Opportunity Knocks

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There are a lot of dissatisfied clients up for grabs in this market. You can make them yours if you are creative about it.

By Anne Field | Mar 1, 2009

These days, many clients are reading their statements and scratching their heads, wondering just what their financial advisors do for them. For Brett Ellen — and many other savvy financial advisors — this kind of market means one thing: Now is the time to lure clients away from the competition. Ellen is finding that most of the time, he doesn't even need to make a hard sell.

Ellen, who heads American Financial Network in Calabasas, Calif., often teams up with executive compensation firms, meeting with their clients about such issues as buy-sell agreements and deferred compensation issues. And he used to make it a habit to gently ask whether they'd be interested in having him manage their personal investments — much of the time, to no avail. Now, however, executives are more than willing to reveal their unhappiness with their current advisors — and jump at the chance to let him manage their money. “They're much more receptive to making a change,” he says. In fact, according to Ellen, whose firm manages about $800 million in assets, 75 percent to 90 percent of conversations turn into real business, compared to 25 percent to 50 percent before the economic downturn.

The market — and clients' portfolios — are a mess. And a fair share of people, on some level, blame their current financial advisors. An even greater number are disappointed by their advisors' failure to take the initiative and reach out to them. As a result, there is a vast army of disappointed investors out there — and they're ripe for the picking. “I think clients are looking for new advisors in record numbers,” says Ray Sclafani, president of ClientWise, an executive coaching firm in Tarrytown, N.Y., that specializes in working with financial advisors. The opportunity is likely to grow as investors move from their initial state of shock into a more aggressive take-action mode. In fact, Scalfani predicts that 2009 will see a record wave of client defections.

Still, it may take a little bit of creativity to win these accounts: That means either trying something completely new or fine-tuning your approach to everything from getting referrals to running seminars.

Take the matter of referrals. For best effect, you now need to zero in on potential clients who are dissatisfied. One approach, according to Sclafani, is to use triggers that will help your clients think of friends who might be unhappy with their current advisors. There are several common situations that generate client dissatisfaction — for example, when an advisor leaves a firm or delivers poor service. By framing your question in terms that relate directly to one of those triggers, your client will more easily be able to respond. Example: “Do you have a friend whose advisor recently transitioned to another firm and who isn't sure they want to go with him?”

Case in point: An advisor with $300 million in assets under management recently took to having such discussions with his clients during their reviews. In the past two months, he's gotten 11 referrals, nine of whom have turned into clients. “Clients will immediately say, ‘Oh, I know just the guy,’” says Sclafani. “And it's really working.”

Some advisors are also offering rewards to clients in exchange for referrals — presented diplomatically, of course. Consider Mark Penske, chairman of Secaucus, N.J.-based United Advisors Wealth Management, which has eight offices around the Midwest and East Coast and 1,500 clients. Many of these clients live in such hard-hit areas as Detroit and Cleveland, and United Advisors recently mailed them a letter offering a $100 gift card for making referrals. But, he says, he presented the offer in a way that “put us in the same shoes as the client.”

Specifically, the letter explained that the firm has limited resources as a result of the downturn, and that the move was a way for it to reward loyal clients and continue to market cost-effectively. “We're saying, your portfolio is down. So is our business,” he says. To make sure the delicate proposal would be acceptable to clients, he first ran the idea by his eight-person client advisory board. According to Penske, it's too soon to tell how successful the gift card approach will be, but he has high hopes for its success.

As always, CPAs and attorneys also serve as important referral sources. But CPAs may be particularly influential now, according to Philip Palaveev, president of Elmsford, N.Y.-based Fusion Financial Group. That's because, in today's topsy turvy climate, accountants still tend to be the professionals in whom clients place the most trust. And they're likely to confide in their CPAs when they're unhappy with their financial advisors. “If you're dissatisfied, you're probably sharing that information with your accountant," says Palaveev. As tax season approaches and clients confer more closely with their CPAs, they're also especially prone to start making these confidences.

In fact, for advisors who want to expand their CPA networks, taking advantage of tax time this year is one way to do it. That's one reason why Penske is expanding an effort launched two years ago through two of his firm's offices to meet with the top 20 percent of their clients and the clients' CPAs. "Most people have had losses, so there's a lot to talk about now," he says. "And it's a way to start building a bond." While he declines to disclose his assets under management, Penske says he's using such moves to increase revenues from financial planning, from about 31 percent today to 40 percent over the next few years.

To further strengthen your relationship with your CPA partners, and help them to help you, write a letter that they can distribute to clients that describes just how your firm works, and that will generate confidence in your operation. Lawrence Adamo, an advisor with Fusion Financial Group, a West Orange, N.J., firm with $100 million in assets under management, is affiliated with the Fusion Financial Network, which recently started distributing a letter to all of its network advisors. Adamo, in turn, sent that letter to the two CPA firms with which his firm is partnered and to his own clients. It offers details about everything from the firm's process of due diligence to its clearing platform. He expects his CPA partners to show the letter to their own clients and hopes they'll give him a plug while they're at it.

Adamo is doing something more creative as well: He's stepping up an effort through which his CPA partners refer their clients to him for what he calls a free "portfolio audit." Much of the time, according to Adamo, the individuals become his own clients. In fact, Adamo says such moves have helped him, over the past two years, generate record revenues after 27 years in practice.

SPEAK UP

A completely different tack is to offer yourself up for more speaking engagements and seminars, tailoring your talks so that they address the kinds of things that are probably on the minds of disgruntled clients. Take Edward Collins, a partner in Lebanon, N.J.-based Artisan Wealth Management. With a 10 percent decline in assets, which now sit at $100 million — and 90 pecent of revenues coming from fees — Collins is looking for ways to expand his client base. "We're trying to figure out how to leverage off the volatility that's out there," he says. The product of a recent merger, the firm also needs to find new clients in order to meet a strategic goal of expansion over the next two to five years.

To that end, in October, Collins stepped up a program in which he asks clients to provide an entrée to any groups of which they're members. As a result, his advisors have been speaking to several membership groups a month, usually touching on the state of the market and other issues of interest to disgruntled prospects. To make sure they're hitting all the right buttons, at the end of each talk, they ask participants to fill out a brief survey covering the kind of topics they'd like to learn more about. Recently, after a presentation to a widow's group, three audience members asked to set up individual meetings with Collins' advisors because they were unhappy with their current advisors. The result: So far, the firm has picked up 14 new clients and Collins plans to expand the program further this quarter.

In some cases, you may be able to turn to your b/d for help. Chris Radford, president of VSR Financial Services in Overland Park, Kan., says VSR has developed a new seminar series that advisors can present to both clients and prospects. The series addresses such topics as who's to blame for the market meltdown and what kinds of next steps they need to take. Advisors can deliver it themselves or have people from the central office do the job for them.

With the specter of Bernie Madoff looming in the background, you'll need to be especially careful that you are projecting an image that inspires confidence when you meet with prospects. One tack is to present yourself as "a solutions provider," says John Comer, who heads Comer Consulting in Plymouth, Minn. He provides prospects with several possible investment portfolios, and then indicates how different market performance scenarios (including today's drastically beat up performance) would affect each plan. That way, says Comer, "I become a problem solver." This approach also sends the message that while the advisor has no control over the market, he can provide a plan that should succeed in a variety of situations. After all, you don't want your new clients to regard you as a magician. You'd just like them to trust you.