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## Financial Advice and The Challenge of Change

*"The secret of change is to focus all of your energy, not on fighting the old, but on building the new."– Socrates*

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## 1. INTRODUCTION

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You should all be honored to be called financial advisers. With each passing day, people around the world have found peace of mind by simply embracing the genuine guidance and leadership of financial advisers.

## 2. WHAT CLIENTS WANT

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Clients seek advice on a wide variety of financial planning issues. While they generally may have investable money, they also wish to explore how their money will affect their lives.

However, many of the financial relationships they maintain are built on investment strategies, performance comparisons, technical analysis, and tactical repositioning. These clients feel like the planning element of the relationship is missing, yet they struggle to articulate it because their current adviser calls the existing narrow relationship-financial planning. Many clients feel a sense of security aligning their business with a big-name asset manager or product provider, but when it comes to having their financial planning needs addressed, the relationship falls short. In fact, when it is time to do serious financial planning, they will likely look to use you to help them.



The clients of to-day know that there is more to financial planning than investment advice and they are expecting an expanded host of services from you. They want to work with an adviser who cares about their overall financial well-being, not just the money they can manage. They want an adviser who will communicate with them in a warm empathetic manner and show a genuine interest in helping them achieve their goals and dreams. To-days clients are seeking individual financial advisers whose relationship is based on a financial planning proposition. They are looking for trusted advisers who will deliver advice for life.

They want someone who will always use a formula for financial planning that represents a strategy that includes every aspect of their lives when any recommendation is offered.

FASEA <sup>1</sup> requires you to help your clients work out what their objectives, financial situation, needs, interests (including long-term interests), current circumstances and likely future circumstances are. It will therefore not be enough for you to limit your inquiries to the information provided by the client; you will need to inquire more widely into the client's circumstances. Further, FASEA also asks will your advice and recommendations improve the client's financial well-being? How do you do this? What do you need to do to in your client engagement, discovery and advice process so that you can consider, (and show that you have) the client's broader, long-term interests and likely future circumstances? This is the challenge that change brings.

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**1 Section 961B of the Corporations Act read with FASEA Standard 2.**

### 3. A NEW POSITIONING BY ADVISERS

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You need to consider positioning yourself to serve clients by delivering on-going advice and offering tangible solutions to meet their needs as these are destined to maintain high client retention rates.

If you built your advice businesses centered on meeting with clients in person you used to have a much greater opportunity to understand the emotions and resistance clients have toward making decisions in their financial lives. Now, post COVID, clients are wanting to have digital meetings and you have been challenged in new ways as you try to understand your client's emotions and reasoning and then guide them to making smart decisions when you engage using Zoom or Microsoft Teams.

We know clients are best served when the relationship builds through the conversation, not projections and analyses. Clients of to-day have needs that go way beyond traditional financial planning training. They want to rely on you, their adviser. They will seek wisdom from you in several life event areas that include purchasing a car, planning for an overseas trip, moving into retirement, coping with a divorce, or selecting the right investments for their planning goals.

More than anything they want to know that you are willing to offer guidance on non-financial issues pertaining to their life's goals, as well as quantitative knowledge when it becomes time to crunch the numbers. There is an enormous demand for these services from pre retirees and the mass affluent market. When you can uncover the unspoken emotion about money in a client's life, the resultant impact will truly be life changing for both the client and you.

Ultimately, you must keep clients focused on what matters most to them in their lives. Market volatility seems so insignificant when we are forced to face life's largest hurdles and uncertainties that any change can bring.

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### 4. FINANCIAL ADVISERS EMPOWER AND LEAD

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As a financial adviser you are in the enviable position of empowering your clients to examine their financial lives in ways never imagined. In these times of economic uncertainty, client leadership skills are needed more than ever before. It is time for you, (if you have not done so already) to heighten your understanding of the significant responsibility you accepted when you were granted an ASIC license and ensured that your clients know that your leadership is something that can be counted on. Because when clients do know this, you will have earned clients for life.

No doubt you transform people's lives. In fact, there is belief that when the process of financial planning is delivered to clients with authenticity, integrity, honesty and compassion, the profession of financial planning elevates in relevance. To further raise the standing of financial planning in Australia it is incumbent upon the professional associations, mentors found in the industry, product providers who support financial advisers and FinTech's building software that supports adviser planning, CRM, and engagement – to constantly assist advisers on building authentic leadership skills, because without them and the necessary support in a changing world of advice, advisers will lack a critical skill in the life-long client relationship-building process.



## 5. THE LEADERSHIP ROLE OF ADVISERS

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One of your roles as a financial adviser is to inspire your clients to envision their dreams. You know when to play devil's advocate. You know when to ask just the right question, and you know when you need to stop talking and allow your clients to think, talk, and consider alternatives. As a great financial adviser, you love giving advice - and you are willing to put that advice in writing, be it a file note, SOA or ROA.

Undoubtedly, you pride yourself on your ability to guide your clients through a myriad of potential outcomes, present arrays of perspectives and raise your client's confidence so that they feel they made smart decisions. When you talk to your clients in a manner that fosters trust and allows for the exploration of possibilities, your skills as a leader distinguishes you as trusted adviser who can become revered by the clients you serve.

In the end, lifelong relationships require you to focus on patience, wisdom, guidance requiring an increased focus on soft skills as much as analytical training and computational skills. Lifelong clients view you not only as their go to planning person, but as their champion. Becoming an emotionally intelligent adviser and learning the skills that go with that is simultaneously challenging and rewarding to those willing to change their client engagement, discovery and advice process.



## 6. THE PROCESS OF PLANNING

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The process of financial planning serves as the glue that ties client relationships together. The Financial Planning Standards Board (FPSB) changed their 7-Step Comprehensive Financial Planning Process<sup>2</sup> to guide CFP® professionals so that they can deliver their value to their clients in a more organized and empathetic way. The steps are:

- Understand a clients personal and financial circumstances
- Identify and select goals
- Analyze the client's current course of action and potential alternative courses of action
- Develop the financial planning recommendations
- Present the financial planning recommendations
- Implement the financial planning recommendations
- Monitor progress and update client's information

The above formula has been changed so that it now has a balance between both the quantitative and qualitative sides of financial planning. Just so, behavioral finance has also been added to the FPSB competency model thereby ensuring that advisers can understand their clients better and help them not only maintain, but also achieve a better quality of life.

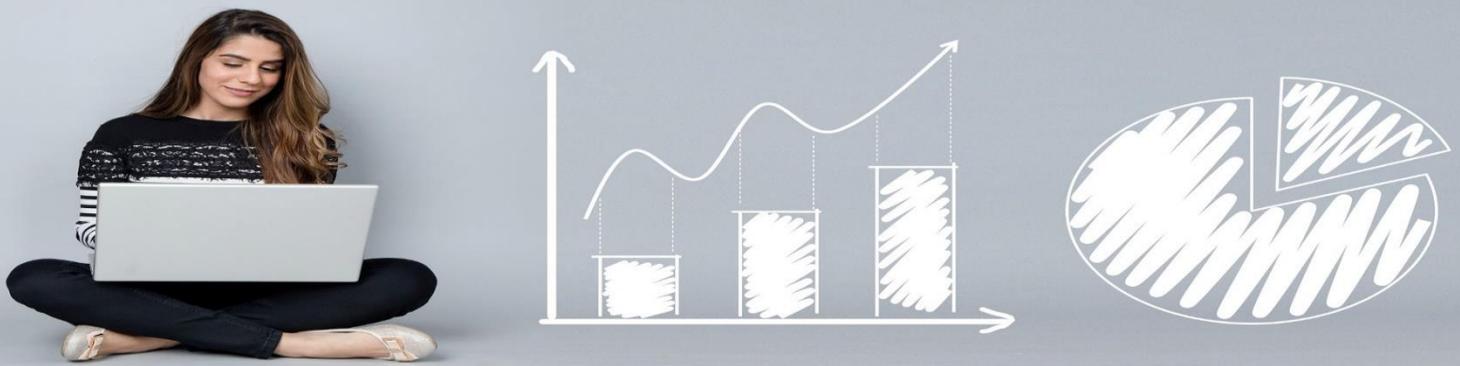
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*2 The 7 Step Financial Planning Process | CFP Board*



This process serves as the peace of mind component in the client adviser relationship. The continual guidance, advice and sound strategies must cover the areas of Life risks, Family risks, Wealth risks and ongoing Legacy risks. These can be thought of as the glue that binds the emotional components in the lives of clients, to live the analytical side of their financial life. When capital protection issues are addressed and maintained, clients share confidence in their ability to protect their family, their health, their income, their wealth, and their legacy.

As the projections and analyses come into the conversation, you need to continually review the net assumed growth rates used for your clients aggregated net worth. By multiplying your client's net projected growth rate by their net-worth you can begin to show clients the changes in their financial wealth.



A client's net worth is a snapshot of their life. Without having a clear picture of the comprehensive asset and liabilities of a client's financial status, is it appropriate to implement investment strategies for them?

Moreover, you have a responsibility to verify their client's data within the net worth statement. You should never allow clients to simply tell you what they have. How can you "know your client" or "place the interest of the client first" without having ensured that your client's financial position is true and correct? And then what happens when there is a change in a client's circumstances and the plan must be reviewed or results in a different course being charted for the client?

## 7. MAKING THE CHANGE - BUSINESS OPTIMISATION

Financial Planning is a diverse field, one that touches many different sectors. From communication to psychology to economics to human behaviors and more, financial planning sits at an intersection of these ideas, combining them to help clients achieve their goals. Yet none of this will be possible without first acquiring the education and skills to be a financial adviser and then making the step change to building and growing a successful financial advice business. The challenges of change cannot be navigated successfully without ongoing business optimization. When practice management is implemented successfully it allows you to leverage off your business infrastructure and resources to deliver the services of financial planning to your clients.

This is the challenge you face – delivering the services of financial planning in a way that is valued by your clients, year after year, as they embrace the challenges of change with you. This is where your energy must lie, this is where you build the new and make a meaningful difference in the work that you do.

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