Culture, Communication, and the Next Generation of Investors

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When robo-advisors and the commoditization of investment management were first introduced a few years ago, many established financial professionals believed only a small minority of investors would opt for a purely technological investing experience. But recent reports appear to be rejecting this theory. One study has estimated that robo-advisors will manage $2 trillion by 2020, and that the fastest growth will be among assets that already are invested (Epperson et al. 2015). Indeed, it appears that the growth in the adoption of robo-advisors will occur among early adopters as well as investors who have existing accounts and existing relationships with financial advisors.

For veteran advisors, robo-advisors create a raft of concerns because of their extreme discounting, ease of use, low minimums, and comprehensive planning capabilities, all without ever having to meet someone face to face.

Other recent reports, however, dispel the myth that millennials prefer not to meet face to face with colleagues and professionals: “The responses of Millennials to the question of what channels of communication they preferred were surprising and run counter to much of what has been put forth in trade periodicals. Their most preferred channel is face-to-face followed by e-mail and texting” (Fenich et al. 2012).

Yet this group also represents the majority of robo-advisor early adopters. Therefore it seems clear that advisors are not connecting with the next generation of investors effectively.

The reasons many in the next generation of wealth resist meeting financial advisors in person are worth examining for advisors who want to succeed in the future. This article deconstructs several of the obstacles facing advisors as they try to connect with post-boomer clients. It presents a brief analysis of the financial-industry culture with a discussion about ways financial professionals communicate in an attempt to help advisors overcome certain challenges.

Be the Change You Wish to See in the World

Mahatma Gandhi’s words are a helpful reminder that change begins within. In order for advisors to approach an issue that affects the entire group, advisors must be aware of their own history and biases. Advisors must know where they come from in order to understand where they are now, and how their profession must evolve to thrive in the future. The following provides a brief reflective retrospective.

The stockbroker. Advisors who began careers more than two decades ago began as stockbrokers. Back then the concept of a financial advisor was not customary; the focus of the business was transactional, and so was the interaction with every customer. In this era brokers were selling products to customers who could not buy those products on their own. Brokers were giving customers access, information, and pricing. A broker’s ability to understand each product, describe what it was, and make it available to customers was all that was required to succeed in the business. This method of communication was, at that time, completely sufficient for normal business interaction with each customer. If advisors established their businesses during this era, this style of communication is a part of their culture, their language, and their identity.

The financial advisor in the ivory tower. Several years later brokers were renamed financial advisors. Titles changed and so did clients’ expectations. Instead of calling for quick trades, posting trades in black books, and plotting technical charts, advisors were expected to meet face to face with people, talk about plans, discuss long-term strategies, and provide results. The relationship between the financial professional and the customer changed, and so did the required skills, tools, and language. But despite an enormous shift in the daily tasks and conversations between clients and advisors, there was never adequate education or training on how to shift methods of communication. Most clients got used to
Madoff and Google. Lately advisors find themselves in a completely new era. They are still called financial advisors, but the term does not fit the profession. With criminals such as Bernie Madoff and headlines about identity theft and credit-card fraud, few investors remain content with taking an advisor’s word for it. Indeed, people are more fearful than ever of losing their hard-earned assets to a person who sounds smart. Many post-boomer investors completely distrust financial professionals and the Wall Street establishment. It is not unusual for people to google data points in an advisor’s presentation as the advisor is presenting. Building credibility and trust with investors no longer happens just by sounding smart, especially because so much information is widely available on the Internet.

Business in the digital world. As the relationship and dynamics between financial professionals and their clients evolved from transactional to consultative, so did the methods and pace of communication. Within a few years, advisors went from sending very important proposals, confirmations, and material through the mail to being expected to more rapidly respond via e-mail, or, depending on the nature of the conversation, via text. With the capability of personal devices, advisors must compete with automated communications and other services available around the clock. For example, a robo-advisor is open 24 hours of the day. However, advisors should fear not. Even though the pendulum has swung quickly in the direction of fast-paced automated communication, arguably so has the desire for authentic interpersonal relationships.

As advisors recognize the value of the human connection they can offer, they must also take into account the obstacles they face. To build trust, lead with authenticity, and support the interpersonal relationship established through the consultative process, advisors must first fully look inward, reflect on their history and traditions, and be aware of the culture they’ve been associated with. Acknowledging that no two advisors have had the same history or path, the following sections are meant to broadly address a few key components of communication that most advisors may find useful as they approach conversations with the next generation of investors.

Non-Verbal Communication and Surroundings

The most important thing in communication is hearing what isn’t said.
—Peter Drucker

In her new book Presence, Harvard Business School Professor Amy Cuddy explores first impressions and concludes that the most important traits to exhibit are warmth and competence. “From an evolutionary perspective, it is more crucial to our survival to know whether a person deserves our trust. If someone you’re trying to influence doesn’t trust you, you’re not going to get very far; in fact, you might even elicit suspicion because you come across as manipulative” (Cuddy 2015, 72, 74). Unfortunately, many investors already associate words such as “manipulative” with financial services professionals, therefore making it doubly difficult for advisors to establish trust from the start.

If trust often is established in the first moments of meeting someone, then what can advisors do to improve their first impressions? Knowing that the ivory tower reputation of the financial industry is one that turns off many would-be investors, how can advisors reduce this perception from the start? Think of the following analogy: Many people loathe going to the doctor and absolutely despise going to the hospital. In response, many healthcare providers have strategically located smaller, less intimidating outpatient clinics in communities where people live. Similarly, many post-boomer investors loathe the idea of stepping into the lobby of a financial services office. So the best bet for a positive first impression is to meet these clients where they are most comfortable—outside the office. If business must be done in the office on the first meeting or any subsequent meetings, advisors should take inventory of all the ways the office is meant to convey an ivory tower mentality. Or, on the flipside, ask the question, “How does the layout and feel of the office demonstrate to the client that the firm, the advisor, and all the support put the clients first?”

Here’s a brief description of a few observations new millennial investors might make as they visit an office for the first time:

- Large offices: The same way people ask where their money is going when they donate to nonprofit organizations, investors are keenly aware of overhead costs. Investors may question if their fees are supporting pricey real estate when the same work could be done efficiently from a laptop in a smaller shared space.
- Plaques on the wall: Many investors already have researched the biographies and credentials of every team member online before accepting this meeting request. Instead, a white board or space for communicating digitally (because many clients travel or may prefer online conferencing) shows the wall space is for clients.
- CNBC and headlines playing on a TV: Some investors may question why an advisor would watch cable TV to get information. They may wonder: If this advisor has the same access to information that I do, why would I pay them?
For millennials, TV news is old news, like reading what happened two days ago in the paper.

• File cabinets: Most communication is done digitally, so file cabinets, to some investors, may seem like an inefficient and antiquated use of costly office real estate. To many millennial investors, the more important question would be: How much has the firm invested in the highest level of cyber security for client assets?

Verbal Communication

Think like a wise man but communicate in the language of the people.

— W. B. Yeats

Understanding non-verbal communication is paramount to the building of trust. The reality is that even if advisors are able to make a great first impression, most business is done via verbal and written communication. Before an advisor picks up the phone or writes that e-mail, another pause for reflection is imperative.

Listen first. Even though the name of the job is officially financial advisor, it is critical to remember that the best advice can only happen when a person actively listens, gathers as much information as possible, and then asks more questions. The way an advisor listens often builds more trust than any advice given. The next generation of investors has grown up in a very specialized world where people thrive in their very specific fields of expertise. Therefore, whether dealing with a doctor, a mechanic, a plumber, or a child’s teacher, these investors seek out those professionals with whom they feel immediate trust, find to be credible, and who will listen to their values and intentions and be able to repeat them back with total clarity. They recognize that they might not understand 100 percent of the specialized tasks performed by these specially trained individuals, but they want full transparency and a setting that allows them to ask questions, engage in the process, and feel they’ve been heard. Post-boomer investors believe the best work and outcomes happen with collaboration, and that requires specialized professionals to listen well and communicate in a way that demonstrates equal exchange, respect, and shared desire of positive outcomes.

Avoid jargon. Jargon is the verbal method of portraying the ivory tower in conversation. It diminishes trust in conversation because jargon is language that (whether intentional or not) makes clients feel they have an inferior understanding of the situation. When an advisor uses industry-specific terminology, some investors completely shut off because they feel alienated and isolated in the conversation. Now, in all fairness, financial jargon has its purpose. There are certain situations, tools, methods, strategies, metrics, and analyses that have specific names that allow financial professionals to understand a complex concept with as little as a single word. To use the medical analogy again: Doctors discussing a patient’s condition or performing a procedure will use all manner of necessary medical terminology. That does not make it any less scary or intimidating to the patient. A successful physician is one who can convey specialized knowledge of a patient’s condition to the patient in the patient’s own vernacular. The use of financial jargon with investors, particularly when attempting to create an inclusive environment that invites non-financial professionals into the conversation, is completely unnecessary and creates the ivory tower dynamic that eradicates trust, comfort, and engagement.

Where to Begin? Inward is Best

Meaningful change begins with a sincere assessment of self. First, a reflection on history, culture, and biases is imperative in order to take into account all the ways an advisor has been shaped. Second, look upon the non-verbal cues from the perspective of a new investor and ask, “Is the environment I am creating one that is inclusive, promotes partnership, and builds trust?” Third, recognize all the ways advisors can show clients they are listening by being 100-percent focused on what a client is saying. Lastly, advisors must use language that invites people into conversations instead of excluding them.

These concepts, put into practice, will give advisors the best opportunity to build trust and create a necessary bridge to the next generation of investors. If today’s advisors can develop perpetual self-awareness and practice inclusive non-verbal and verbal communication, their expertise and passion for helping people will have the chance to shine through. When offered the choice of working with an advisor who demonstrates dedication to the profession and commitment to authentic human connection, few investors—regardless of age—will choose a robo-advisor over meeting face to face.

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References


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