The fine art of communicating with clients

David Maida | financialalert | 27 February 2014

Communicating with clients is one of an adviser's most important responsibilities. In the modern world, the options of how to do this are many. We spoke with industry leaders about their preferred communication methods, how frequently advisers should contact clients, and what to do if something goes wrong.

The Financial Markets Authority (FMA) leaves the field wide open for advisers to communicate with clients however they wish. "FMA considers that you can provide financial adviser services by telephone, email, internet, video conferencing or face-to-face, or in any combination of these or other ways," the relevant FMA guidance note reads.

Marie Quinn has been advising clients since the mid-1980s and now runs a financial services practice bearing her name. She categorises her 250 clients by hierarchy as either A, B or C and that determines how she communicates with them. "It may not necessarily be someone with a lot of money who needs a lot of attention. You get to know the people who need a lot of attention," Quinn told financialalert.

Some people don't mind if they don't hear from you for quite a while but others certainly do. "It takes a while to get someone's trust but then once you do, you rapidly work out who will be uneasy about change, for example, and need a lot of hand-holding through change and who will just accept an explanation without worrying."

Quinn said most of her clients worry about money to some degree which is why communication is so important. She believes the ones who worry the most are actually those who have too much of it and vice versa. "I get somebody in where I keep thinking: 'I wonder how these people are going to make it through retirement.' But they're as happy as Larry. They think they're pretty well off, really."

The way Quinn communicates with her clients has changed significantly since the mid-1980s. She sends out a quarterly newsletter and her house-view on the markets monthly via email. "I do a lot of business on email. I find that's changed my life completely. I can send out valuations and then just get people to come in to do the essentials."

Almost all of her clients are online and prefer to be contacted via email. "So, I'm in touch with them constantly. I make it clear to them that they can ring me anytime at all. I think they feel reassured that I'm constant."

Quinn said sending out fund details via email gives her clients time to think about it before they decide to make a change to their portfolio. She prefers email to phoning clients because she said she would have to explain everything over the phone. Then she would need to do a written follow-up anyway.

She encourages all her clients with larger portfolios to come to her office for their annual review. She prefers not to visit clients in their home because she feels her office setting is more professional.

Quinn is set up for videoconferencing but never uses Skype with clients.

As for the message itself, Quinn relies on the old adage "Keep it simple, stupid". "You can explain things to them in simple language," she said. "They make the decision and then you're there to hold their hand. I think that's the basics really."

One of the most important tips with client communication, Quinn said, is to be interested. She has seen advisers come along in her career thinking giving advice will just be an easy way to make a lot of money - but they don't have any idea how to connect with people. "You can't rush things. It's quite slow to get to where you want to be. It's no good if you're impatient. It's no good if you think it's going to make you a lot of money overnight."

Rather, if you lay the foundations of communication with people from the beginning then if a problem arises, they know you will listen to them.

She said she's never lost a client and that's been just a matter of getting to know what the client wants. "Only about one person out of 10 wants to be rich really. The rest are just wanting the money to be organised and working for them."

SHARE CEO, Scott Black, said that between email and phone, some of their advisers are able to semi-retire and travel overseas while still communicating with their clients - as long as the client has more long-term holdings and not an active investment strategy. "There is quite a set-and-forget aspect to that," Black told financialalert.

Black said advisers with this type of client might only need to ring them once a year. "It's just to make sure nothing has changed in their life - that their time horizon, risk profile, and needs haven't changed and that investment is constantly being managed and monitored and reweighted and rebalanced by investment professionals."

SHARE advisers have $300 million under management. The firm has the highest number of Authorised Financial Advisers (AFAs) of any independent group in New Zealand, at 34.

Clients receive a six-monthly financial report showing which funds are in the portfolio and possibly some recommendations. Plus, SHARE has its own quarterly newsletter which rounds out the client communication framework. "Some clients you may talk to every three months. Others might be once every two years."

Black said that he personally believes advisers should be phoning clients at least once a year, particularly if the adviser is receiving a trail commission or a renewal stream. He believes a face-to-face should be done at least every two years.

"For some clients, because of their circumstances, those touch points will occur at a much higher rate."

The client should be able to select how they're communicated with and how often they meet with you, he believes. "A smart adviser would be matching the style, the method and the frequency of communication to individual clients and then using software like client management systems to be able to easily and efficiently communicate with a client in the way they want."

Unfortunately, it doesn't always work out.

"There is still too much commentary that I hear throughout the industry of people saying: 'I haven't seen my adviser for years. I wouldn't even know who he is anymore.'"

Black said this type of situation is more common with insurance and mortgage brokers than investment advisers.

Steve Helmich, director of advice and client solutions at AMP, told financialalert that despite the availability of videoconferencing or social media communications, most clients still prefer face-to-face, phone or email.

"I don't think there's one method that works better. It tends to be a horses-for-courses kind of thing," Helmich said.

AMP has around 214 AFAs. There are no communication guidelines or standards. Helmich said it is up to the advisers to tailor their methods and avenues with their clients. But, he said, it's best if at least the first meeting is face-to-face. "Face-to-face is great but it depends on the communication. For an initial meeting with a planner, if they can do it face-to-face and really go through that process of establishing goals and understanding that, that's ideal."

It is in line with most other professions that the first meeting is face-to-face, Helmich noted. Then, communication can be via email when things are happening or changing. An annual chat by phone or face-to-face might work for some clients whose situation is not that complicated. Quarterly meeting can be used for clients who need more attention, he said.

"I don't think you should set a minimum. I think that should be determined between the planner and the client about how often they should contact or get together."

Helmich said newsletters over broader topics can be handy twice or so a year, but it's important that electronic communications don't become impersonal. "One of the most important things for planners in communicating is to listen. Years ago, someone told me you've got two ears and one mouth so use them in that proportion."

Advisers should be able to say back to the client what their goals are and how they're feeling.

Helmich encourages advisers to watch the acronyms. "Clients should be an acronym-free zone. What tends to be the terminology in Australia where we have things like TTR which is transition to retirement, you should never say 'TTR' to a client." Unless you have been saying 'transition to retirement' over and over again in a meeting with a client and then tell them you're now going to refer to it as 'TTR', it's best to leave the acronyms for use with your peers.

"There are too many acronyms. You don't want to be giving your clients a guide to all the acronyms that you use. You want to talk to them in simple plain English. Acronyms aren't part of simple plain English."

Helmich said advisers need to be proactive to make sure clients have understood properly. It's not uncommon for clients to pretend to understand something an adviser has said in an effort to not appear ignorant, he warned.

"It's really important along the way to have checkpoints. 'Are you OK on this? Do you understand that point? Should I go through that again?' I think you've got to have these little touch-points with the client as you're explaining things to make sure they're on the track."

But, the main thing the client needs to understand is that their adviser cares for them and is listening to them, Helmich argued. "The adviser gets to understand the client's position and from there they can make solid recommendations which have the client's best interest at heart."

But, sometimes communication breaks down. If things really go wrong, an adviser can finds themselves in front of a disputes resolution service.

Trevor Slater, general manager of Financial Services Complaints Limited (FSCL), told financialalert that when they dig down to the root of a problem, poor communication is often to blame. "A greater majority of complaints is always about: 'But I thought this was going to happen.' Or: 'I thought this is what the policy was going to do.'"

The primary complaints against advisers are: "You didn't tell me... You didn't mention... I thought it was going to do this."

The client and adviser might not even realise that what appears to be a dispute may be a communication problem. "I've seen many cases in my many years in this industry where quite literally I'm sitting across the table from one person who's saying almost the same as what the other person is saying but in a different way that's being misinterpreted," Slater told financialalert. FSCL often finds itself playing more the role of an interpreter between adviser and client.

Slater agrees with Helmich - the onus is on the adviser early on in the advice process to make sure they are being understood. "I think it's one of their biggest challenges is to ensure that the message they're sending is the message that's being received by the people they're talking to."

Slater suggests adviser go beyond simply asking their clients if they have understood something and instead go the extra mile and actually ask the client specific questions about what's been discussed, so the client is repeating points back to the adviser.

"Be aware of how you're communicating right down to the micro stuff – the words you use, how you phrase it, whether you speak fast or slow. It's all those things. You need to be aware of the difference between the way you communicate and the way the other person communicates."

Jargon, like acronyms, is to be avoided.

Another thing for advisors to watch out for, Slater said, is when they're speaking with people from another generation – the adviser is already at a disadvantage and needs to adapt. "Just think about friends or family that you have in that generation. How would you talk to them to get your point across? Don't ever assume that they're going to get it straight away."

Slater also warned to be careful about appearing to be talking down to someone. He said to take clues from casual conversation. You would obviously talk differently to a client who is a bank executive than a client who was a bricklayer because their base of common knowledge would be different. Even littlest things can become a factor. Slater knows of people who like to be referred to a certain way such as Mr or Mrs. Advisers should look at how clients refer to themselves both in conversation and in writing and adjust their style of communication to that of their client. For example, if the client is soft-spoken, don't be loud.

"We tend to like people like ourselves. If we like somebody and we get on with them, we can have great conversations with them... If you're not like them, if you're very opposite, your message is not going to get through."

On the phone, Slater said advisers should follow two golden rules. Always ask their clients if they're happy to talk on the phone about the particular matter at hand. And, always ask if now is a good time or if you should ring back.

Interestingly, Slater is of the view that email can sometimes prevent messages from getting through. "With emails, we can miss the point entirely sometimes. We can get too informal. We can try and tell a joke. It makes good communication harder but it's balanced against the convenience of that communication."

Again, Slater said, advisers should take their lead from the client and their email style. If a client writes short and sharp, then the adviser should do the same. "If they have emails written like letters then you should be communicating with them in the same way. It's all about doing similar things to what they do because we tend to like people like ourselves."