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Adviser Study Quantifies Value of Client Centric Practices

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Financial advisers who engaged in 'know your client' behaviours and practices had greater rates in the growth of clients and referrals to new clients, according to a three-nation survey of advisers.



AFA Chief Executive, Phil Kewin

The "Know Your Client" Benchmark survey was conducted among 300 client-facing advisers from Australia, New Zealand and the US between July and September this year and found those who used the behaviours and practices had 72 per cent higher net client growth.

The survey also found those advisers also had 56 per cent more clients willing to recommend their services to family and friends.

The study found these rates were common among 'behaviouralist' advisers who used new tools and technology to focus on their clients' actual behaviours and not just what clients report or say.

This segment of advisers saw significantly higher client willingness to recommend, double the referral rates and nearly triple the net client growth rate compared to other advisers.

The survey questions aimed to identify the specific building blocks advice professionals can and should engage in to know their clients, spanning foundational to advanced behaviours and techniques.

"...advisers who have strong relationships with their clients have strong businesses"

The study also found that advisers find more personal fulfilment from deeply understanding their clients, and those highly proficient in knowing their client spent more time directly engaging with family of their client and were 40 per cent more likely to discuss aging-related lifestyle transitions, as well as cognitive decline, with their clients and families.

AFA Chief Executive **Philip Kewin** said the study confirmed the Association's belief that the human aspect of the advice relationship was important to both advisers and clients.

"It reveals that advisers who have strong relationships with their clients have strong businesses. Advisers with strong client relationships can potentially deliver superior outcomes, because they have a genuine understanding not just of the client's specific needs, but also of the client as an individual," he said.

The study was supported by an international coalition, which included:

- Association of Financial Advisers
- Financial Planning Association
- Portfolio Construction Forum
- Financial Advice New Zealand
- Berkeley Executive Education (USA)
- Capital Preferences (USA & New Zealand)
- T. Rowe Price (USA, Australia & New Zealand)

Portfolio Construction Forum Managing Partner and Dean, **Graham Rich**, said 'know your client' was one of the foundations of financial advice but this research was the first to measure its value in the advice process.

"There is surprisingly little measurement – and certainly no industry benchmark – for how well financial advisers really know their clients," Rich said.

"Continuing to scientifically explore attitudes and behaviours around people and money is critical to delivering quality financial advice outcomes, so the Forum is delighted to actively support this ongoing study," he added.

The benchmarking survey has been re-opened until November 15 to provide other financial professionals an opportunity to benchmark their client understanding practices against those of their peers, and financial advisers are invited to participate.

Those who do so will receive a customized benchmarking report that enables them to measure their “know your client” methods against those of their peers, and the wider advisory community.
