YOUR HIGH-Net-WORTH CLIENT STRATEGY

It’s What They Want, Not What You Know

By John D. Anderson and Allie Carey
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Editor’s note: This article presents results and analysis of two recent surveys sponsored by Independent Advisor Solutions by SEI. It covers 375 responses received to the July 2018 SEI Advisor Online Survey and responses of 347 high-net-worth investor households (investable assets of $1 million to $4,999,999 million) to a survey of affluent households conducted in partnership with Phoenix Marketing International in May 2018. Additional secondary research was also incorporated.

When was the last time you were truly delighted by a service experience?

As consumers, we all relish great service—whether at our favorite coffee bar, hair salon, or restaurant. Positive experiences convert us into loyal customers. And we tell others.

If you’ve had the privilege of staying at a Ritz-Carlton property, no doubt you were impressed—especially on your second visit when they welcomed you back. They’re so good at service, they sell it in the form of training programs for other organizations. For years, the Ritz-Carlton Leadership Center has refined its Gold Standards service model to help others improve customer engagement.¹

Service quality frontrunners, such as Porsche and Nordstrom, also know that catering to customers, and consistently delivering an exceptional, personal experience, makes for good business. The concierge physician service model offers a timely and relevant parallel for the advice industry. By charging an annual fee and restricting their patient loads, physicians deliver highly personalized medical care—unheard of in traditional channels—such as same-day appointments, preventive and wellness care, and fast, 24/7 response times.

In the advisory business, high-net-worth (HNW) clients expect exceptional service in many facets of their lives. Yet there is no standard for what constitutes exceptional service in the advisory service industry.

In this article, we share our proprietary research about what HNW investors expect from their financial advisors and offer a definition that exceeds vague industry jargon. Our focus excludes multi-family offices, which tend to serve ultra-high-net-worth families and are more closely related to private wealth management practices.

Participants in our advisor survey primarily serve the emerging and mass-affluent market segments ($125,000-$250,000 and $250,000-$999,000 in investable assets, respectively). Just under one-third of respondents’ current client base (28 percent) meets our definition of a HNW advisor.

Guided by our research insights, we discover that trust—rooted in tailored, highly personal service—is the currency of success for advisors serving the often-elusive HNW market segment.

**TERMS OF THE TRADE**

**HNW investor:** For purposes of our research and this article, we define HNW investors as those households with $1,000,000-$4,999,999 in investable assets.

**HNW advisor:** Many advisors aspire to be or think of themselves as HNW advisors, but we qualify true HNW advisors as those whose client base predominately (70 percent–plus) comprises households with $1 million or more in investable assets.

**Platinum Rule of Advisor Service:** We define this high level of service as being 100 percent focused on the client. It means learning everything you can about your client so you can exceed client expectations and anticipate client needs. It’s possible only when you ask clients what they expect. It is achieved by listening, understanding, and executing. The best advisors constantly look for ways to reduce sources of frustration and capitalize on opportunities to improve the experience.

The Platinum Rule of Advisor Service is also:

- **Personal:** Communications and advice are customized and thoughtful; e.g., client calls don’t go to voicemail, there are no generic email or marketing mailings
- **Highly responsive:** Immediate recognition of calls or inquiries—even if you don’t know the answer
- **Empathetic:** Deep understanding of the client’s feelings and concerns
- **Error-free:** Zero tolerance for errors of any kind
- **Consistent:** Every client interaction is met by the highest standard of excellence
- **Complete:** Non-negotiable follow up and follow through; all commitments pursued to conclusion
“Wow-able:” Goes above and beyond what is expected; delivers a level of service that surprises clients in the best possible way.

Seize the opportunity of the sizeable HNW market:²

The global volume of net investable assets of HNW individuals will increase by about 25 percent to almost US$70 trillion by 2021.

Holistic wealth management will emerge as a new kind of digitalized business model. Holistic wealth managers are expected to gain a market share of 30 percent by 2025.

Wealth managers with traditional business models will largely disappear from the market as a result.

CLIENTS, NOT ADVISORS, DEFINE GREAT SERVICE

Visit any advisor website and you’ll find that virtually all claim to be committed to excellent service. Yet our research finds that financial advisors don’t focus on what HNW clients want; they focus on what they know themselves. This can inhibit their ability to develop fully trusting relationships with clients. In HNW circles, service can vary from one client to another and shift over time. A couple may have met with you in your New Jersey office for 15 years. Now they want to meet with you near their second home, a thousand miles away. Some clients are more tech savvy than others. So, texting may be a great way to communicate with some, but others want a personal phone call or a video conference. Research shows that age is not the determining factor—personal preference is.

Suffice it to say that your HNW clients may define great service differently than you do. In the digital age, it’s also worth noting that poor service can blemish your reputation. Dissatisfied customers are more likely to report poor service. In fact, Americans tell an average of 15 people about a poor service experience, but they tell only 11 people about a good experience.³ Research also suggests that people heed negative reviews more than positive ones.⁴

SATISFACTION WITH PRIMARY ADVISOR

One of the most promising insights from our survey is that most HNW investors are satisfied with their primary advisor relationships. Nearly half, or 47 percent, are “very satisfied.” Most (85 percent) rated their satisfaction a 6 or 7 on a 7-point scale (see figure 1).

These findings about client satisfaction underscore the need for advisors to capitalize on strategic partnerships to handle administrative, investment, and client support functions. Doing so can enable you to focus on what your HNW clients value most: personal interaction with you. These partnerships also can help you establish the standard, efficient workflows and consistent experience that HNW clients value and demand from their advisors.

SOURCES OF SATISFACTION

We asked advisors, “What is the most important reason for your client’s level of satisfaction or dissatisfaction?”

They responded with the following ranked top-three reasons:

1. Trustworthiness and dependability
2. Ability to resolve problems
3. Overall relationship

But when we asked investors about the reasons for their satisfaction or dissatisfaction with their advisors, they responded with a different set of ranked top-three reasons:

1. Overall relationship
2. Trustworthiness and honesty
3. Investment performance

Not surprisingly, investor research shows a strong correlation with advisor satisfaction and returns on investments. It’s important to note, however, that most HNW investors have enjoyed robust returns over the past decade.

Satisfaction rankings could be different in a bear market.

TROUBLE AHEAD? WHEN “SATISFIED” ISN’T ENOUGH

Satisfaction alone, though, may not be reason enough for investors to stay with their current advisors. The high-end customer experience agency Albatross CX observes that mere satisfaction is not a point of differentiation and does not create either loyalty or advocacy. Albatross CX insists it takes meaningful and memorable experiences to build relationships with this market segment: “Don’t think about how to satisfy customers. Think about how to engage them by building emotional connections.”⁵ It’s crucial to dig beneath the surface of satisfaction to understand customer experience, discover the most essential customer profiles, and learn what drives customer happiness.

Our industry has tracked investor loyalty for decades. Most advisors know that their clients have relationships with other advisors. But consider that the number of HNW clients who consult with four or more institutions for personal financial guidance has grown by more than 30 percent in the past five years (see figure 2).⁶

Investors say they believe the value of advice outweighs the cost of the advice—and our survey participants acknowledge that—but they also say they would check with their current advisors when looking for a new product or service. These product conversations open the door for you to deepen your relationships.

WHY DO CLIENTS WORK WITH MULTIPLE ADVISORS?

More important, how can you stop your clients from looking elsewhere and leaving you? Here are some warning signs to watch for, and some potential solutions (see figure 3).⁷

The first red-flag finding from our research is that about one-fourth (24 percent) of all respondents cite risk
as a reason to work with multiple firms. Many also cite access to best-in-class or innovative investment opportunities, but just 8 percent cited lower fees.

You need both knowledge and professionalism to oversee the multidimensional aspects of an affluent client’s financial affairs. According to Matt Oechsli, “The days of one-dimensional investment advice are over.” To effectively serve HNW investors, you can’t do it all; you cannot be a do-it-yourself portfolio manager with a limited product or service offering. You need to be innovative. You have to offer the broadest solution suite possible. That’s why outsourcing makes sense. When you outsource, you become the gatekeeper, not the manufacturer; the quarterback, not the salesperson.

The second red-flag finding shows that clients think about moving their accounts once they achieve what they consider to be significant assets—enough wealth that requires more complex solutions. When HNW investors who recently switched advisors were asked, “What prompted your search for your current financial advisor?” nearly half (43 percent) said they had accumulated enough assets; another 24 percent attributed the switch to a financial event. You may think you have a high client retention rate, but our research reveals that your clients could easily be thinking about leaving.

**WHAT HNW INVESTORS WANT**

Our research finds that HNW investors and advisors share similar goals. Investors seek to grow or preserve wealth, and advisors expect account values or wallet share to grow. Both investor and advisor benefit from working together, but the investor ultimately must trust the advisor for the relationship to succeed. The advisor’s business-owner mindset tends to focus on increased control and time savings, but these priorities must be balanced with tailoring meaningful interactions with HNW clients. Our research shows that investor trust and the perception of relationship value build on five essential ingredients: flexibility, relevance, transparency, simplicity, and guidance.

**THE TRUST FACTOR**

We call it the “Platinum Rule”—treating clients as they wish to be treated—an interpretation of the traditional “Golden Rule” (treat others as you would like to be treated). Our research shows that the key to unlocking success with this client segment, above all, is trust. It is a keystone that investors value to sustain productive relationships with their advisors.

In the digital age, trust is harder to earn and sustain. The 2018 Edelman Trust Barometer reveals that “trust in the U.S. has suffered the largest ever recorded drop in the survey’s history among the general population.” Although the...
advice industry is by no means singled out, many financial advisors and institutions contend with this notion routinely. Even if a business has not been directly involved in a loss of trust issue or event, trust in the many can be tared by the behavior of the few.

People are skeptical. You need to demonstrate your trustworthiness in every interaction and transaction and show that you understand what clients want out of their relationship with you.

CEB, in its 2018 Client Experience Survey (n=229), asked HNW investors who already had reported taking action on their advisor’s guidance at least a quarter of the time, if they trust their advisors enough to take their guidance at face value. Forty-four percent stated they would, but only 26 percent feel they are getting enough information from their advisors to accept their recommendations. In addition, our advisor survey showed:

Advisors overwhelmingly agree (91 percent) that trustworthiness and transparency are important characteristics to their HNW clients. You need to ask yourself “What are we doing to create and strengthen trust?” An overwhelming majority (84 percent) also believe their clients would recommend them to a friend or family.

**PERSONALIZATION AND TAILORED COMMUNICATIONS HELP BUILD TRUST**

Our research substantiates that personalization—in both investment advice and communications—is a significant success driver in the advisor–investor relationship. HNW clients reveal to you, in great detail, all sorts of personal and financial specifics in the intimate process of discovery. Satisfied HNW investors find more value in an advisor who provides personalized advice than in any other aspect of the advisor–investor relationship (see figures 4 and 5).

We can conclude that HNW investors appreciate tailored communications and are turned off by routine mass communications. Satisfaction also peaks among HNW investors when they receive personalized advice from the advisor.

In our research, we asked investors about the most important services they received from their primary advisors. The top responses focused on communications: prompt follow up, the right amount of contact, clearly explained financial analysis, and an expert eye on the portfolio for problems or opportunities.

At least nine in 10 HNW investors who said they are satisfied with their advisors (by assigning a 6 or 7 on a scale of 7) said they value effective and frequent communication. One way to make these clients happier is to tailor thoughtful and relevant communications for them.

**Make it personal**

Imagine this scenario: One of your clients has just spent a couple hours with you going over options that best allow her to care for her elderly parents and send her teenage children to college. She has been your client for many years and you’ve helped her map out a solution. Her stress level is high, but you reassure her that she’s prepared.

She leaves your office exhausted and hungry, yet confident that she can succeed. When she pulls into her driveway, she gets an email notification. She pulls it up on her phone and it’s from you. The subject line says, “Three things you need to do after having a baby.” This email is not relevant to her life at all. You know that, but she’s on your master mailing list. In a best-case scenario, she rolls her eyes and deletes the email.

But it’s more likely that she will feel annoyed. She’ll wonder if you just heard anything she just told you less than an hour before. You have negated the personalized experience you created for her. Will she ever read another email that comes from you? Be aware of the harm mass communications can cause. Don’t be your own worst enemy.

If you’re not sending personalized, tailored communications, why would a client think you are delivering personalized advice? A communication is advice; it’s something that is worth the

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**MOST VALUED ADVISOR ATTRIBUTES**

Percentage of HNW clients, global, 2018

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Looks out for my best interest</td>
<td>54%</td>
</tr>
<tr>
<td>Provides strong financial return on investments</td>
<td>50%</td>
</tr>
<tr>
<td>Tailors advice to my financial needs</td>
<td>44%</td>
</tr>
<tr>
<td>Delivers quality service</td>
<td>43%</td>
</tr>
<tr>
<td>Helps progress toward achieving financial goals</td>
<td>35%</td>
</tr>
<tr>
<td>Provides a unique perspective</td>
<td>21%</td>
</tr>
<tr>
<td>Saves time</td>
<td>20%</td>
</tr>
<tr>
<td>Motivates to take action to improve financial situation</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: CEB 2018 Client Experience Survey; n=253

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**VALUE OF AN ADVISOR WHO PERSONALIZES ADVICE**

<table>
<thead>
<tr>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High to very high value</td>
<td>63%</td>
</tr>
<tr>
<td>Unsure</td>
<td>1%</td>
</tr>
<tr>
<td>Very low to moderate value</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: CEB 2018 Client Experience Survey; n=253; Total does not equal 100 percent due to rounding.

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client’s time to read and digest. If it isn’t relevant, the trust in your advice will diminish. It also shows that you don’t think your client’s time is valuable.

We can see that communication is important in the relationship dynamic. However, advisors have work to do in this area. More than half (56 percent) of the advisors we surveyed do not differentiate service and communications across their client base. Just under half (47 percent) do not distinguish communications frequency by segment. Personalized communication can be an easy way to continuously prove your value.

**BEST PRACTICES FOR BUILDING TRUST AND ELEVATING SERVICE FOR HNW CLIENTS**

Client trust in an advisor evolves as the relationship grows from simple transactions to more meaningful engagement, as shown in figure 6. Ensuring that growth in trust requires advisors to know their clients and anticipate their needs. Below, we describe some ways that advisors can discipline their practices to encourage client trust.

**Hone your niche and segment clients**

Niches come in all sizes and shapes. The narrower, the better.

- Don’t confuse a target market with a niche. Many advisors believe they’re pursuing a niche, but in reality, it’s a market segment. For example, “HNW investors with $1 million in investable assets” is a target, but it’s too broad to qualify as a niche. Middle-aged HNW investors with special-needs children in their geographic area is a niche. That kind of focus enables you to specialize your expertise, your vocabulary, and your relatability. More important, it brings what HNW investors want and what you know together in a credible and sincere way.

- Our research reveals that only about a third (31 percent) of the advisors who participated in our survey service a niche. That means the other nearly 70 percent are scrambling to define their value proposition as generalists.

- Those survey participants who do serve a niche offered up a broad range of examples, such as police officers, employees of major companies in their area, investors interested in responsible investing, and the military.

Almost two-thirds (64 percent) of advisors who participated in our survey segment their clients. The criteria they use aren’t surprising. Account size and willingness to refer like-minded investors are clearly chosen for the expediency of advisors—not clients. Our 2018 advisor survey respondents rank the top three criteria for segmenting clients as: by assets under management (AUM), by AUM plus past referrals, and by revenue. Traditional segmentation among advisors follows the alphabet—your A/B/C/D clients. But that approach won’t advance your success with HNW clients, because it’s not client-focused, it’s advisor-based.

Fewer than 10 percent of advisors segment their clients by service offering, despite the findings of our investor research that show HNW clients want a different/higher level of service from their advisors. Segmentation by service also gives staff the ability to have more tailored and personal interactions with clients. It also gives them the opportunity to better anticipate client needs.

Our advisor survey finds that most (56 percent) do not distinguish service or communications across their customer base—a significant opportunity for advisors to better tailor their services for HNW clients. Consider segmenting your clients by life stage or persona.

**Start by crafting personas**

Don’t assume that all HNW clients are alike, or that they want to be serviced in the same manner. Personas are created through research, surveys, and interviews of your target audience. That includes a
mix of customers, prospects, and those outside of your contact database who might align with your target audience.

Develop service models for each of these three constituencies (customers, prospects, and those outside your contact database), and then tailor the models for each individual’s experiences, goals, needs, and expectations.

**Carefully craft your value proposition**

We often write about the importance of a strong and clearly articulated value proposition. A value proposition is not a tagline or slogan, but it may inspire one. It is the essence of your value and should permeate your business and service model. It helps you articulate what that value is.

Your value proposition is about your client, not you. It should identify the clients you service, their obstacles, and what you do to serve them. The best value propositions are clear and concise. Try to condense your message into two sentences. They also should be:

- **Distinctive:** Distinguishes the value you offer versus the value your client can’t get elsewhere. Emphasize benefits, not features. Don’t explain your investment process, explain what outcomes your client or prospect can expect—such as reduced costs and expenses, greater control, and greater convenience.

- **Targeted:** Addresses the needs of your target market. What problems do they need to solve? What’s not working for them?

- **Measurable:** Describes quantifiable outcomes and benefits and provides a reason for your prospect to take action now.

- **Defendable:** Provides evidence that supports your claims and helps reduce your client’s risk.

- **Sustainable:** Stands the test of time and can be delivered consistently.

Spend the necessary time and effort to craft a compelling value proposition, because it informs your firm’s service, sales, and marketing efforts. If you don’t have the skill set, or if you don’t have someone on staff to help you, get help from an experienced marketing professional. Your business partners, the local chamber of commerce, or the business department of a local university also may be good sources.

Use plain, simple language. There is no advantage to using industry-speak when you’re talking to clients. Keep your target client in mind and express your value proposition using terms and an emotional tone that clients can relate to.

The value proposition formula: I/We specialize in [solution you deliver] for [ideal customer] who [needs help with the pressing problem you address.]

**Assess and fine-tune your service model**

Now that you know your niche and your segments, target persona, and your value proposition, you’re primed to design a service model that will ultimately deliver your client experience. A part of that service model will be your communication strategy.

Personalized communications are paramount. Our research underscores the desire among HNW clients that their financial advisors provide greater, deeper levels of personal service. Great service isn’t what you think about your performance; it’s about what your customer thinks about every interaction—with you and your team.

Specifically, HNW investors want their advisors to:

- Provide a consistent service
- Propose customized solutions
- Understand their financial needs and goals
- Look at their entire financial situation
- Understand them and their family’s situation

Provide clear meeting agendas and goals

Collaborate on solutions to meet their needs

Maintain the right amount of contact

Use the following as a template for fine-tuning your service model:

- Model your service processes as you do your investment process. Firms that want to establish and nurture trust should focus on improving transparency. Just as you have pains-takingly described and illustrated your investment process, commit the time to help HNW clients understand how your firm is organized to serve their needs.

- Be disciplined. Outline all the steps—everything from how you greet customers when they visit your office, to how you answer the phone and record messages, to how you plan and prepare for meetings. Build workflows for these key steps to help ensure consistency across each experience. Share these steps and processes with your clients so they know what to expect when interacting with you or your team.

- Whom do I go to with a question? Who does what? It can sometimes feel like a black hole. Those investors who are satisfied with their advisors are serviced by a fairly even distribution of servicing approaches. The team approach among HNW investors may not always be the way to manage HNW accounts. Our research shows that slightly more of the satisfied accountholders are serviced with the help of a junior advisor or a staff member (44 percent) versus the lone advisor (39 percent).

- Set expectations. Let’s face it, our industry is intimidating to many people. You have the opportunity to put clients at ease by setting expectations and clearly explaining how you’ll make their financial lives easier.

- Transparency provides the opportunity to build deep trust between you and your client. It can alleviate
anxiety for your client, for your team, and ultimately for you. An established service model helps eliminate the need for them to worry or wonder.

Think of transparency as another service you can offer. Pulling back the proverbial curtain can help you set expectations, reduce questions, and build trust. If you provide transparency, your client will be more willing to be transparent with you.

Promote transparency between employees. Foster collaboration and teamwork.

**KEY TAKEAWAYS**

The combination of insights that successful advisors have shared with us serves as a guide for financial advisors who aspire to serve HNW clients:

1. **Create client journey maps for your client experience.**
   - Understand the areas that can build trust in the client relationship.
   - Look for bottlenecks and challenges from the client's point of view (using personas).
   - Review the map for opportunities to add “wow” service.

2. **Consider adding strategic partnerships.**
   - Clients perceive risk in do-it-yourself approaches.
   - Smaller firms may not be perceived as sufficiently capable of servicing larger clients.
   - Strategists and centers of influence bring depth and diversification to your offering.

3. **Integrate systems for scale and accuracy.**
   - Building trust means doing things (including the little things) right every time.
   - Workflows built into your customer relationship management software can provide consistency and help you avoid dropping the ball.
   - Integration allows for scale while still delivering customized advice.

4. **Review personas, journey maps, and workflows often.**
   - Help ensure consistent growth and attention to client needs.
   - Evolving clients may change, so keep up with them.
   - Use surveys, focus groups, and firm case studies to help you stay on top of your game.

Wealth creates opportunity and complexity. Serving HNW clients can be both rewarding and challenging. The demands of HNW clients are taxing, their preferences are varied, and competition for their business is fierce.

HNW clients want their financial lives to be understood deeply and managed holistically. Beyond mere asset selection or allocation, they want you to understand all their assets and their liabilities, their cash flow and spending habits, their tax situation, and their fears and aspirations. They want you to work with their accountants and estate planning attorneys; they want to co-plan with you.

More than anything, they want to be able to trust you. They want you to listen and be flexible and relevant; they want transparency and simplicity. HNW clients want and need your guidance—they expect a new breed of support, which is advisory rather than product-driven. That means you need to ask deeper, better questions. You also need to clearly articulate your value proposition and define how you deliver comprehensive wealth management services that are highly personal, consistent, and designed to impress.

**4 ENDNOTES**

9. Ibid.
10. 2018 LiquidHub Study on Client Experience, exclusive for SEI.

SeI Survey, HNW Services, July 2018, n=375
SEI Consumer research, in partnership with Phoenix Marketing International, May 2018, n=347 HNW Investors

Information provided by Independent Advisor Solutions by SEI, a strategic business unit of SEI. Services provided by SEI Investments Management Corporation (SIMC), a wholly owned subsidiary of SEI.

The types of investors have been categorized by SEI based on shared demographics we found meaningful to distinguish between our study responses and are for illustration only. SEI and the individuals, firms and companies mentioned herein are not affiliated. Opinions expressed by them are their own.

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