attributes and practices, the successful advisor can evolve into a primary advisor—the one whom the client calls first when they have a question, a problem, or there is a significant market event.

Omnichannel

Sarwar then went into considerable detail on each of these levers of growth. Omnichannel, he reported, is the touchpoint for a seamless client experience across all channels: digital, call centre, advisor and specialists.

Clients want and deserve to be served the way they want and not the way that is convenient for the bank. This necessitates a 24/7 omnichannel that they tap into at a time and place of their choosing. Clicks are winning over bricks, especially for millennials and the emerging affluent (those entering the HNW class through work or inheritance).

While digital is fast becoming the preferred mode of engagement by clients, it is during times of personal crises that the client needs a financial doctor, so the advisor must be ready and able to help the client navigate volatile financial markets. "One rule of human psychology from studies conducted in the US," Sarwar observed, "is that by adding a second person to a key client relationship, client loyalty to the organisation rises by 70%."

To incorporate an effective human component into the omnichannel, the firm in question must have qualified and inspiring advisors led by effective sales managers and strengthened by a team of seasoned specialists and service staff. Digital connectivity provides the most convenient tool for clients to access their portfolio information, market insights and goal-led ideas on protection, education, retirement and estate planning.

The primary advisor acts as a holistic wealth manager of the client's assets, liabilities and the legal architecture of how they are held and transferred. Further, the advisor must be a relentless risk manager of the client's finances and a private investment banker for bespoke opportunities (like PE deals in a growth sector in ASEAN).

Sarwar believes that an advisor's success in wealth management today requires absolute commitment and a dedication to knowledge—of self, of the client, of competition, of markets, of technologies and of the team. He also focussed on the importance of self-knowledge for the relationship manager who seeks to be a primary advisor. "Knowing your own style and adapting that to the client at the other end is really important. For instance, if somebody is analytical, give them data. If they are expressive, ask them about their day or their family before jumping into business. Know your target market and secure your clients early on in your careers so that that they grow with you and you grow your business with them." Knowing your bank's true values and value-add to the clients (when compared with that of competitors) is crucial to the lasting success of the franchise.

The Best Habits of Leading Advisers

Sarwar then discussed what he sees as the best habits of primary advisors. "Above all, they practice continuous self-enhancement," he reported. "They prepare their work and diligently execute their plan. They keep the client updated on market views and trends, always linking back to the client's situation. They strive to anticipate their clients' needs and recommend appropriate solutions. And they mobilise a team of specialists, aiming to leverage the power of these colleagues to unlock client potential across generations."

To elucidate the ethical framework of the advisor's role, he used the acronym ICC: integrity, competence, and compassion. Sarwar maintained that integrity is all about doing the right thing for the client. Competence involves continuous knowledge-building–achieving new certifications, becoming more digitally-enabled, honing more effective communication skills and taking advantage of a variety of free resources, such as TED Talks, Khan Academy, and Open University courses.

Compassion entails understanding and being mindful of the client's life goals and mission, anticipating and reacting accordingly, employing good communication and leveraging information, data and artificial intelligence.

The most important imperative in ICC is to be there for your client when there is a significant market or client life event. The primary advisor anticipates what clients really want. They target key markets and demographics, helping clients rebalance and adjust during each market situation, be it up or down, and learning lessons from companies that know how to bring about genuine delight for their clients.

Delighting Clients: Acquire, Deepen and Retain

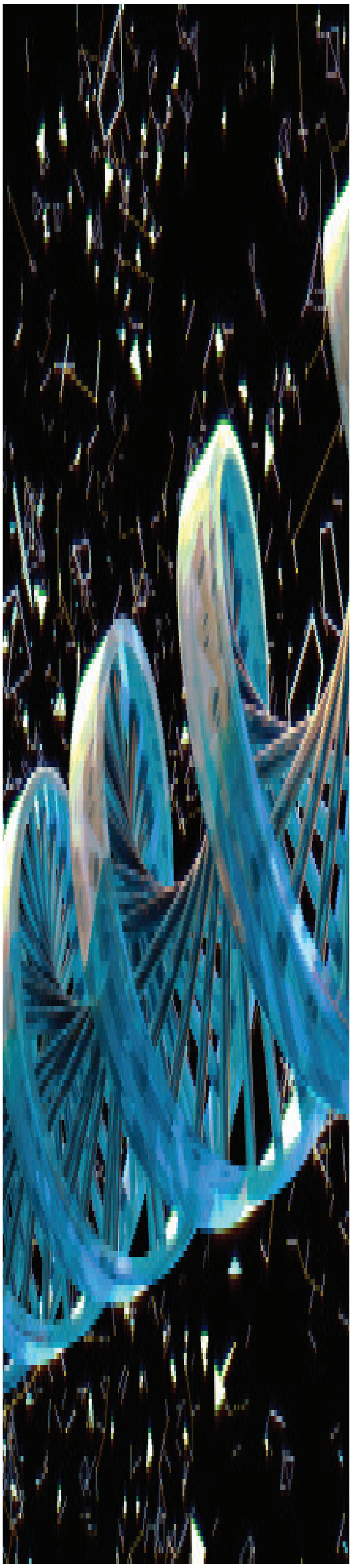
The ADR mantra always rings true: acquire, deepen and retain clients.

The best acquisition method is to ask for introductions from happy clients, ensuring that TPO is followed: time, place and the occasion for requesting an introduction.

No financial firm quite captures the imagination of Disney, Apple, Amazon or Ritz. Many global and regional banks are vying for a coveted brand position, but the winners will be those that delight their clients.

Sarwar then detailed his views on individual client relationships, stressing four essential categories: (a) intimate, (b) warm, (c) acquainted and (d) unknown. The 'intimate' category is composed of those clients with a valid risk profile who conduct transactions with their advisor on a regular basis. This usually follows the 80/20 rule wherein the closest 20% of clients generate 80% of the revenues. The 'warm,' 'acquainted' and 'unknown' categories must be carefully nurtured to ensure that the firm can acquire those potential 'gems' and transition them to the 'intimate' category.

Sarwar underscored the concept of a relationship-driven revenue stream, where



the primary advisor typically maintains over 50% of a client's assets, including financing, structuring, investments, banking, foreign exchange, and estate planning.

"Who," he asked, "does the client think of first when they have a need or something major happens in the market? The answer is the primary advisor, and it is they who generate two to four times more business than the secondary advisors."

Hunt for Returns, with a Planning-led Approach

There is an industry-wide fear of talking about products, lest this be construed as product-pushing. The client must see the benefit—and risk—of the product as part of solution fulfilment.

In a low-interest-rate environment, the hunt for returns is on. When Goldman Sachs Marcus offered higher rates on deposits to retail clients in the US, many HNW clients jumped on the bandwagon as well. Apparently, some senior executives of competitor banks were pushing their own less attractive offerings and putting their own money in Marcus deposits. These attractive returns must be discussed with conservative investors. Similarly, a high-dividend equity portfolio of blue-chip global stocks can earn a client an income along with potential capital gains in the long term. Structured products, PE and HF products, too, can offer significant returns for illiquid investments by sophisticated investors.

All of these are product solutions furnished after the client conducts a thorough financial planning review to determine their own risk profile and financial objectives.

Talent Empowerment

Treat your employees as key clients and they will take care of the bank's clients. Yet this is easier said than done.

For the frontline, the merry-go-round of hiring experienced advisors and losing them to the next ambitious or desperate bank has yielded no net benefit either to the firms or the clients. The only ones who have benefited are the bankers.

How does one break this vicious cycle of hiring, investing, losing, rehiring, etc.? One way is to match the success of the firm with that of senior advisors by making their compensation more long-term. The other way is to hire people with the right will and values, grooming them to become advisors. This is more sustainable if the firm has the patience to construct the hockey stick growth plan.

Sarwar closed his workshop with a brief interactive conversation with the audience on current investment opportunities and themes around the globe.

"The essence of this business is raising quality within your organisation and making clients happy," he said, "and that, ladies and gentlemen, will make wealth management great again." ■