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Trends in
Client Communication
2014

Trends in Client Communication 2014

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WELCOME FROM LAUREN SCHADLE, CAE

Are advisers effectively communicating in a way that ensures they are making their clients, and future clients, understand the value they provide? The 2014 Trends in Client Communication Study – conducted by the FPA Research and Practice Institute™ (RPI) – reveals that advisers are excelling in some core areas of communications and, unfortunately, falling short in others.

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. This study is the result of RPI's inaugural [2013 Future of Practice Management Study](#), which identified client communication as one of the most important drivers of a great advisory business and a self-identified gap for many advisers.

By conducting original research on profession-related and business-centric topics and issues, RPI answers the pressing questions that help financial advisers prosper in today's challenging financial services landscape. Additional quarterly studies are planned for 2014 that will look closely at other identified gaps from the inaugural study, including business development and team training.

Be sure to visit www.onefpa.org/business-success for more from FPA and the FPA Research and Practice Institute™.

A handwritten signature in black ink that reads "Lauren Schadle".

LAUREN M. SCHADLE, CAE

CEO/Executive Director
Financial Planning Association

AN INTRODUCTION

When FPA established the FPA Research and Practice Institute™, it was with the intent to conduct new research that would ‘go deep’ and ‘get tactical’. The research, involving thousands of advisers across the country, was designed to help advisers take stock of how they are running their businesses today and identify the issues that will influence how they do so tomorrow. This report is no exception, gathering in-depth quantitative and qualitative input from advisers to examine the client communication process.

The data shows that advisers generally agree that they are delivering a strong level of service and that those who give themselves a high effectiveness rating behave differently. They define and communicate service standards, provide more documentation to clients, structure their review process and create more ‘touch points’ with their clients.

Going forward, it is clear that demographics and technology will impact the way in which we communicate and that advisers will seek to differentiate themselves by focusing as much on the quality of the review process as on the frequency of those reviews. We know that advisers are:

- committed to building relationships with both spouses/partners but are challenged in how they engage both
- less focused on building relationships with younger clients, but acknowledge that the way in which they communicate with the next generation will be heavily influenced by the use of technology
- actively testing and changing the client review process to incorporate new technology, engage clients on a deeper level and differentiate themselves in the process.

On the following pages we’ll examine these findings in significant detail.



THE ROADMAP

This study examines client communication through the eyes of the adviser, with a clear acknowledgement that a complete analysis involves both adviser and client. On the following pages, we'll examine key topics in order to facilitate an exchange of ideas among advisers and examine what is working and what is not. Specifically, the report is broken into four key sections:

1 LAYING THE FOUNDATION

What are the key components of an effective client communications plan?

2 ADVISER PERCEPTION

How do advisers feel they are doing in delivering on an effective client communications strategy?

3 PLAN EXECUTION

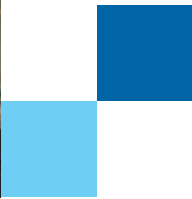
How are advisers communicating today and which activities are aligned with perceived effectiveness.

4 LOOKING FORWARD

What are some of the areas of client communication that are changing and how are advisers responding?

THE RESEARCH

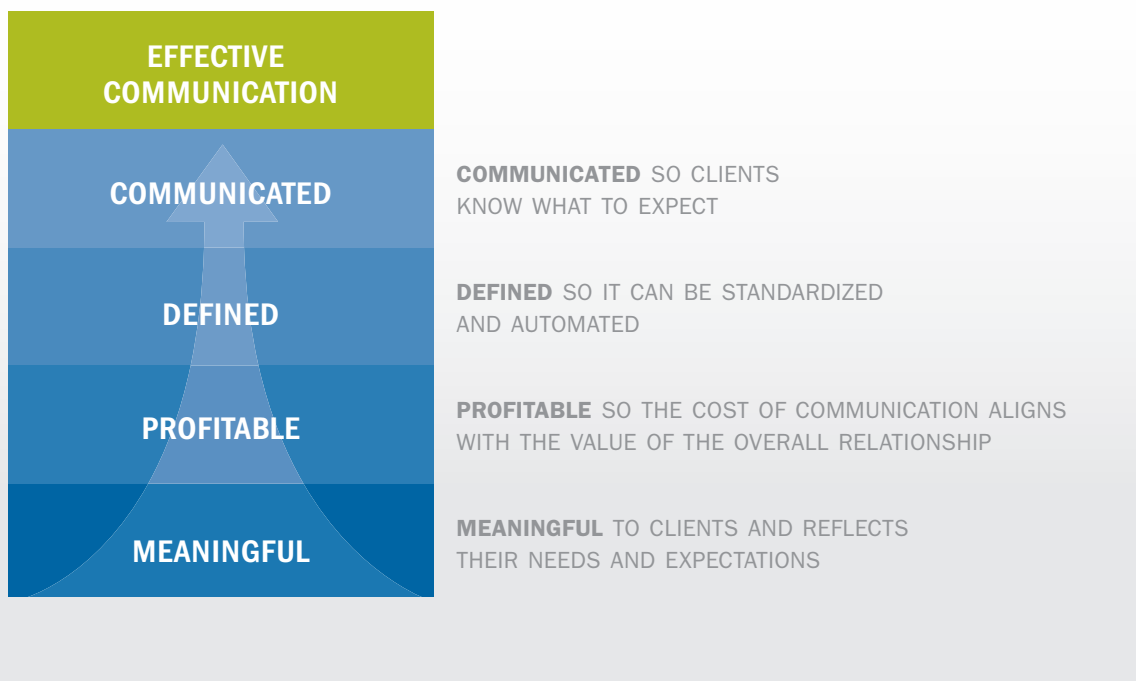
The analysis is based on input from 411 financial advisers across the United States. Participants invested between 30-40 minutes to provide detailed input via an online survey conducted between May 13 and June 9, 2014. The margin of error is estimated at +/- 4.83%. The study is designed to be broadly representative of the industry and includes FPA members and non-members and advisers across all channels and a wide range of business sizes and models. A complete overview of participants is provided in the Appendix.



1 LAYING THE FOUNDATION

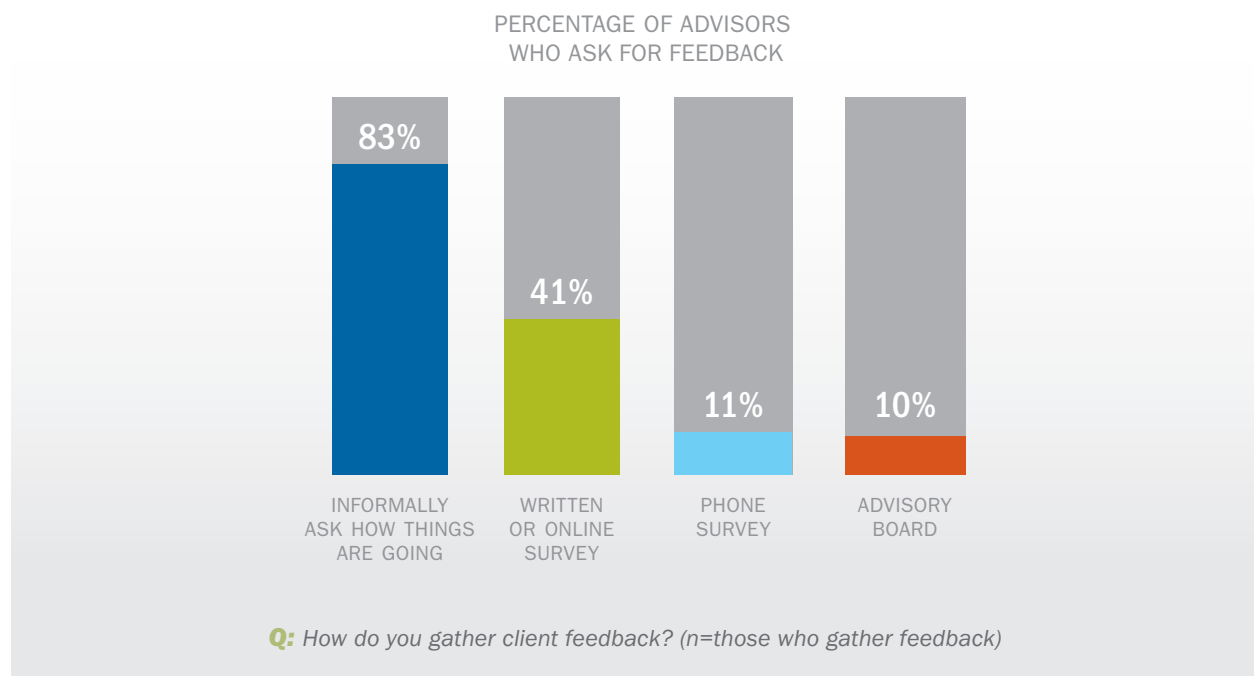
So what makes client communication effective? There is no doubt that the specific answer to that question will vary from one adviser to the next; however, we would suggest that there are four key components that underpin any effective communication strategy.

In the next section we'll examine how advisers are executing on each of the four foundational components of client communication. Then, we'll turn to the details of execution and some of the trends that will drive the communications process in the future.



Is it meaningful?

Effective communication is meaningful for clients and reflects their needs, expectations and preferences. As a result, an effective plan starts with an understanding of what clients really value. Sixty-eight percent of advisers say they gather feedback from clients in some form, with informal feedback as the primary method. Female advisers are more likely to gather feedback from clients (77%) compared to male advisers (65%). Younger advisers also say they gather feedback more frequently; seventy-seven percent say they ask clients for input.



Is it profitable?

While it may be difficult to say if a client communications plan is truly profitable, overall, we can determine if advisers are consciously aligning the level of service with the value of the client. That is, have they segmented clients and do they tier service based on those segments?

Seventy-one percent of advisers say that they segment their clients today. Of that group, 44 percent review and update segmentation ratings on some consistent schedule, while 41 percent are more reactive, updating as and when they think a change is warranted. Segmentation is a first step in ensuring communication plans are profitable by categorizing clients based on the value to the business using metrics such as assets, revenue, influence, referral activity or time required to service. A vast majority (82 percent) of advisers who segment their clients also tier their service levels.

Is it defined?

When it comes to defining service standards, results are mixed, with advisers split on the extent to which they formally define or track standards.

- Fifty-six percent of advisers 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) and larger businesses are also more likely to define service standards; 64 percent of those with \$250m+ in assets under management say they do.
- In firms with multiple advisers, 56 percent say the standards are consistent across all advisers and 44 percent say that defining standards is the responsibility of each adviser separately.
- Of those advisers who do formally define service standards, just under half (46 percent) have a process in place to track if they have effectively delivered on those standards; another 41 percent indicate they have an informal tracking process.

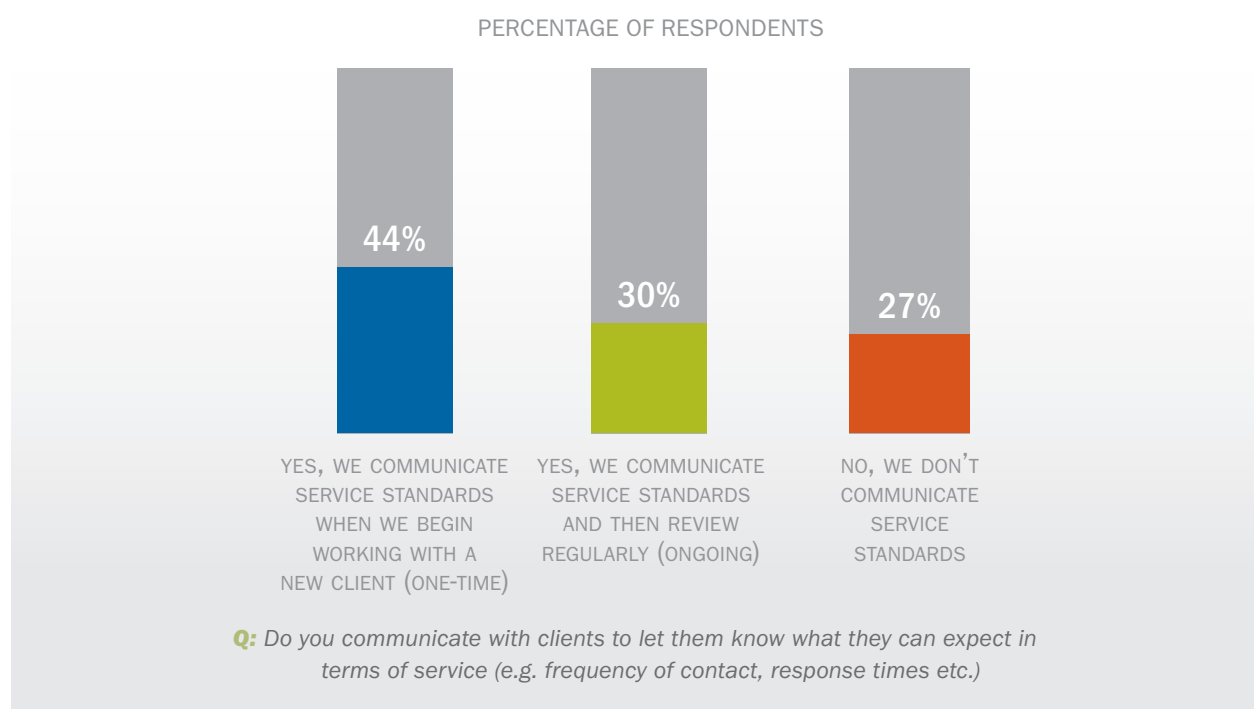
For advisers who do define standards, the primary focus is on defining the frequency of contact and response time; the extent to which other activities are formally defined drops from there.

ACTIVITY	PERCENTAGE OF THOSE WHO DEFINE SERVICE STANDARDS
Frequency of plan/portfolio review meetings	86%
Response time when a client calls/emails	77%
Frequency of contact, other than review meetings	70%
Response time for problem resolution	54%
Number of client appreciation opportunities (e.g. events)	46%
Number of educational opportunities (e.g. communications or events)	41%

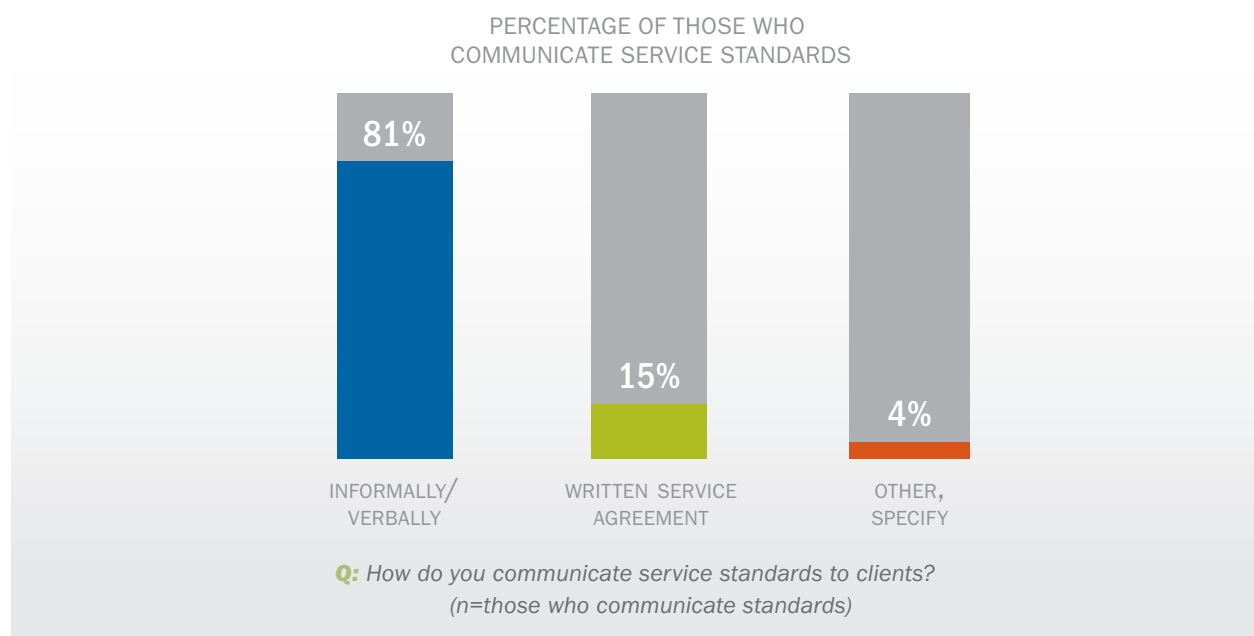
Q: For which of the following have you defined specific standards? (n=those with defined service standards)

Is it communicated?

Creating an outstanding service experience is both about delivering on that experience and managing expectations. Only 30 percent of all advisers indicate that they review and reinforce service standards with their clients on an ongoing basis.



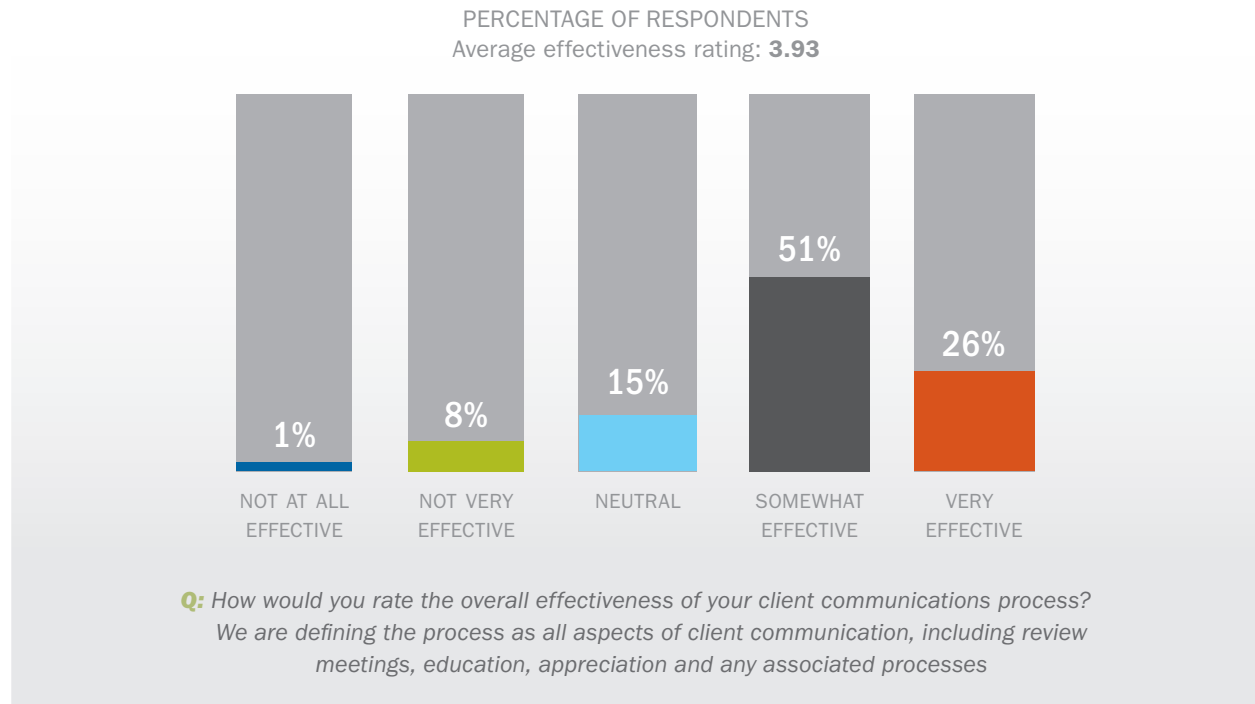
Communication of standards is largely informal. Only 15 percent of advisers who communicate standards use a written service agreement; the majority (81 percent) opt for a discussion of those standards.



2 ADVISER PERCEPTION

Advisers generally agree that they are delivering a strong level of service, giving themselves an average effectiveness rating of 3.9 out of 5, with a 5 being 'very effective'. There were no significant differences in this rating based on size of firm or team size. It seems that as the business grows, the challenges in communicating simply change; the process does not become any easier.

While this is a passing grade, it is clear that advisers feel there is room for improvement, not only to ensure they are exceeding expectations today but that they are laying the foundation for the changing needs and profile of their client bases going forward.



The ultimate judge of the client communication process is, of course, the client. The latest investor research from Adviser Impact¹ suggests that clients are very satisfied with their advisory relationships. Ninety-one percent of clients indicated they were somewhat or very satisfied with their adviser and the same percentage said they were likely to continue working with their adviser. Further, 85 percent of clients said they would be comfortable providing a referral to their adviser.

¹ Rules of Engagement 2014, Adviser Impact and AssetMark

For the purposes of this report, we'll look through the eyes of the adviser. If we focus in on the 77 percent of advisers who rate the effectiveness of their client communication process as somewhat or very effective, it is clear that they do things differently. To follow is an overview of the activities that are most strongly correlated with perceived effectiveness, all of which are described in more detail on the following pages.

COMPONENTS OF COMMUNICATIONS PLAN	ADVISERS WHO RATE THEIR PROCESS AS SOMEWHAT OR VERY EFFECTIVE	ADVISERS WHO RATE THEIR PROCESS AS INEFFECTIVE
Service standards are formally defined	65%	30%
Service standards are communicated to clients	80%	53%
Clients receive an Investment Policy Statement (always/sometimes)	70%	51%
Clients receive a letter of engagement (always/sometimes)	62%	45%
Clients are asked for feedback (via some method)	76%	42%
Clearly structured client review process in place (vs. loose structure)	54%	27%
Clients always receive a follow-up to clients after review meetings	33%	15%
Adviser assign follow-up items (from reviews) directly into CRM	43%	26%
Adviser always encourages spouses to attend meetings together	85%	63%

There is some correlation between the activities of advisers who perceive their plan as effective and larger businesses, which supports the notion that these activities drive success. The largest businesses (\$250m or more in total AUM) are more likely to: formally define service standards and provide documentation such as Investment Policy Statements. However, it is interesting to note that larger businesses are less likely to have formally structured review meetings, perhaps because the process becomes more ingrained over time.

3 PLAN EXECUTION

In the previous section we focused on the foundation for effective communication; in the next section we'll examine the details related to executing on communications plans, focusing on three main types of communication: direct contact, education and appreciation.

Frequency of Communication

While advisers communicate in very different ways, driven partly by the needs and expectations of their clients, the study examined the typical frequency of several types of communications. Input was gathered separately from advisers who do not formally segment and tier service and for those who do. Among those advisers who do not segment and tier service, average contact levels are as follows:

TYPE OF COMMUNICATION	NUMBER OF CONTACTS/YEAR
Face to face review meetings	2
Other forms of review meetings (e.g. telephone/web)	3
Invitations to social event/activity	1
Articles of interest	7
Invitations to educational events	1
Other communications	9

Note the numbers are averages for those who use that particular form of communication. The range on articles and other was significant. The median for articles is three/year and for other communications is two/year.

For those advisers who segment and tier service, the average plan looks as follows. As above, the averages are for those advisers who use each type of communication.

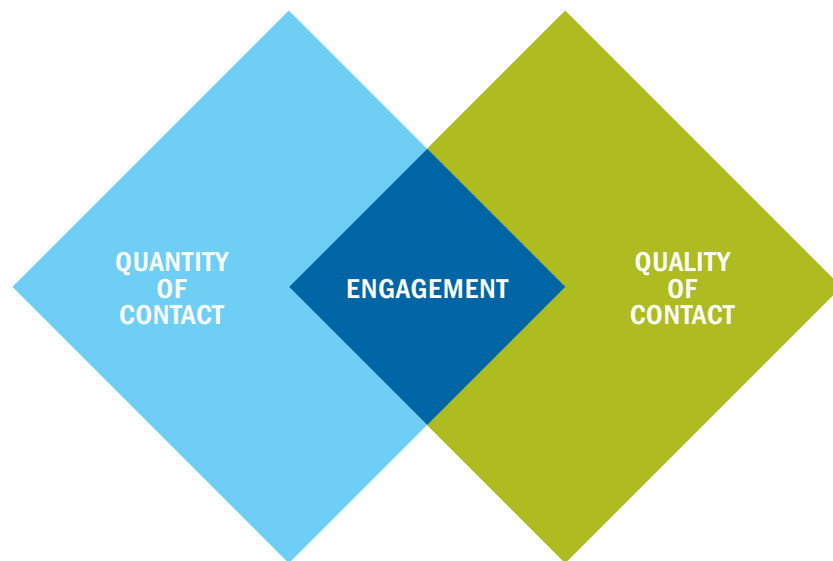
TYPE OF COMMUNICATION	TOP CLIENTS	AVERAGE CLIENTS	LOW PRIORITY CLIENTS
Face to face review meetings/year	2.9	1.6	0.7
Other review meetings/year (e.g. telephone or web)	5.0	4.4	1.6
Invitation to social events/year	2.3	1.4	0.7
Articles of interest (educational)/year	10.8	9.1	6.3
Invitation to an educational event/year	3.0	2.1	1.3
Other communications/year	9.3	7.5	5.9

Making Communications Meaningful

- Nearly one quarter (22 percent) of advisers say they always personalize communications based on the individual interests of clients; another 62 percent say they personalize sometimes.
- During a market downturn, 58 percent of advisers say they communicate more frequently and 13 percent say they provide different types of communications. Twenty-nine percent of advisers say they do not change anything about the way they communicate during a market downturn.

Quality vs. Quantity

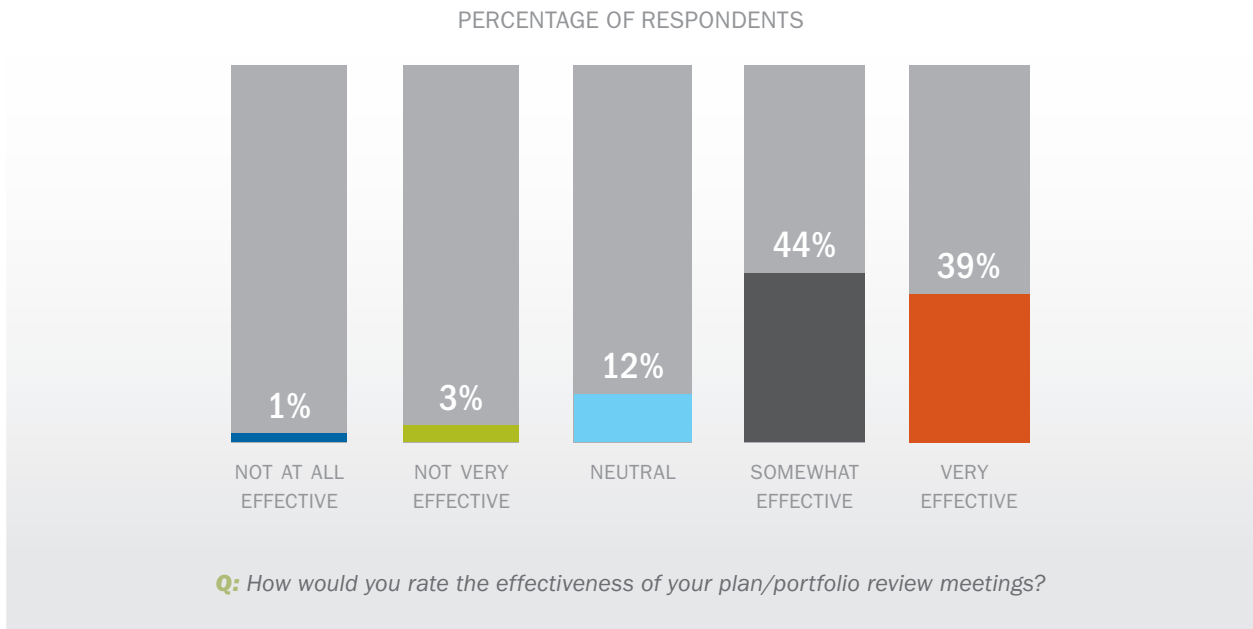
Investor research² confirms that while clients enjoy social and educational activities, they place considerably more importance on direct contact related to their investment or financial plan. Direct contact, in the form of face-to-face, telephone or virtual reviews constitute an important part of the value that clients' perceive. As a result, getting the frequency of contact right is important, but there may be a point of diminishing returns. More is not always better so the study focused on the quality or effectiveness of the client review process.



² Rules of Engagement: 2014 (Adviser Impact/AssetMark)

Perceived Effectiveness

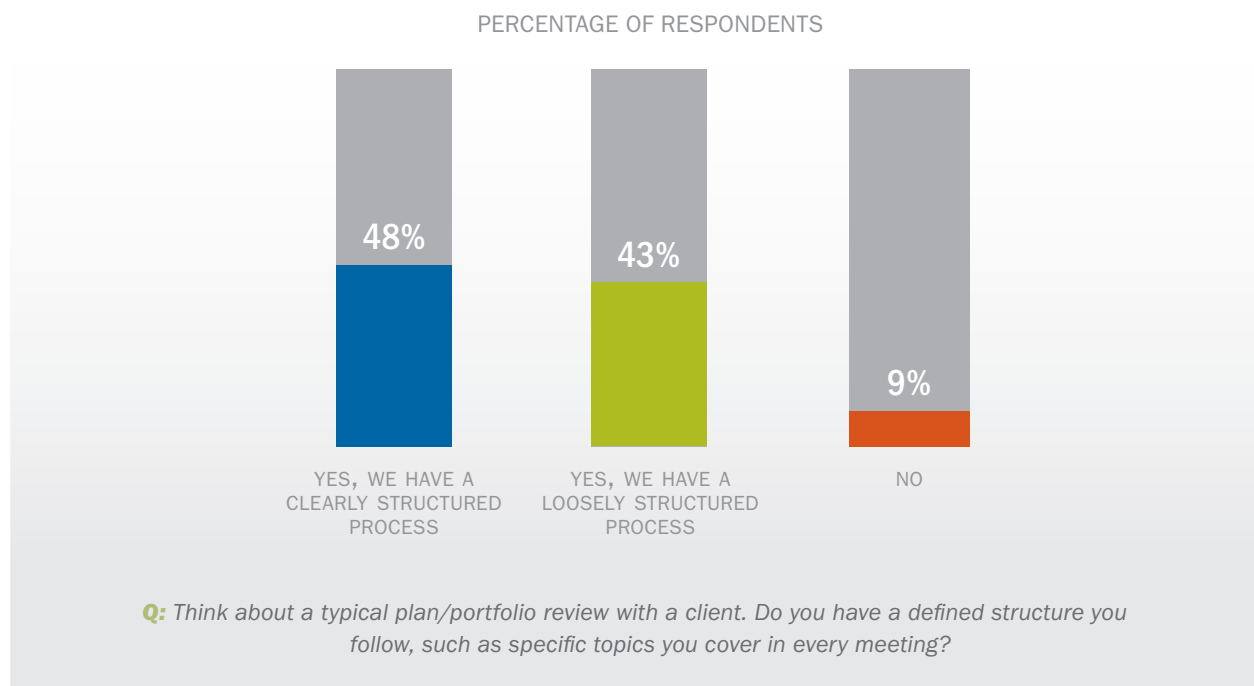
The quality of client reviews, just as the quality of overall communications, must ultimately be judged by the client. However, 39 percent of advisers feel that their review process is very effective (5 out of 5). Eighty-three percent rate the process as somewhat or very effective.



Respondents were asked to provide qualitative input on the structure of their client review meetings. To follow is a small sample of their comments. A complete list will be available.

<p>WORK FROM AN AGENDA</p>	<p>We have an agenda for each meeting. We have a master client review list and we select topics for each meeting in addition to what a client may have asked about. Staff confirms meetings and runs through GoToMeeting process so adviser doesn't have to share tech frustration.</p>
<p>UNDERSTAND CLIENT PREFERENCES</p>	<p>Ask your clients what they want to hear and how they want it presented and then do what they ask. Some clients like charts and graphs, some want spreadsheets, some prefer technology presentations and some, simply want a conversation with follow up notes.</p>
<p>INCLUDE STAFF IN SETTING AGENDA</p>	<p>Formal "Strategy Meeting" with staff prior to each client review meeting. During the strategy meeting we set a formal agenda and prioritize objectives for the client meeting.</p>
<p>USE CLIENT WORKSHEETS IN ADVANCE OF MEETING.</p>	<p>I start with sending a worksheet to the client to have them update any new information that impacts their personal & financial situation (about 3 weeks in advance). At our review meeting, we go over the current state of their financial plan, how we are doing compared with the plan and what changes may need made accordingly. If new data is presented, a follow-up appointment is set for 7-10 days out.</p>
<p>MAKE DISCUSSION VISUAL</p>	<p>I use a charting program that allows me to visually represent what is going on in the market and how it affects their portfolio. I do the entire presentation on a flat screen TV and when finished, provide them a printed copy of everything we covered. Because we are all looking up, it gives a much more natural conversational structure to our meeting.</p>
<p>PRE-MEETING DISCUSSION</p>	<p>Once the meeting is scheduled with the client, I contact them to let them know the things I plan to discuss during the meeting. I ask if these topics are what they want to talk about. I also ask if there is anything specific they'd like me to be prepared to discuss so I can be ready for that discussion as well. When I meet with clients, I ask two questions at the outset: 1) How much time do you have to spend with me today? 2) What are the main things you want to make sure we discuss today so that this meeting is a productive use of your time with me?</p>
<p>ROTATE KEY TOPICS</p>	<p>We have a 3-year rotation of topics to be reviewed for clients for whom we have already done a comprehensive financial plan. We have an agenda at the meeting to go over the topic scheduled for that particular meeting.</p>
<p>DISCOVERY NOT REVIEW</p>	<p>We have turned the routine annual investment review into a better "discovery opportunity" to learn more about the client, family, issues, future plans, encourage referrals.</p>
<p>UNDERSTAND CLIENT OBJECTIVES</p>	<p>We send a different type of review sheet specific to the topic of the meeting with very simple checkbox format and ask them to bring it to the meeting. Ask for top three things that they hope to get accomplished/answered in the upcoming review during appointment reminder call/email. Follow up letters that include firm actions, client actions, future actions. We have a structured format for reviews based on the quarterly topic. Every client has the same topic reviewed each quarter so the whole team is engaged in the same content.</p>
<p>EDUCATE CLIENTS</p>	<p>We try to take some time allocated to teaching the client or helping them understand better, an aspect of investing that they didn't understand before.</p>

While advisers generally agree that their reviews are effective, they are split on the extent to which they are structured. Forty-eight percent of advisers say they have a clearly structured process while 43 percent says their structure is loose.



Key to an effective review meeting is the ability to get clients to open up about their needs and concerns. Respondents generously provided insights into the key questions they have used to help clients feel comfortable sharing important information. A small sample is provided below.

- At the end of our first year of working together, what do you hope to have accomplished?
- For individuals: What keeps you awake at night? For couples: What would your life plan look like alone? Younger couples: (under 40) What are your goals for your family?
- If I gave you all the money you'd ever need to live your life and I only required you to get up every day and do something that totally excites you, or fills your tank, but you didn't have to do it for the money, what would that be?
- If you had a magic wand and could change anything about your financial situation, what would that be?
- It's a Wednesday at 10am 18 years from now, what are you doing?

- Let's take the blinders off and explore your dreams by thinking through what you would be doing right now if you knew you were financially secure and were not required to go to work every day to earn a paycheck.
- We have four questions we ask all the time with every new client. 1) If you won \$100M what would you do with it? 2) If you were given 1 year to live, what would you change? 3) If you were given 24 hours to live, what would you regret? 4) If you woke up and your house was on fire, what 3 items would you save?

Client Reviews: The Details

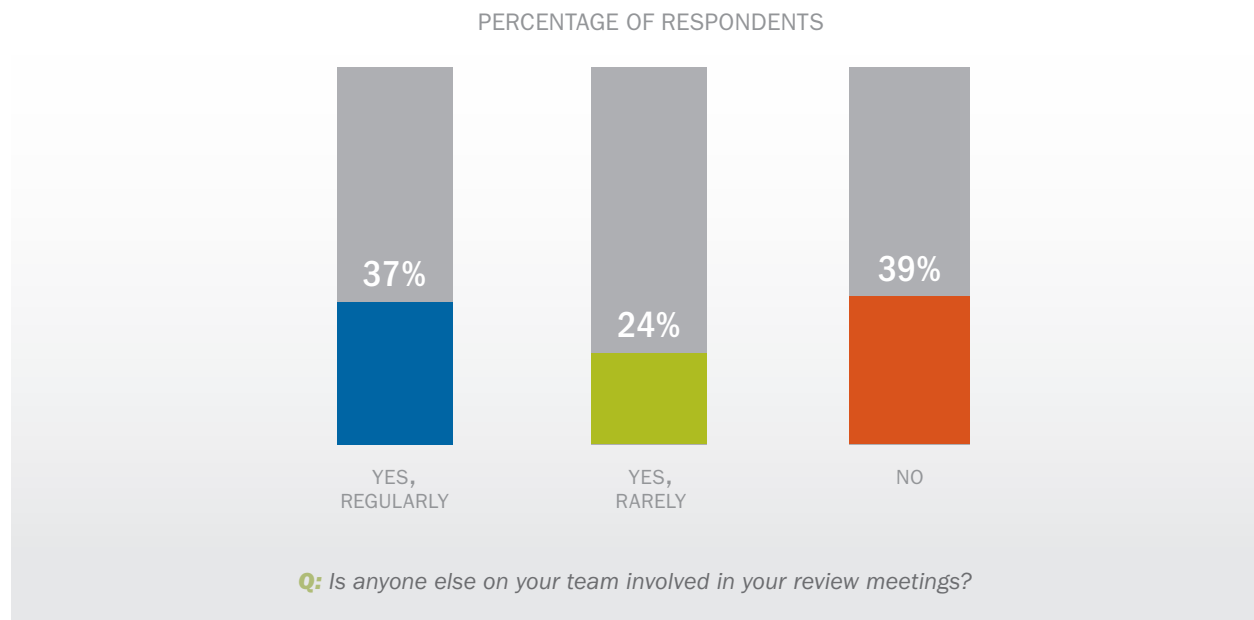
On the following pages we'll examine the specifics related to the frequency and process associated with client review meetings. In the trends section you'll find more information on the forces we believe are changing reviews in the future, specifically demographics and technology.

Location

Only 15 percent of advisers say they 'most commonly' meet with clients at the client's home (12 percent) or place of business (three percent). The majority conduct meetings in their own personal office (43 percent) or in a meeting room at their office (36 percent).

Team Involvement

Many advisers are integrating other team members into meetings regularly or as needed, with over a third of advisers indicating they do so regularly.



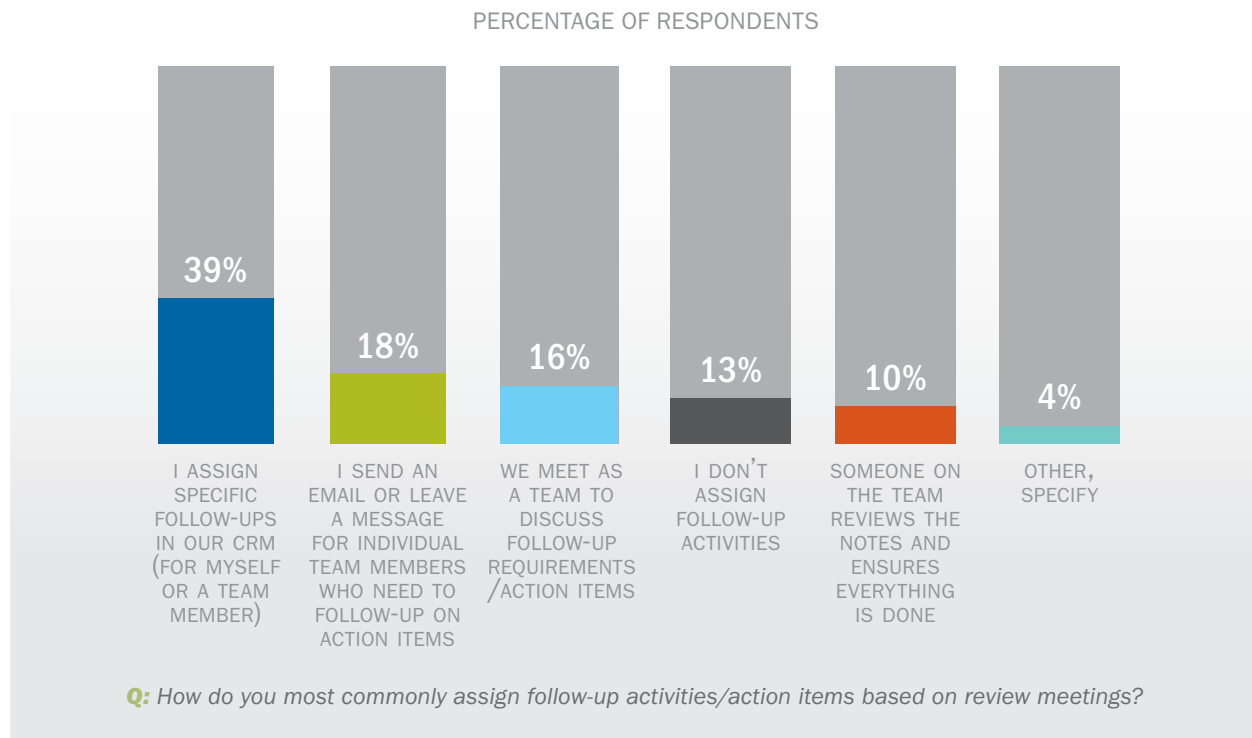
When advisers do involve other team members, it is commonly another senior adviser (38 percent) or junior adviser (27 percent). Seventeen percent of advisers say they involve an assistant.

Process

The study focused in on several key elements related to client review process, specifically the communication with clients before and after meetings and the way in which advisers document action items. There is no standard when it comes to using agendas or follow-up notes, although both might be considered good practice.

- Nine percent of advisers say they always send an agenda in advance of a meeting; 27 percent say they do so sometimes
- Twenty-nine percent of advisers say they always send a follow-up to clients after a review meeting; 40 percent say they do so sometimes.

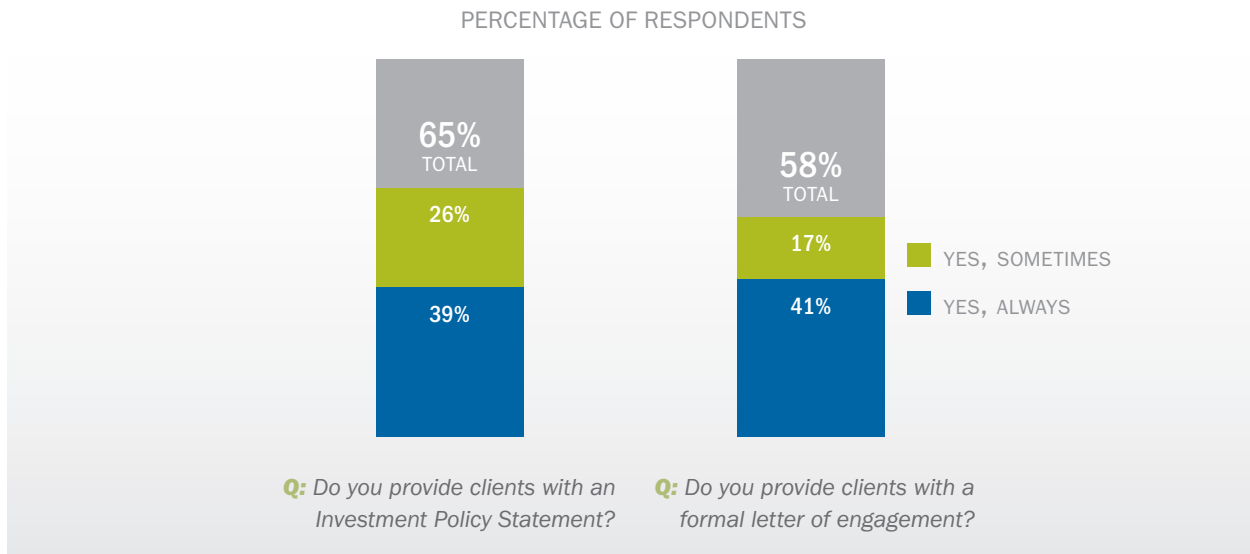
It is clear that not all advisers are documenting the details of reviews for their clients so what about internal documentation? A third of advisers continue to put written notes in a client file after a meeting; forty-one percent enter directly into a CRM. For those advisers using the CRM, almost all also assign follow-up tasks to themselves or another team member within the CRM. For the other 60 percent of advisers, follow-up activities are assigned in a more manual fashion, as the chart below demonstrates.



While only 39 percent of advisers enter notes directly into their CRM, 80 percent of advisers indicate they use a CRM. Based on the respondents in this survey, the largest percentage use RedTail (17 percent), followed by Salesforce (13 percent) and Junxure (9 percent).

Client Documentation

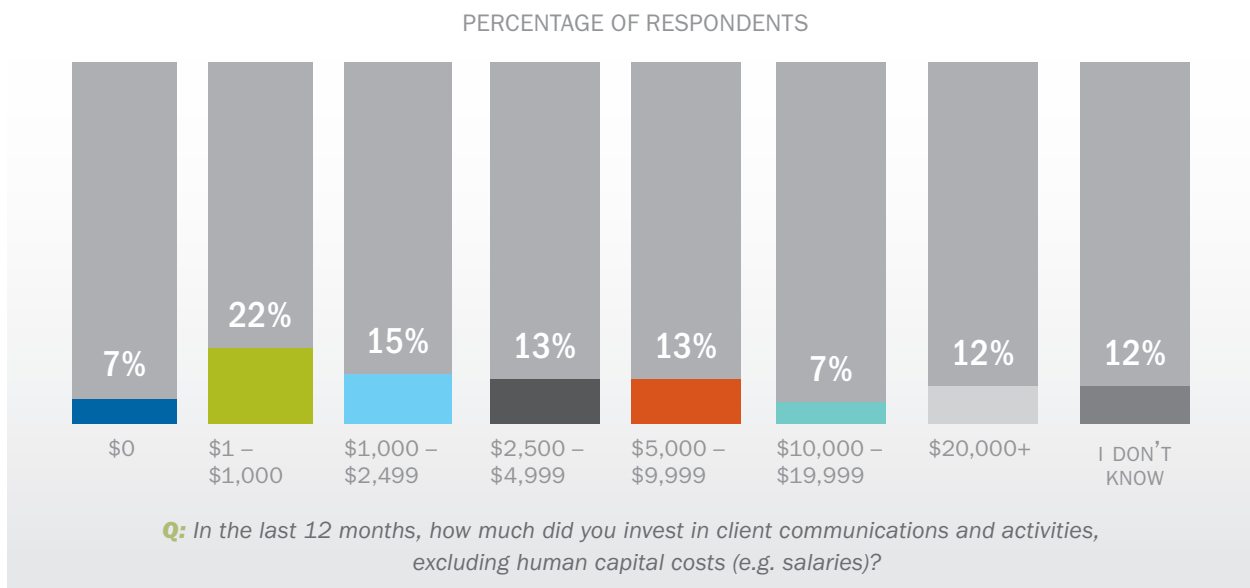
The study found that 65 percent of advisers are using Investment Policy Statement (IPS) and 58 percent of advisers are using formal letters of engagement, at least some of the time. Female advisers are more likely to provide formal documentation than their male counterparts. Fifty-four percent of female advisers say they always provide an IPS compared to 35 percent of male advisers.



Sixty percent of advisers say they ensure that their clients understand all documentation they provide; 40 percent assume that their clients understand the information they provide.

The Cost of Communication

Executing on a client communications plan, of course, carries a cost. Based on the wide ranging scope of plans, it is not surprising that the level of investment also varies significantly.



Looking Forward

Clients change. Advisers change. Technology changes. Given the level of inevitable change, the study asked advisers what they felt would change about client communication going forward and examined some key trends that could impact client communication, specifically:

- Demographics: Communicating with next generation clients and women
- Using social media
- New technology for supporting client review meetings

Demographics

Going back to the communications ‘funnel’ that was presented earlier in this report, one of the filters for client communication was that it was meaningful for clients. If we accept this as true, then it is clear that advisers need to understand how the definition of meaningful changes for key client segments. Two segments are particularly important in that they are critical to building deep engagement and to retaining assets over the long-term: women and children.

We know that today advisers are much more likely to say they are proactively building relationships with couples than focusing on the next generation. Only one third of advisers are proactively working to build relationships with the adult children of existing clients.

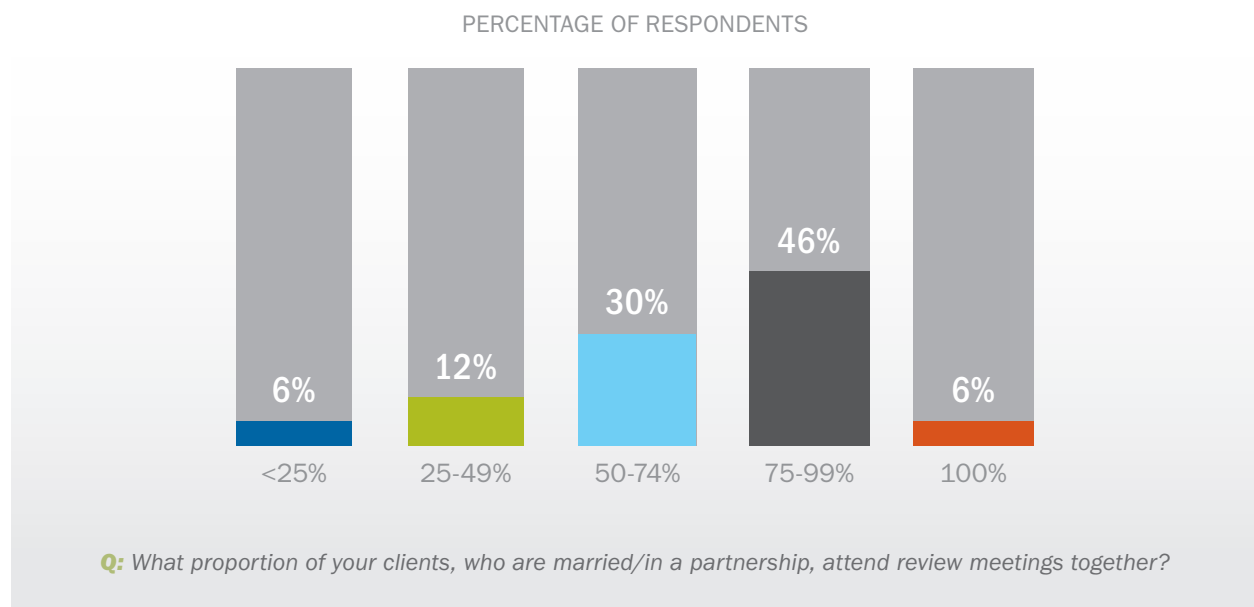
TARGET GROUP	I WORK PROACTIVELY TO BUILD DEEP RELATIONSHIPS	I WANT TO BUILD DEEP RELATIONSHIPS BUT AM MORE REACTIVE	I AM NOT ACTIVELY TRYING TO BUILD DEEP RELATIONSHIPS
Adult children of my clients	34%	56%	10%
Both individuals in a couple (e.g. husband and wife)	87%	13%	1%
Younger prospective clients	42%	45%	13%

It is interesting to note that female advisers are more likely to proactively focus on working the adult children of clients (44 percent) compared to male advisers (31 percent). Younger advisers are more likely to be actively focusing on attracting younger clients. Fifty-four percent of advisers who are under the age of 40 say they are proactively working to build relationships with younger prospective clients, compared to 38 percent of advisers who are between the ages of 40-49.

Gender

The study did not focus specifically on gender, rather it looked at the extent to which advisers are building relationships with both people in a marriage or partnership. The reality is that this typically means examining if or how advisers are focusing on women.

To start, we know that 87 percent of advisers say they are working to proactively build relationships with couples and that 80 percent of advisers say they encourage their clients to meet as a couple. However, they are clearly having difficulty in getting clients to take action. For nearly half of advisers, only half of their married clients attend meetings together.



Respondents were asked if and how they actively try to include both parties. A selection of responses is provided below; a full list will be made available.

- 1. Always engage both people in any face to face meetings.
- 2. Address all correspondence to both
- 3. Find the commonality of financial goals of the couple.
- 4. Address all common objections and those of each individual
- Address both together, then ask if either wishes to discuss things separately
- Address each individually. Never focus on just one and always email both when it is not individual specific.
- Always seek input and feedback from less talkative partner
- Ask both to attend meetings and take them out to lunch/dinner to build the relationship.
- Ask for input separately, represent solutions/recommendations that support both points of view when spouses aren't on the same page, use what if scenario testing as well as sensitivity testing to overcome objections to the others point of view.
- Attempt to not let one person drive the meetings or the relationship. Constantly solicit feedback and indications of understanding from both parties. We say at the outset that our expectation is that both spouses will be willing and interested participants in the process. Otherwise, we're not the best fit for folks.
- Both are expected to attend meetings. We execute a behavioral analysis to understand differences in how the spouses think and make decisions, and we explain and use the results.
- Copy both in on email communication, verbally focus on personal desires of non financial spouse in meetings, treat each spouse as an individual with separate interests and priorities in lauding having separate meetings if necessary.

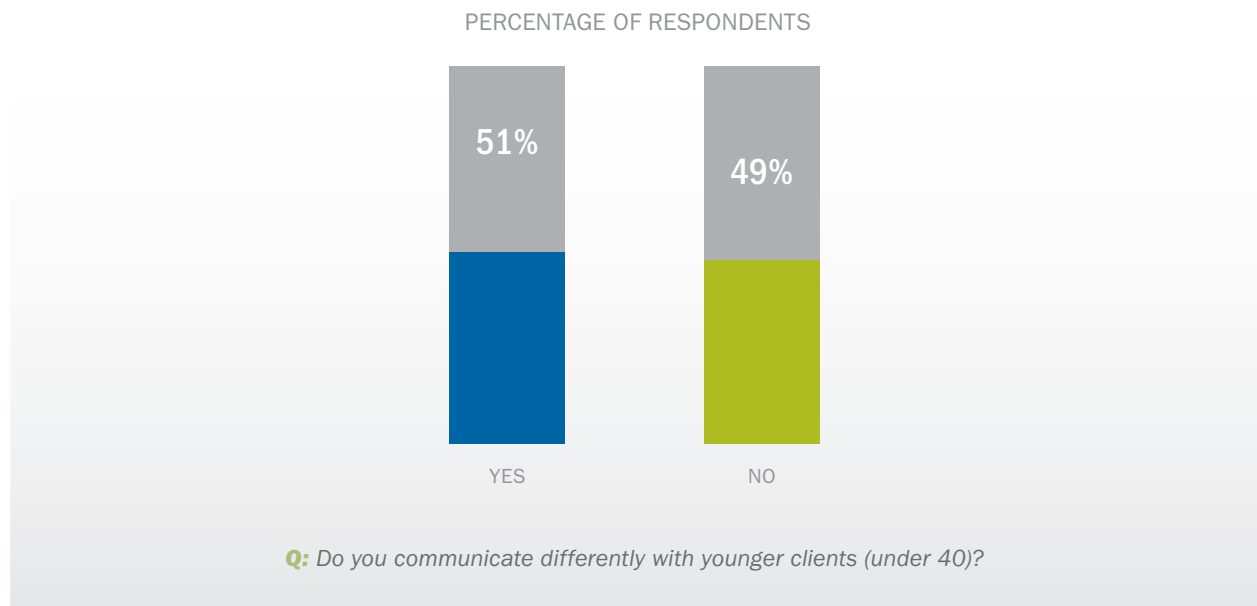


- Easy - address them individually, personalize discussion based on each person's interests, ensure both parties understand the discussion, encourage them to discuss things between themselves during the meeting. And make eye contact with both.
- Encourage both spouses to attend meetings. Include both in the meeting conversation, and ensure that both understand the discussion and feel free to ask questions. Having two advisers in the meetings helps us ensure that we can stay tuned in to both individuals.
- I have joint meetings as well as one-on-one meetings. Frequently, things will come up in one-on-ones that would never come up in joint meetings. I also use a communication tool from Sudden Money to understand how best to communicate to each partner in a way that works for each of them as individuals. This has been the biggest help and improved the flow of my meetings and interaction with both partners.
- I speak to both their needs and income continuation in case of death as well as gifting to children.
- Initial consultation is with both parties. All forms/questionnaires are completed by each individual so we get to know what the issues are for each. Talk with each one about their feelings and history and priorities. Sometimes feel like a marriage counselor. Try to be sure they both feel we are listening and not taking sides.
- It is a deal-breaker in the engagement - the spouse/partner must be involved at the beginning, and then required to attend a review meeting at least once a year ongoing.
- Watch for verbal and non-verbal cues. Try to understand the goals and risk tolerance of each partner while developing and implementing a joint plan. This can sometimes be very challenging.
- We ask both to attend social events, we invite both to review meetings (and often meet at their homes or offices to make this more likely), we ask both to participate in the process of gathering information (e.g. risk tolerance, introduction/new client meetings, financial planning, etc.) and when calling them for check in calls we take the opportunity to engage the one who answers the phone when they are not the one we typically talk to. Also, we encourage estate planning discussions/reviews and offer to participate in these meetings with estate planning attorney (whether a pre-existing relationship they have or one we've referred them to).
- We host a series of "Women's Wealth Workshops" to connect with the women.
- We strongly encourage both people to attend all meetings. If one does not, we will specifically seek social opportunities to engage with the non-attending client. We also will seek topics of interest to that person and communicate on those topics (by phone, email or letter) with him/her.
- We tailor our conversations to meet each of their communication styles and we intentionally partner together senior and junior advisers who have different styles that most closely represent those of the clients, junior adviser is responsible for monitoring body language during the meeting as well and looping in the spouse if it is apparent that they're disengaging.

Next Generation

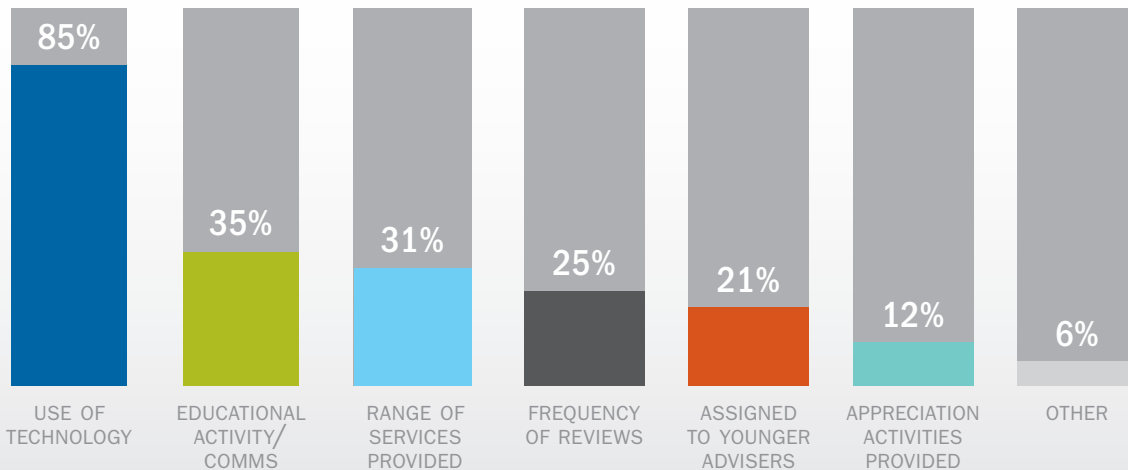
Advisers who are building businesses with long-term value are similarly focused on driving engagement with younger clients, whether those are the children of existing clients or, for some, because they are trying to attract younger clients to their businesses.

Today, advisers estimate that 19 percent of their clients are under the age of 40. The number is slightly higher for advisers who are under 40 (22%) compared to advisers who are 60 or older (15 percent). That said, a minority of advisers (42 percent) are proactively trying to attract younger prospects and even fewer (34 percent) are proactively working to build relationships with the children of existing clients.



Where communication does differ, advisers point to the use of technology as the primary differentiator. Advisers who are under 40 are particularly likely to communicate differently with their younger clients and more likely to use technology differently. Ninety-three percent of advisers under the age of 40 say they use technology differently with younger clients, compared to 76% of those who are 60 or older.

PERCENTAGE WHO COMMUNICATE DIFFERENTLY



Q: What is different about the way in which you communicate with younger clients?
Please select those things that are different and provide some comment on how they differ.

Respondents were asked how different aspects of communication are executed with a younger generation. A sampling of comments is below, with most focusing on frequency of contact and use of technology.

- As most are in the accumulation phase of their lives, the services they need are very different than someone in the distribution phase.
- Children work with Junior adviser
- Different material, e.g., college funding, saving for and purchasing a home, basic estate planning, and insurances
- Email them more often than older clients.
- Face to face is lower, facetime is better, email is best
- Have more virtual meetings
- Less instruction and hand-holding provided (as compared to older clients)
- Messaging and social media play a much larger role
- They tell me how they want to communicate
- They will read an electronic weekly one pager, they won't come to education seminars



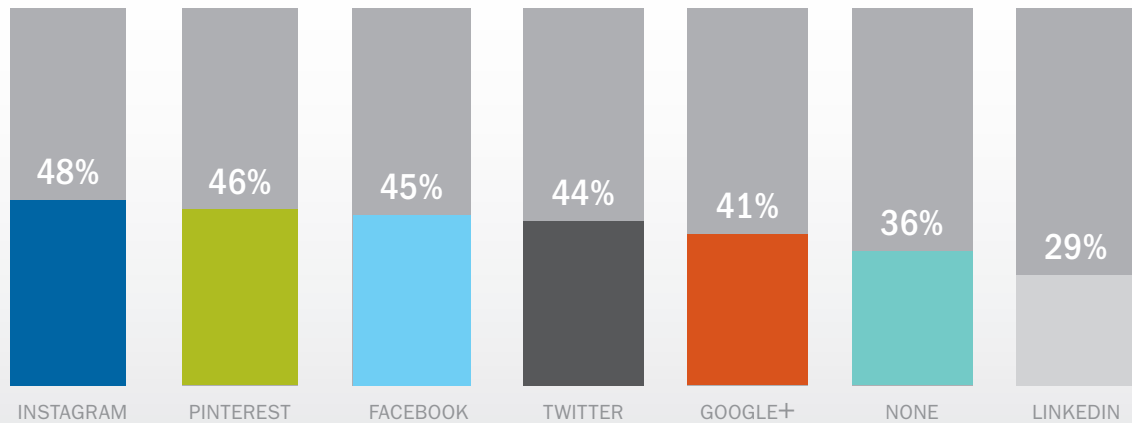
Social Media

There has been a great deal of discussion, across the industry, about the use of social media, including how it is used today and the associated compliance restrictions. In addition to taking stock on how advisers are using social media, the study examined if and how that is changing going forward. As the chart below makes clear, LinkedIn dominates for business, with steep drops down for all other types of social media.

SOCIAL MEDIA	DON'T USE	USE PROFESSIONALLY OR PERSONALLY	USE PROFESSIONALLY	USE PERSONALLY
LinkedIn (Profile)	15%	85%	82%	23%
LinkedIn (Groups)	42%	58%	56%	15%
Facebook	33%	67%	26%	65%
Twitter	63%	37%	24%	25%
Google+	64%	36%	22%	28%
Pinterest	86%	14%	1%	17%
Instagram	89%	11%	1%	14%

While there is some evidence that advisers may not be clear on if or how they are restricted in using social media (e.g. different advisers at same firm may respond differently), it appears that approximately 45 percent of advisers believe they are restricted from using most forms of social media, a number which does not always align with the reporting on usage (above).

PERCENTAGE OF RESPONDENTS WHO ARE RESTRICTED



Q: Does your firm restrict the use of any of the following for business purposes?
Please select all that are restricted by your firm.

Today, advisers primarily use social media to gather ideas to help improve their businesses. Fifty percent use it to find insights on improving their businesses and 44 percent to improve technical skills. Going forward, advisers indicate they will use social media less for gathering insights and more for pushing out their own ideas. Thirty-two percent of advisers say they use social media to share their own thoughts and ideas with both clients and prospects today, increasing to 43 percent in the next three years.

Use of technology

In order to gather the full range of input, the study included an open-ended question that asked advisers how they were using technology to enhance the client review process. A sampling of their responses are below; a full list will be made available.

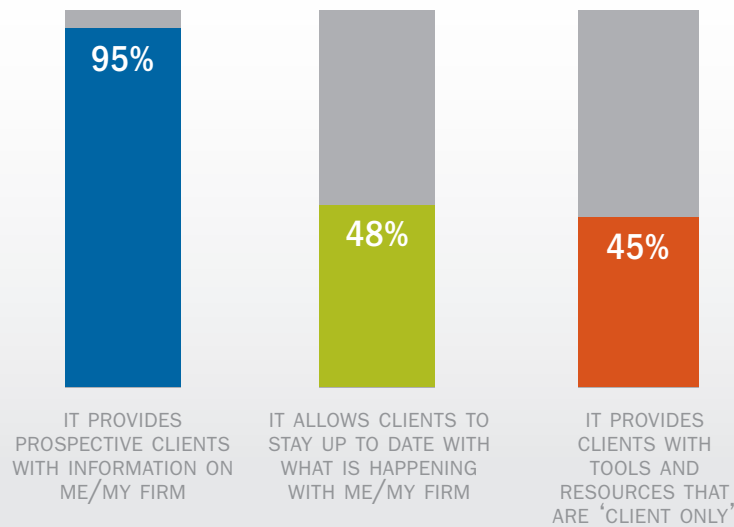
- 1. Usually use a 2nd monitor in the office for clients to view their progress toward their goals. Update during the meeting so client can see the impact of any changes. Print or email the report for their records. 2. Web conferencing
- 60" wall monitor - everything is displayed electronically. We may open the planning software and make updates in real time Evernote/iPad used to record notes
- Apple TV for in office meetings; Go-To-Meeting for client meetings not in our office
- Display portfolio performance on large screen TV, use interactive Excel spreadsheets (on the TV) to discuss client goals and evaluate scenarios, take real-time notes during client meetings (junior adviser)
- FinanceLogix for their planning scenario(s), mindmap their family tree, and Orion for their performance reporting and portfolio holdings, use iPad as needed to bring in other team members (we're multi-site)

- For the few web conferences we do with out-of-town clients, we've used join.me and Google Hangouts (for younger clients). For in person meetings, we use a very large, wall-mounted screen to be able to make changes in documents or in our financial planning software on the fly.
- Have large LCD screen in office where information is posted for client to review. This may include a charge/data etc. related to the financial topic of conversation.
- Hidden Levers.....it's fantastic
- I always have a book of different big picture economic charts to help discuss big picture trends in the economy and markets.
- I have 2 computer monitors (1 for me, 1 for clients) to view information directly off the computer; they see what I see & I can explain more easily.
- I often take notes on paper or on my iPad which I later email to myself and then clean up and enter into the client file.
- I use Dragon Naturally Speaking to dictate meeting notes into Junxure.
- I use Torrid Retirement View software, displayed on a 32" monitor. I may also use Excel spreadsheets.
- In addition to the plan & portfolio review, we have created a "pitch" book of sorts with economic data.
- Not yet although I do use join.me to share my screen if we are having a remote meeting
- To keep track of "homework" between me and clients, I use Trello. I have it open during our meeting and as tasks come up, I put them in Trello right then. Clients and I can see/update Trello with an internet connection. I also use eMoney Adviser's client-facing website to review account status, balances, transactions (trends), budgeting. I use Dropbox to share documents with clients. In some meetings, I may be asked to put copies of statements etc., into the client's Dropbox folder.
- We use a web based planning tool that allows for a more interactive experience

Advisers were also asked about their websites. Eighty-eight percent of advisers indicated they had a personal/firm website, primarily focused on providing prospects with information. About half of advisers reported having a website that provided clients with information or tools.



PERCENTAGE OF ADVISORS
WITH WEBSITES



Q: Which of the following describes your website. Please select all that apply

A sample of comments, from those advisers who provided tools and resources to clients, is provided below.

- A private client portal to access information about their portfolio and a “vault” to hold their non-investment financial documents (like tax returns, estate documents, and insurance policies).
- Ability to transfer assets, receive reports that I “send” to their e-account, view performance, etc.
- Access to account information: quarterly reports (includes our market commentary, portfolio positions/performance, management fee invoices) and paperwork (investment management agreement, custodian forms, etc.).
- Access to past newsletters and client web portal.
- Access to the client portal, recent articles, updated documentation such as privacy policy and ADV.
- Access to their portfolios, personal document storage (think Dropbox), more specific discussion of buy/sell rationales that we don’t want to release to the general public.
- Account Aggregator
- Calculators, estate planning and business planning library, client account view
- Client portal to view/download reports, etc. and upload information to us, investment commentary from our Chief Investment Officer
- I can send personal confidential information to their personal link to my website. I provide socialware, articles, and personal thoughts.
- Secure personal financial website with daily updates of all personal financial accounts, online document storage, online planning tools through personal website.

4 A VISION OF THE FUTURE

While responding to detailed questions on how they communicate now, respondents were also asked to think about the future and note any changes they felt were important. A small sample of the responses are below and fell, generally, into the following categories.

- **Alternative forms of communication (Facetime, Skype etc.)**
- **Expand ways in which they communicate (e.g. social media)**
- **Standardize the client communications process more clearly**
- **Personalize communications more effectively**
- **Technology to respond to increasing expectations**
 - 1. Introduce communication standards and inform clients about them.
 2. Launch regular newsletters
 3. Invite top clients to social events
 - Ability to deliver more via electronic format, for younger clients
 - As we continue to attract younger clients, I think we'll need to focus on more electronic communication, provide more podcasts and webinars.
 - Be more formalized and organized in my communications.
 - Changing demographics means fewer in-person meetings, more frequent "virtual" meetings.
 - Create a communications agreement, IPS for each client as well as a menu of services available.
 - Establish a more structured scheme of communication
 - Faster response time. More technology-focused tools. As a solo practitioner, it's critical that I respond in a timely fashion. Having a process for that (I don't currently) will be essential to maintaining great client relationships. While most of my clients do use social media, none have used social media to actually communicate with me. I use social media so referrals can see information about me. I also connect with all clients on Facebook and LinkedIn if they have accounts.
 - Going forward, we need to be more personalized in our communications with clients. We would like to have more personal communications such as specialized appreciation and educational events. Our client onboarding process is good, but needs to be great.
 - Have an actual process in place that would determine client understanding other than simply asking questions
 - More "life planning" oriented communications in quarterly news releases, with relevant, timely and important information, including changes in financial markets and tax issues. Also more targeted communications, rather than 'one size fits all' approach.
 - More lifestyle, life planning conversations in personal meetings and also group presentations.

We're implementing a strategy to have a "mind mapping" conversation with clients where we'll ask them about their values, interests, and personal/family relationships that matter most to them, in addition to questions related to careers/education, goals/objectives, assets/liabilities, income/expenses, network/team of advisers, communications expectations, investment experience and planning topics of interest.

- Need to systematize my client touches based on annual, quarterly and monthly per segment.
- Tailor communication based on client segmentation. Do a better job branding communication. More interactive - programs, seminars versus written material.
- Use a more thorough checklist when meeting with clients to make sure I am covering every issue systematically. This will keep all info continuously up-to-date
- Video conferencing to replace in person meetings over time.
- We have actually started developing a set of engagement standards that will outline preferred methods of communication, our response times, and restricted times during the week when we will schedule meetings. We're doing this to get a better handle on day-to-day workflow, so that the days don't run away from us.
- We need to figure out how to be able to text and still meet compliance rules/regs. Our younger clients are wanting to be able to reach us that way. Getting our social media profiles seen by more people (increasing the reach of our social media presence).
- We will have to be cognizant of the effects of the aging process.
- We will have to do a better job of communicating to women
- We will need to add to the ways we communicate to include more face-to-face, internet-based solutions like Skype or FaceTime. We also will need to create firm LinkedIn and Facebook pages for our clients/COI but it's essential that we have consistent, quality content to support these pages.



The comments outlined about speak to the degree to which advisers are seeking continuous improvement, despite believing that their process is perfectly acceptable today. For the industry, the implications are clear.

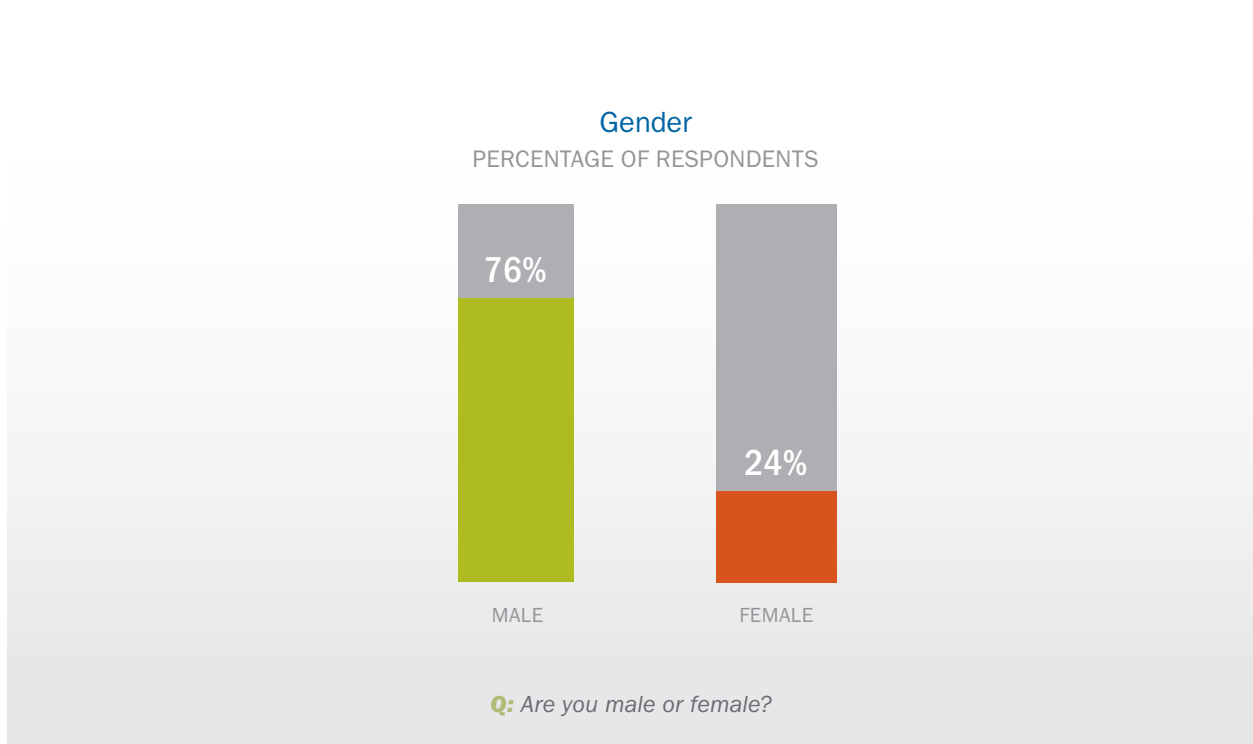
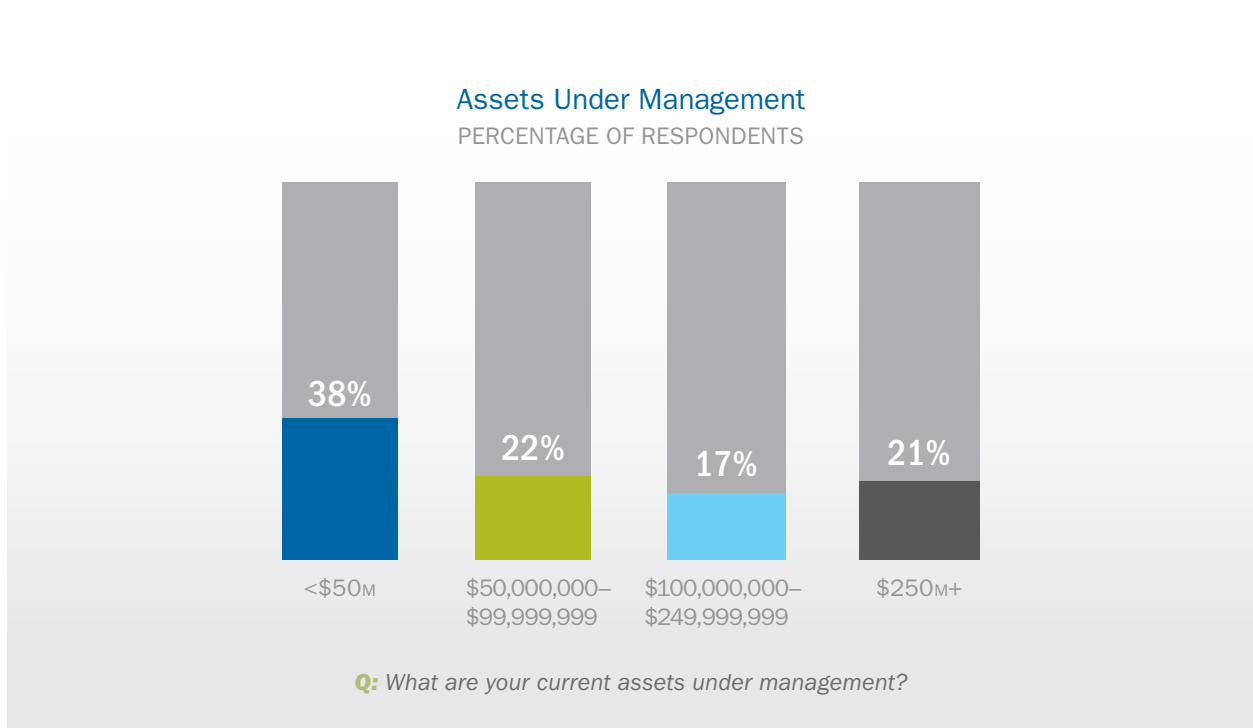
1. Lay a strong foundation by focusing on the activities that are most closely aligned with effectiveness
 - a. Formally define service standards
 - b. Communicate service standards on an on-going basis
 - c. Provide clients with clear documentation (e.g. IPS) and solicit their understanding
 - d. Gather feedback from clients
 - e. Structure your review process to provide consistency and incorporate ideas to help clients 'open up'
 - f. Use agendas and written follow-up to review meetings
 - g. Streamline the process of assigning and tracking meeting follow-up activities
2. Evaluate your process against shifting demographics and identify what, if anything needs to change
3. Focus on the quality of client reviews, not just the quantity, in order to drive deeper client engagement
4. Accept that technology will continue to play a greater role in client communications and examine key tools that will allow you to create a more engaging client experience

As a final note, review the comments of your peers carefully. They reflect years of collective experience and are sometimes the best source of new and creative ideas.



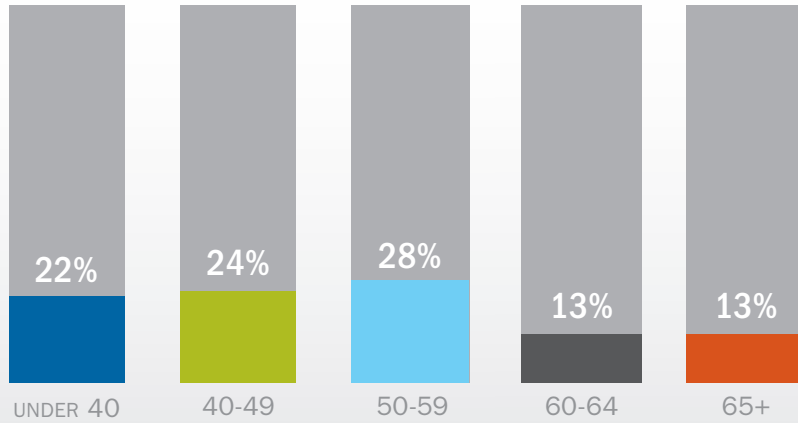
APPENDIX: PARTICIPANT PROFILE

The study incorporates input from 411 advisers across the country. Below is a comprehensive overview of the participants.



Age

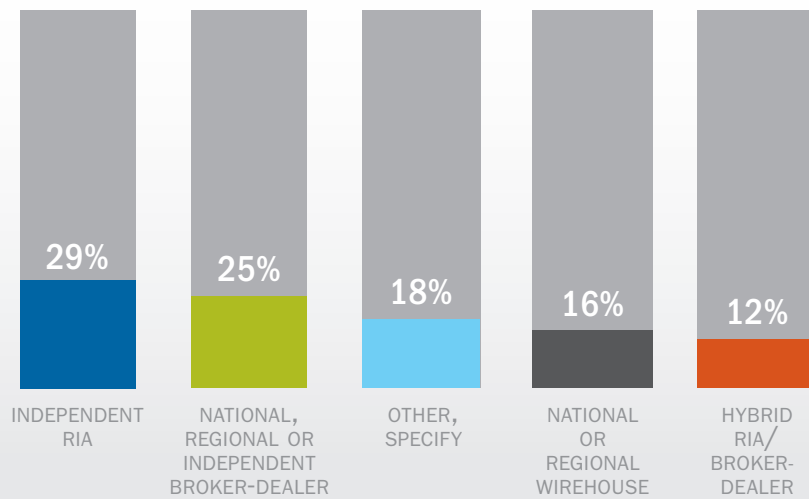
PERCENTAGE OF RESPONDENTS



Q: Which of the following describes your age?

Channel

PERCENTAGE OF RESPONDENTS



Q: Which of the following best describes your business model/firm?

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If you are a member of the media and are interested in interviewing an FPA leader about this report, or need assistance securing additional research, please contact:

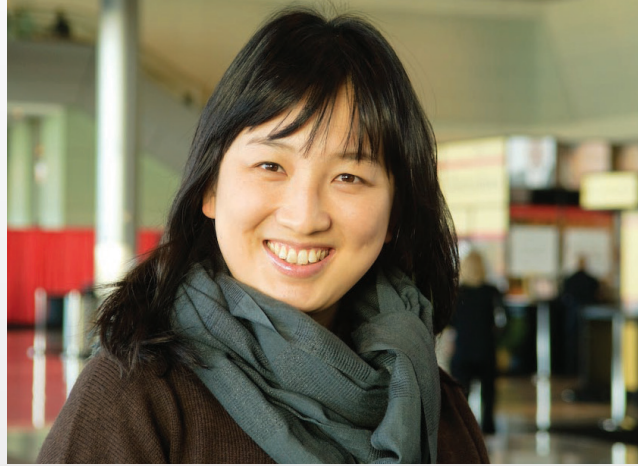
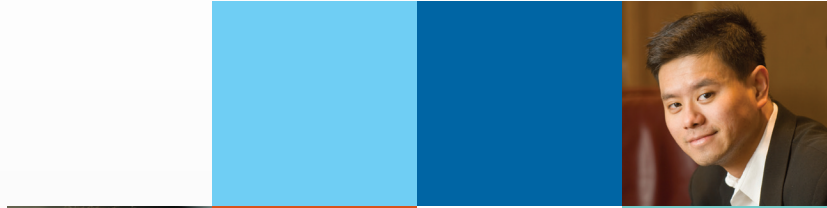
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