

This is for investment professionals only and should not be relied upon by private investors.

# How Profitable Practices can build client trust



**One of the most important, if not the most important, aspects of keeping your practice profitable are your clients and the relationship you have with them. Yet when Morningstar asked advisers and their clients what they look for within the advice process, they found a disconnect between what they found valuable.\* This suggests there's an opportunity for advisers to further understand client needs and educate them on the real value of advice.**

But where to begin? Financial advisers are known to have an enormous depth of technical knowledge and market understanding. However, you may need to work on your soft skills too.

These soft skills are often referred to as EI (emotional intelligence) and are becoming increasingly more important. Especially when it comes to understanding the motivations, behaviours and worries of your clients. They can also help build trust over the long term.



## Why are soft skills so important?

For some, talking about money can be uncomfortable, so being able to speak to your clients clearly and with compassion can help you to help them quickly. Sharpening your soft skills could

also encourage clients to open up to you, giving you the chance to assist them as best you can and in a way that may be more cost or tax-efficient.

Whether it's asking difficult questions in a tactful way or taking the time to listen to your clients' needs and making them feel understood – soft skills like these can open communication channels and solidify your relationships with clients.

Maintaining these long-term relationships with existing clients is crucial to profitability and is more cost-effective than acquisition. In fact, findings from the Investment Trends 2019 UK Adviser Technology and Business Report, suggest that many financial advisers are now focusing efforts on retention rather than new client acquisition.

# Helping clients in volatile times

At the end of the day, your clients are paying you to advise them, not agree with them. So sometimes tough conversations need to be had. And in times like these you'll need to be able to reassure clients that the plan you've developed together is the right one. Remember:



## Time in the market beats timing the market

When conditions are tough, clients can get uncomfortable and want to change course. This can be detrimental if it's an irrational and ill-advised decision. Trust is paramount. In fact, results from an [FT Adviser](#) poll on readers' attitudes to risk, highlighted clients are not afraid of paying high fees as long as "their adviser provided the other two Ts - tailored advice and trust".



## Understanding behavioural finance is useful

Behavioural finance looks at the different psychological biases that humans use subconsciously, to try and understand complex investment decisions. Understanding these biases can help encourage a more rational approach to investment decision-making - something advisers are very good at but clients often struggle with.



## Prospect Theory

Dr Kahneman and Dr Tversky's Prospect Theory won a Nobel Prize in Behavioural Economics. It states that people don't experience equal levels of emotion to equal gains and losses, but rather suffer more pain at a monetary loss than they experience joy at an equal monetary gain. It's worth brushing up on this subject to understand your motivations and reactions a little more.

# Positive effects on your business

It's not only your clients that benefit from EI - it's also your business. Interpersonal skills could help you run your business, develop your team, interact with suppliers, and improve your industry standing.

Soft skills will also help you find and connect with clients, giving them reason to trust you and to stay once they're on your roster. Like anything, clients may shop around before choosing an adviser, so being more engaging and genuinely interested in their lives and goals can help set you apart from the rest.

Not to mention, clear communication can also help you mitigate regulatory risk, especially in a post-MiFID II era. So, as you can see, the value of EI goes beyond advising clients - it can touch almost every element of your business.

# How to improve your soft skills



## Record sessions

To help you stay engaged, you could record sessions with clients, so you're not distracted taking notes. It also helps asking open-ended questions (where the answer is anything but yes or no) so your clients are free to expand as much as they like.



## Be open-minded

As everyone is different, they're going to want different things, and have cultural and generational differences. Take the time to be genuinely interested in their situation. By understanding these nuances, you can gain a deeper insight into the goals, aspirations and motivations of your clients.



## Read emotional cues

When a client shows strong emotion – such as frustration or stress around their finances – use empathy to show you appreciate where the emotion is coming from, which will encourage them to elaborate and be more honest about their financial history and life goals.



## Be positive & optimistic

Your positivity and enthusiasm can be infectious and will help your client feel more confident, which will lead to greater levels of trust, perhaps more than when rational, technical solutions are presented.



## Ask for feedback

This can be a little awkward, but it could be useful to understand what clients appreciate about your way of working. Even better if they find something that can be improved, as you can use this to both develop and build ever-deeper relationships.



## Talk about yourself

Clients often want to know about the person sitting in front of them – after all you're someone they're going to trust with their hard-earned money. Being open about yourself can help them relax and relate to what you're saying better.

You can also measure your emotional intelligence, giving you the chance to understand where you can improve. So it's worth considering taking a test, such as the MSCEIT test, developed by academics at Yale and the University of New Hampshire.

## Remember to balance IQ with EQ for success

At FundsNetwork your business is at the heart of ours, and we're always on the lookout for ways to help you improve and grow. That's why we've put together our Profitable Practice series.

For more help and support, take a look at the [rest of the series](#) and discover other areas that could help you drive greater profitability for your business.