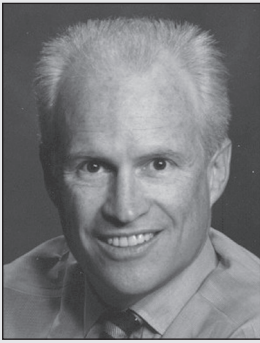


Mastering the Art of Selling, Servicing and Retaining the Affluent Investor

Matt Oechsli



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The financial professionals who will have the best clientele, earn the most money, and provide the best lifestyles for their families will be those who excel in doing three things very well:

1. Getting face-to-face with high net worth affluent prospects.
2. Selling those affluent prospects on establishing a long-term relationship as their go-to financial quarterback.
3. Managing that relationship so effectively that it turns into an ongoing introduction and referral generator.

We refer to these vital activities as mastering the art of selling to the affluent. The question is: Why is developing those selling skills so important? There are at least two reasons:

- That's where the money is, and where the opportunity is greatest.
- Developing a long-term advisory relationship with affluent clients extends your value far beyond creating a financial plan, and establishes the base for continually growing your business.

Our 2004 Affluent Decision Making research uncovered many interesting and useful bits of information on how the affluent make financial decisions. We segmented the decision making process into four silos: personal banking, financial advice, major purchases, and everyday items. Much of our findings are important to financial professionals who are interested in attracting, servicing, and retaining affluent clients. However, as a financial professional it is important to always keep in mind that the affluent hate two things more than anything else: taxes and salespeople. This is why selling to the affluent is an art form that must be studied and taken seriously.

Our survey respondents were very clear about the qualities they seek when selecting a Primary Financial Coordinator and their Primary Banking Services. We also

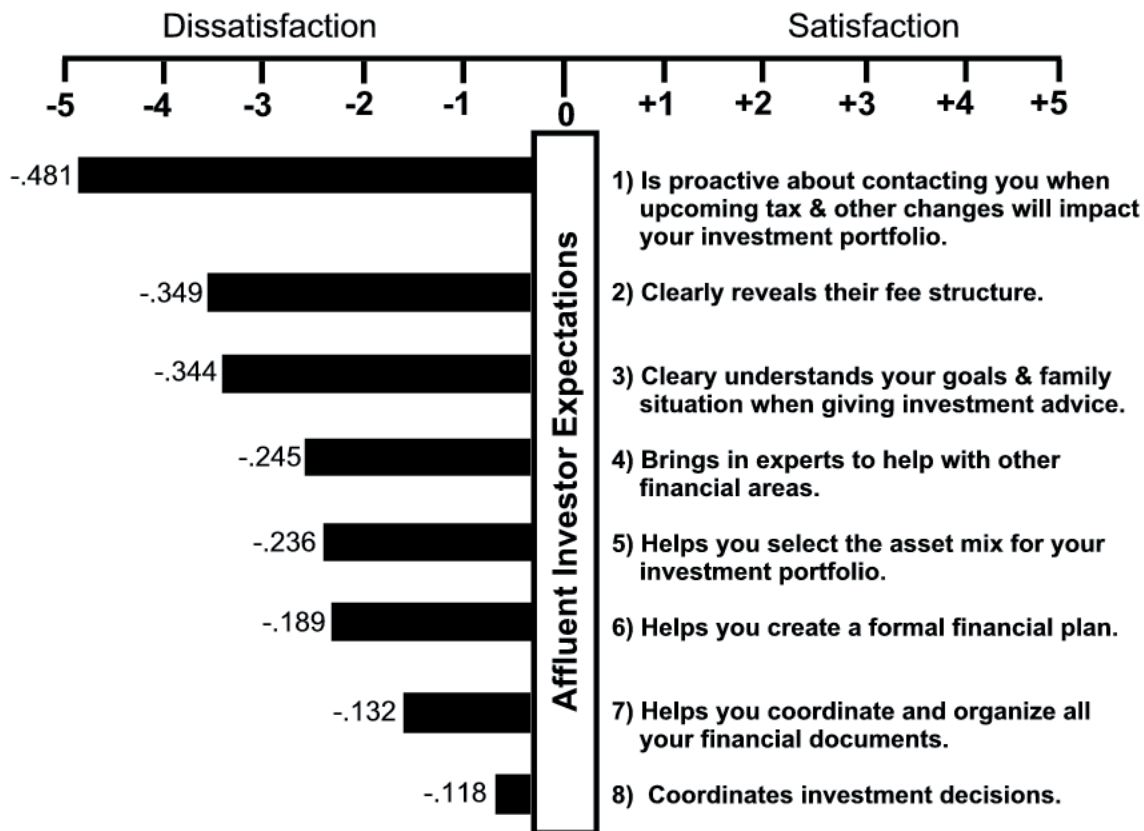
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asked them how satisfied they were with their current provider in each of these areas. The results indicated significant dissatisfaction as shown on the two charts below.

All 8 criteria identified as important when selecting a Primary Financial Coordinator showed significant levels of dissatisfaction ...

Selecting a Primary Financial Coordinator

All eight qualities below are causing statistically significant dissatisfaction.



A regression analysis of the above Primary Financial Coordinator scores indicate that 3 qualities explain a significant part (20%) of the reasons behind the expectation vs. performance variances. Those qualities are:

- 1 - Clearly reveals their fee structure.
- 2 - Helps coordinate and organize all your financial documents.
- 3 - Brings in experts to help with other financial areas.

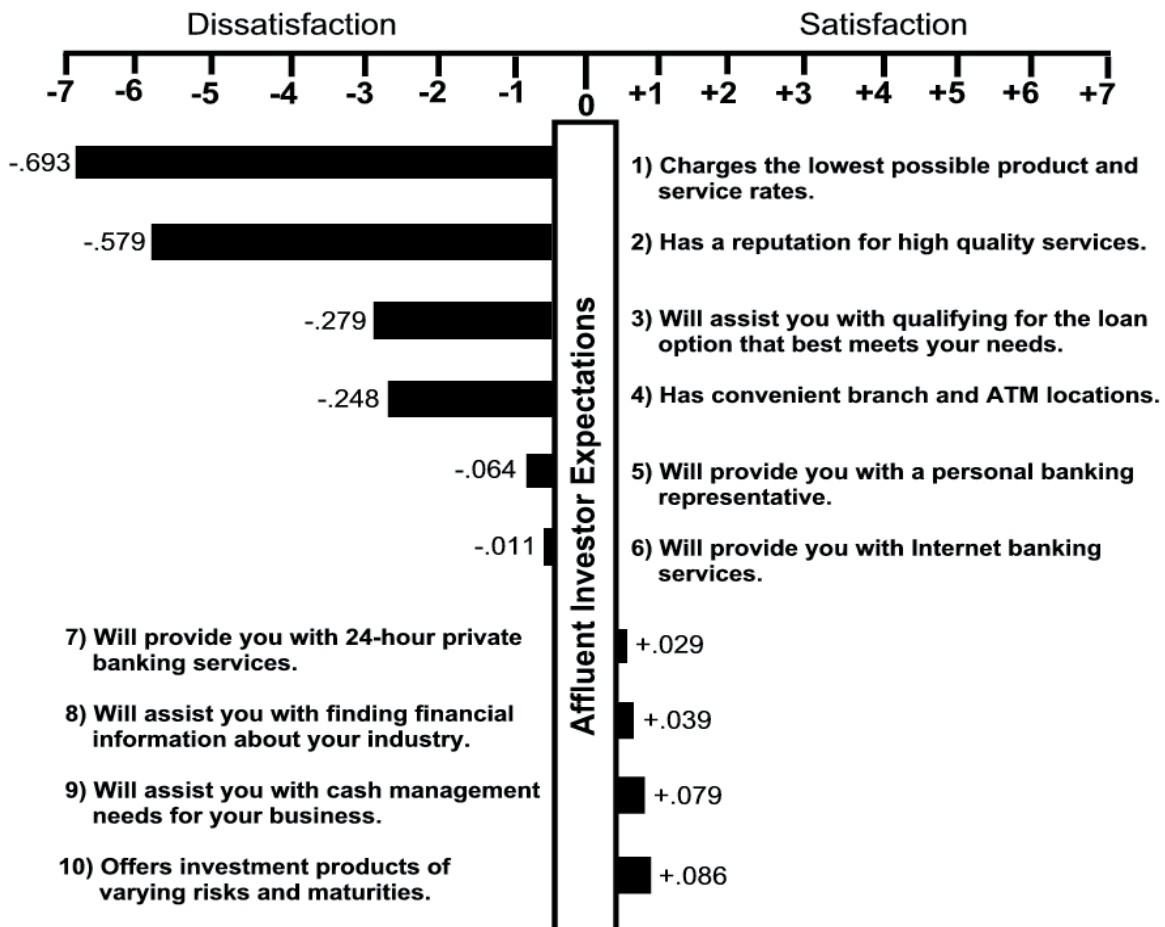
In other words, these items should receive special emphasis in any effort to improve performance.

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Of the 10 criteria identified as important when selecting Primary Banking Services, 6 showed significant levels of dissatisfaction ...

Selecting Primary Banking Services

Six of the ten qualities below are causing statistically significant dissatisfaction.



A regression analysis of the above Primary Banking Services scores indicate that 4 qualities explain a significant part (12%) of the reasons behind the expectation vs. performance variances. Those qualities are:

- 1 - Has a reputation for high-quality service.
- 2 - Will assist you with qualifying for the loan option that best meets your needs.
- 3 - Will provide you with a personal banking representative.
- 4 - Offers investment products of varying risks and maturities.

In other words, these items should receive special emphasis in any effort to improve performance.

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The Cap Gemini Ernst & Young white paper of August 2003, revealed that the mass and emerging affluent markets, those with \$100 thousand to \$1 million in investable assets, control 33% of American's wealth, and are growing faster than any other wealth segments. A Phoenix Wealth Management Survey also points out that wealthy investors with a formal financial plan are more likely to say they are satisfied with their advisor than those without. A quick view of these wealth segments shows the possibilities ...

Category	Available Investable Assets
HNW 1	\$10 million and higher
HNW 2	\$1 to \$10 million
Mass Affluent	\$500 thousand to \$1 million
* Emerging Affluent 1	\$250 thousand to \$500 thousand
Emerging Affluent 2	\$100 thousand to \$250 thousand
Upper Middle Class	\$75 thousand to \$100 thousand
Middle Class	\$25 thousand to \$75 thousand
Lower Middle Class	Under \$25 thousand

* The Untapped and Underserved Segment

This affluent market segment as defined by Cap Gemini Ernst & Young remains, in their words, "virtually untapped and underserved." You may have already heard this. If so, you can be confident that other financial professionals in the investment, banking, and insurance segments of your market have as well. That's why more and more financial advisors are offering financial planning these days – and why you see the emergence of so many Wealth Management Teams.

The good news is that mastering the art of selling to the affluent is proving to be a significant challenge for many (most!) financial professionals. In our own independent survey of Wealth Management Teams in 2003, less than 28% reported that they were successfully adding new high net worth clients. Since that time, we have had more requests for materials and seminars on high net worth selling than for any of the other topics we offer – financial professionals are not capitalizing on the affluent opportunities of today.

It is important to position yourself in a manner that will help entice affluent prospects into wanting to hire you. This encompasses two key principles of marketing

intangibles. First, is developing a brand that is in demand, and second is positioning that brand (you) in such a way that you become magnetic.

As noted above, our 2004 Affluent Research identified 8 specific criteria that the affluent are looking for when selecting a primary financial coordinator (you). Incorporate these criteria into your practice, apply them one client at a time, one strategic alliance at a time, one center-of-influence at a time, and over time you will become magnetic, the brand of choice. The affluent will be attracted to you by way of an ongoing stream of introductions and referrals. Incorporate these 8 qualities into your practice ...

8 Branding Criteria For Attracting The Affluent

1. Proactively contacting them when upcoming tax and other changes will impact their investment portfolio.
2. Clearly revealing your fee structure (no hidden fees, no surprises).
3. Clearly understanding their goals and family situation when providing investment advice.
4. Bringing in expert to help with other financial areas.
5. Helping them select the asset mix for their investment portfolio.
6. Helping them create a financial plan.
7. Helping them coordinate and organize all their financial documents.
8. Coordinating investment decisions.

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As a financial professional committed to working with the affluent, it is important to take an honest assessment of how you stack-up to these eight criteria. I recognize this is somewhat uncomfortable since you will most likely find some gaps between what you are currently doing and what you should be doing. You will also find confirmation of things you are currently doing well. If you are serious about attracting, servicing, and retaining affluent clients you need to make certain that you perform all of these eight consistently and extremely well.

Internal Vs. External Business Development

It's being able to perform well at this level that will enable you to build long-term relationships with your affluent clients. You actually build those relationships on two fronts, which we refer to as Internal and External Business Development:

1. Internal Business Development – Requires repositioning yourself with current key clients as their go-to financial quarterback by convincing them to bring all their investable assets under your management so you can provide an expanded range of services and charge appropriate fees.

Think of your current client base. Do your clients have other financial professionals in their lives? If so, you are vulnerable. How consistently are you acting as a go-to financial quarterback for your key clients? It's the role they want you to fill. Done properly, this is a win-win. You're giving your key clients what they want while making certain to leave no money on the table. Re-positioning requires re-selling, which is precisely what you must do with you existing clients.

Your first step is to conduct an inventory of your current clients and identify those who offer more potential. It's helpful to link a dollar figure with this exercise. Be like a Tom, a planner I know in the mid-west, who was able to add \$50,000 to his income in three weeks by talking to one upgradeable client each day.

2. External Business Development – I want you to think in terms of bringing in 15 new, ideal, high net worth clients over the next 12 months and positioning yourself to serve as their go-to financial quarterback. That means developing a comprehensive financial plan, having them turn over all of their investable assets to your management, and coordinating the multi-dimensional aspect of their financial affairs.

Your first step is to determine the profile of your ideal high net worth client and determine the annual revenue you anticipate generating. What I have discovered to be extremely useful is to begin with your Top 25 clients. I refer to this as your Top 25 List. After listing these key clients, you will want to determine:

- Why they were listed?
- What annual revenues they generate?
- What is your value relationship?
(Your positioning in their mind)
- Can you further monetize the relationship?
- What niche do they fall into?
- Is this relationship a center-of-influence?
- How many new relationships have you received as a direct results of either a referral or introduction from this client?

This simple exercise will do a number of things. First, it will focus your attention on your best clients. These are the clients you want to replicate and this is where you want to focus all of your attention. Both in making certain you are monetizing the relationship – you want to be their financial coordinator, leaving no financial solution unattended. You also want to make certain that you carefully penetrate each center-of-influence associated with each individual Top 25 client.

It can be sobering to take inventory of new business referred to you by these Top 25 clients, but it's a necessary exercise if you want to get your fair share of introductions from these key relationships. A good rule of thumb is to think in terms of each of these Top 25 clients being respon-

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sible for bringing you six additional similar profile clients over the course of your professional relationship. In effect, you want to frame this in terms of each of these top clients actually owing you six new quality clients apiece.

Categorizing Affluent Niches

In our studies of the affluent, we have identified 4 categories of how the affluent achieved their wealth:

- Generators of Wealth
- Earners of Wealth
- Receivers of Wealth
- Managers of Wealth

You will want to determine if any one particular segment is predominate within your Top 25 as I describe each in more detail. This knowledge is extremely helpful in determining how to get face-to-face with your ideal prospects. You also want to evaluate these affluent segments in terms of your background, circles-of-influence, areas of specialty, knowledge and access to each affluent category.

Generators of Wealth:

This category is composed of entrepreneurs and self-employed professionals. Incomes and net worth can vary significantly. Entrepreneurs usually take the form of small to medium size business owners, have been in business for over 10 years and are 50 years of age and older. Self-employed professionals include medical professionals, attorneys, consultants, accountants, architects, and so on.

Earners of Wealth:

Within this category lies your key corporate employees; executives, managers, and skilled technicians. You will also find successful sales people in this category.

Receivers of Wealth:

Granted, some people receive personal injury settlements and a handful might win the lottery, but the vast majority of people who receive wealth on a consistent basis do so in a more predictable manner. They fall into four sub-sets: retirees, divorced women, widows and inheritors

of wealth. Approximately 33 million baby boomers will soon retire, adding to the 30 million people currently over age 65. There are about 1.2 million divorces each year. In the top 5-10% of the most financially successful marriages the wife typically gets all the liquid assets and the house, leaving the business related assets to her husband.

Women live an average of seven years longer than their husbands, and there are over 650,000 women widowed every year. Everyone has heard of the inheritance boom, so let me simply remind you that the largest transfer of generational wealth ever is going to occur over the next 20 years. This is anticipated to involve between \$10 to \$15 trillion in assets.

Managers of Wealth:

This category has more of an institutional flavor. It includes your qualified retirement plans, non-for-profit organizations, municipalities, charities, and foundations.

As you review your Top 25 clients and think of their affluent category (niche), my advice is to select three affluent categories that you believe will work best for you. For instance, let's assume that after analyzing your Top 25 you have determined that self-employed professionals, business owners, and retirees are where you should focus your marketing efforts.

From here you will have a 5 Step process:

1. Segment your Top 25 into those categories.
2. Create a Master Dream list by writing down the name of every ideal prospect you would love to have as a client.
3. Attach each name from your Master Dream List to Wealth Category.
4. Determine what, if any, connection there is between your current clients in each Wealth Category and your ideal prospects.
5. Contact your Top 25 clients regarding the names within their Wealth Category from your Master Dream List. If your client knows the individual, ask for an introduction. If they don't, ask who they know who could introduce you.

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You are about to get in front of these ideal prospects. The most effective method is by word-of-mouth influence and personal introduction. Your annual goal for the number of new ideal clients you want to bring into your practice should push you into making this a daily discipline. I have found that 15 new affluent clients per year is a healthy target and will serve this purpose. If you work hard and smart it's attainable. And it has been my experience that your business will grow at a minimum of 50 percent over the next 18 to 24 months, and then continue growing at an accelerated pace. Are you interested? I certainly hope so!

This will require that you commit to doing specific activities on a daily basis. These are simple, but not necessarily easy. Essentially, you should focus on getting face-to-face each working day with at least one ideal prospect, or a center-of-influence, or a strategic alliance. That's a minimum of five per week. From here the idea is to manage your pipeline. I have found that advisors are most consistent in their affluent business development efforts if they shoot for having 20 ideal prospects working through their pipeline at any one given time. That requires consistently pulling transforming prospects into clients at one end, while continually placing new ideal prospects in the other end of your pipeline.

Whether it is internal or external business development, this positioning / repositioning yourself as a primary financial coordinator requires both strategy and tactics. It takes work. But not only is it doable, you have the advantage of knowing the criteria the affluent use in their selection process. You also know that retaining this exalted position requires ongoing, proactive service and relationship building. Which is why you can not provide this service for everyone.

As you master the art of selling to the affluent, it is important to think about the minimum level of fees and / or investable assets you currently accept in taking on new client. This will serve as the bottom of your acceptable range from within which you will work. The top end of the range involves your "ideal." What is the ideal level of annual fees, or investable assets you are targeting

with those 15 new affluent clients? That Ideal Client level is your target – for upgrading existing clients, and for attracting new high net worth clients. You cannot afford to do otherwise. Believe it or not, this is the most frequently overlooked step financial professionals make.

Internal and External Business Development are tightly interwoven. What you do to reposition and upgrade current clients will significantly impact your ability to bring in those 15 new high net worth clients. It requires action; the right action, done to right way, to the right target market, for the right reasons. The research is clear, if you are serious about attracting, servicing, and retaining affluent clients – your future is now!

Seven Truths for Attracting, Servicing, and Retaining Affluent Clients

Seven statistically significant truths surfaced from our 2004 which can be used as a useful guide for today's financial professional:

1. Dissatisfaction is the breeding ground for opportunity. This is precisely what our research shows -- a high degree of dissatisfaction that is coupled with a strong need for a primary financial coordinator to act as a solutions provider for the multi-dimensional aspect of their financial affairs.
2. Reputation can only be earned one client at a time. The affluent are not impulse buyers. An affluent prospect is introduced to you by a client because of the value you have delivered, not because you're a nice person. Introductions and referrals will remain the lifeblood of your business, but you will have to deserve them.
3. The best way to attract affluent prospects is to become at one with them. You cannot attract affluent prospects by operating on the sidelines. You must go where they go and become involved in the activities, events, and causes that interest them. And don't simply join their organizations, get involved – it is about relationships.

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4. To work with the affluent, you must become their primary financial coordinator. Herein lies your opportunity. This is precisely what the affluent are looking for and, according to our findings, are not certain where to find it. They want an integrated approach to their financial affairs.
5. Your financial advisory process must be proactive. The research is clear, the affluent want you to be proactive in contacting them when upcoming tax and other changes will impact their portfolio. Quarterly and annual review meetings are no longer sufficient, they want someone who is consistently looking out for them.
6. Personalized service is the essence of a successful wealth management practice. The affluent continue to want a Ritz-Carlton level of service that is combined with FedEx efficiency. It runs the gamut from how promptly and professionally your phone is answered

to personal touches that go beyond what is expected. Because of a myriad of factors, this has become one of the keys to differentiating yourself.

7. The real compensation issue is full disclosure. This is not simply fees versus commissions, while that debate continues affluent investors are asking, "What am I paying for, and what will I receive in return?" The critical issue is price relative to value. The affluent are extremely value conscious.

The affluent have expressed significant dissatisfaction with the services financial professionals currently provide. Dissatisfaction is the breeding ground for opportunity. The Cap Gemini Ernst & Young white paper of 2003 refers to the \$100 thousand to \$1 million investable asset segment as "untapped and underserved," which indicates that this is a substantial opportunity.

Success happens when preparation meets opportunity. Need I say more!