FPA RESEARCH & PRACTICE INSTITUTE

NEWS RELEASE

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CONTACT: Ben Lewis
BLewis@OneFPA.org
P: 303.867.7190

Are Financial Advisers Communicating Effectively Today to Ensure Long-Term Business Success?

2014 Trends in Client Communication Study of the FPA Research and Practice Institute™ looks at adviser communication today and how it will change moving forward.

DENVER – Financial advisers today are not taking the necessary steps to communicate effectively with clients in a way that will ensure long-term business success and profitability, revealed **The 2014 Trends in Client Communication Study**, a study by the FPA Research and Practice Institute™ (RPI) – a program of the Financial Planning Association® (FPA®).

The study – which included the input of 411 professionals across the country, including FPA members and non-members, CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, and advisers across all channels and a wide range of business sizes and models – was conducted as a result of RPI's inaugural *The Future of Practice Management* study last fall that revealed client communication as a major gap in today's financial advisory businesses. The study provides an analysis of client communication and adviser perception of communications, key components of an effective communications plan, how advisers communicate today, and what advisers are doing to adjust to a changing landscape.

"Effective communication is paramount in any service-based business, but it is especially true for financial advisers," said Lauren Schadle, CAE, FPA executive director and CEO. "The financial services industry is incredibly competitive. Advisers who are not differentiating themselves in their client communications are not reinforcing their value proposition with existing clients and, unfortunately, with their clients' spouses and children."

In collaboration with Julie Littlechild, CEO of New York-based Advisor Impact, the study sought answer the following questions:

1. What are the key components of an effective client communications plan?
2. How do advisers feel they are doing in delivering on an effective client communications strategy?
3. How are advisers communicating today and which activities are aligned with perceived effectiveness.
4. What are some of the areas of client communication that are changing and how are advisers responding?

Two of the key findings show that advisers are not effectively communicating with clients' spouses/partners nor with their adult children – both of which can have a dire impact on the long-term profitability of the advisers' businesses. The study shows:

- **18% of advisers say that fewer than half of their married clients meet as a couple and 48% say that fewer than three quarters of their clients meet as a couple.** Advisers may be doing themselves a disservice by not insisting on meeting with their clients and their spouses/partners. When the "financial spouse" passes away, the "non-financial spouse" may choose to take their assets to another adviser or to someone with whom they have established rapport.

- **A minority of advisers (42%) are proactively trying to attract younger prospects and even fewer (34%) are proactively working to build relationships with the children of existing clients.** Without a focus on building relationships with the younger professional/family or the adult children of existing clients, many advisers are going to fall short on building profitable businesses for the long-term.

"Baby Boomers and retirees are target clients for many advisers," added Valerie Porter, CFP®, Director of the FPA Research and Practice Institute™. "To offset client and asset attrition inherent in that group, advisers would be wise to build relationships with that group's survivors, and to diversify their practices with younger clients to ensure the long-term viability of their businesses."

The study also focuses on four characteristics of an effective client communications plan and assesses adviser performance in each. The characteristics are identified as "**It is Meaningful"** (to clients and reflects their needs and expectations); "**It is Profitable"** (the cost of communication is aligned with the value of the overall relationship); "**It is Defined"** (it can be standardized and automated); and "**It is Communicated"** (clients know what to expect).

Based on these characteristics, the study indicates that while advisers are excelling in some ways, they are lacking in others:

- **It is Meaningful:** Sixty-eight percent of advisors say they gather feedback from clients in some form, with informal feedback as the primary method. Female advisers and younger advisers (under age 40) are more likely to gather feedback from clients (77%) compared to male advisors (65%).

- **It is Profitable:** Seventy-one percent of advisers say that they segment their clients today. A vast majority (82%) of advisers who segment their clients also tier their service levels.

- **It is Defined:** Fifty-six percent of advisors have formally defined service standards in place, which might include such things as frequency of contact or response time to clients. Female advisers are somewhat more likely to define service standards (66 percent) compared to men (53 percent).

- **It is Communicated:** Only 30 percent of all advisers indicate that they review and reinforce service standards, with their clients, on an on-going basis; 44% say they communicate them when the client starts to work with the firm.

"The reality is that an adviser can have a great client communications plan but if it is not formalized and communicated, the value is significantly reduced."" said Julie Littlechild, CEO of Advisor Impact. "There is a discipline to defining, assessing and communicating a plan and, based on the data, there is room for improvement across the industry.

A full report of **The 2014 Trends in Client Communication Study** is now available **HERE** and includes additional details and narratives.

RPI will continue its quarterly studies in 2014, including a Q3 study on business development and a Q4 study on team training. The research will be provided to advisers through a series of reports and whitepapers and inform the development of tools and resources for advisers to create more efficient, prosperous businesses.

"FPA is making tremendous strides in identifying the strengths, weaknesses and gaps of today's financial adviser to help our members and all CFP® professionals become more profitable, productive and successful. We look forward to continuing our research through the FPA Research and Practice Institute™ this year and in the years ahead," concluded Schadle.

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About the Financial Planning Association

Since 2000, the Financial Planning Association® (FPA®) has been the principal professional organization for CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, educators, financial services professionals and students who seek advancement in a growing, dynamic profession. More than 23,000 FPA members adhere to the highest standards of professional competence, ethical conduct and clear, complete disclosure to those they serve. Through a collaborative effort to provide members with One Connection™ to tools and resources for professional education, business success, advocacy and community, FPA has become an indispensable force in the advancement of today's CFP® professional. Learn more about FPA at OneFPA.org and follow on Twitter at twitter.com/fpassociation.

About the FPA Research and Practice Institute™

The FPA Research and Practice Institute™ is the CFP® professional's One Connection™ to practice and business management insights that help financial planners achieve business success. A program of the Financial Planning Association® (FPA®), the Institute conducts original research on business-centric topics and issues, including operations, personnel, human resources, marketing and technology. Detailed analyses, reports, whitepapers and resources, based on the research, are made available to financial planning professionals to help them identify their business gaps and address them. Learn more here.