Move from Client Satisfaction to Client Loyalty: The Power of the Life Planning Approach

by George Kinder and Kirk Loury

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Practice in Action! is a business coaching solution designed specifically for small- to mid-sized financial and wealth management firms seeking accelerated business performance.

Using a unique combination of distance learning and the on-the-ground strength of Action! Groups (a pre-assigned accountability group of ten peer professionals), topics move quickly from concept to execution to results.

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Client satisfaction. Client loyalty.

These two characteristics would appear to be on the same continuum, but are they really? Client Satisfaction research identifies a "satisfied" client as one in which the last transaction (or last set of transactions) met expectations.

Think about the business risk with a satisfaction-level approach. Events beyond your control, even consistent with a normal business cycle, may produce unnerving "transactions." If you asked a client about his or her satisfaction and were told "everything is fine," the subsequent weeks and months could bring: 1) a period of poor investment performance, 2) a negative headline for an investment firm used in a portfolio, 3) or a delayed service response to a client's request. That formerly satisfied client may be ready to shop for a new advisory relationship unbeknownst to you.

Loyalty, as defined here, illustrates a major advancement from the temporal condition of satisfaction:

> "A customer is loyal to a particular marketer and/or service provider, when he decides to stay with the marketer and buy its products for a long time irrespective of the price and other non-monetary factors. Customer loyalty is the creation of benefits for customers so that they maintain or increase their purchases from that organization."
> (Anderson, H. and Jacobsen P. O. (2000), Creating Loyalty: Its Strategic Importance Customer Strategy, Journal of Marketing Management 10, 55.)

We can say that a portion of every advisory firm's client base is loyal. However, two strategic questions are at hand:

- "Is the portion of loyal clients at a sustainable level if an internal or external shock were to occur at the firm?"
- "Is this portion a strategic asset that generates enterprise value?"

The hard edge here is satisfied clients are at risk in the face of an uneven service transaction; loyal clients remain unmoved and are an asset.

Going Beyond the "Numbers" to the Inner Substance of an Advisory Relationship

When it comes to wealth and its management, advisors look to investment solutions as the means (or the currency) that result in client satisfaction. After all, when a prospective client comes into a financial planner's office with a bundle of confusion, anxiety, and aspirations, and leaves with an elegant financial plan and a companion investment solution, isn't that the completion of the service cycle that motivated the desire for advisory help in the first place?

Stylistically, this may be the case. However, far deeper than style sits an inner, qualitative foundation that wealth either enables or hinders. An advisor that **invests** in building this foundation acquires wider latitude in the client's interpretation - or causality – of unfortunate events that naturally occur across a long-standing service relationship.

We intentionally use the term "invest" in describing the relationship foundation. The fact is, it takes more time and diagnosis to dig deeper into the client's motives and purposes for needing financial advice, and the payoff, like most financial investments, likely won't be immediate.

Let me give you an example. A client of mine came into my office with a clear desire to acquire a beach house for the purposes of family gatherings. You could call this desire a "memory-maker" asset. Most financial planning approaches would dutifully go about factoring the acquisition costs and the timing.

To the practitioner's self-interest, a relationship investment early on plays out in a dimension that judges you not from a "numbers" view only but in enabling aspirations.

Life Planning, on the other hand, asks the deeper question: "What sits at the heart of this need for these memories?" The client responds, "I want to have more time to spend with my family." Instead of fulfilling this desire in the future, the far more substantive solution finds the means to free up time and resources now so memory making isn't artificially delayed. Life Planning works to bring the meaning of life-fulfilling goals forward in time to the degree that resources permit.

To the practitioner's self-interest, a relationship investment early on plays out in a dimension that judges you not from a "numbers" view only but in enabling aspirations. This reflects money's duality for the client: while it can be a source of pain, it is necessarily an enabler of opportunity.

Competing within a Tighter Range

You, as an advisor/counselor, are a knowledge worker. The knowledge you display involves topics such as economic interpretation, capital market interactions, investment product features, technical indicators, portfolio theory, data flows, and execution requirements. (Note: The knowledge you present must be at a higher level than the prospective client, otherwise there would be no reason to pay for a commodity already possessed. This necessary precondition for seeking advice must answer this question: "Do you have more knowledge than me about financial planning and investing?")

Unfortunately, technology and investment product standardization (with a good dose of regulatory boundaries thrown in) combine to substantially narrow the range of knowledge capabilities that one advisor can demonstrate compared to another. This is not to say that knowledge differentiation is lost but the competitive range is tightening. We see this in the growing domination of indexing and ETFs in investment solutions and, necessarily, lesser prominence of separate accounts, research-driven portfolios, and proprietary investments. Nor is this a U.S. phenomenon. In the U.K., it is now a regulatory requirement that the advice package be fee-only with elimination of product-level compensation.

Competing as the Designer

While the tools of your knowledge trade are becoming more commodity-like, your creative application of these tools is not. This is the design dimension.

Two sculptors peering at the same block of marble and with the same sculpting tools will create two separate works. Say an art lover commissions a sculpture. To win the commission, each sculptor will gather the patron's purpose and preferences and then produce a prototype. What leads the patron to select one prototype over another?

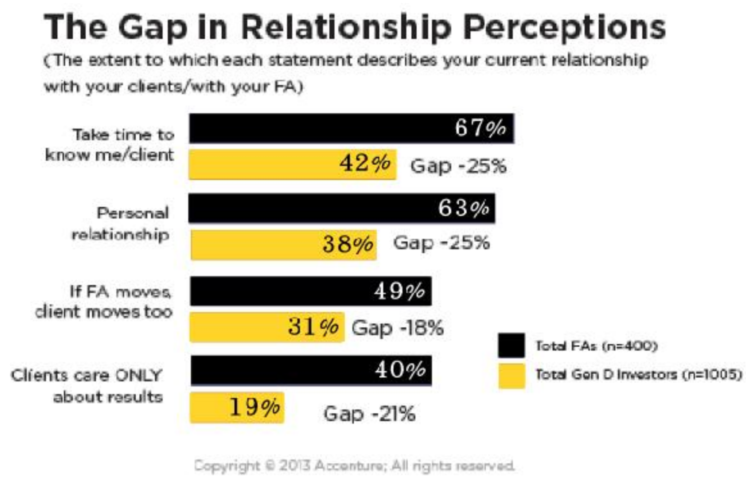
While both artists had the same descriptive inputs, the chosen work produces a common thread that **enlivens** the patron's emotional intent in the work itself. Both artists understand, for example, that a face has two eyes, two ears, a nose, and a mouth. The winning artist, however, takes this basic anatomy and brings forward a facial expression indicative of a soul beneath.

Once this emotional connection is set, the patron will be similarly moved each time his or her eyes set upon the sculpture. Not only does the artwork express the inner connection of the patron, but the sculptor rises to a high standing as the designer/creator. The patron seeks the sculptor's other works; others in the patron's network hear the story of how inputs led to design; most significantly and years later, the patron can tell with precision the moment the emotional connection was made. This is loyalty to the experience the sculptor created.

The losing prototype? It may be appreciated for the skill that went into making it (i.e. "I sure couldn't do this myself."), but it's hardly noticed thereafter. There's a gap between the artist's creativity and the patron's ability to value it on a personal dimension (and not in the monetary sense!).

The Real Loyalty Gap

Accenture, in a recently published study, identified significant perception gaps between what the financial advisor thought was being delivered and what the client wanted.



The loyalty proxy is best shown in the statement: "If FA [Financial Advisor] moves, client moves too."

This is an extreme statement, since should it be true, the sustainability of the firm itself is reduced. (Note: this also collides with the former firm's risk of trade secret misappropriation by the departed FA.) Yes, loyalty occurs at the individual FA level, but it is the firm that holds this loyalty as a strategic asset. Therefore, at the firm level, the better question is:

> "Should an economic shock occur or a key employee leave, will our clients remain loyal to what we believe in and the solutions we've implemented?"

What do you see in these other gaps? I see advisors doing their best to identify the client's data points but missing the client's aspirational context beneath the veneer. In this gap rests a transactional relationship. Remember, satisfaction aligns with meeting transactional expectations; loyalty creates relationship benefits.

The Missing Emotional Connection

Prospective clients may come to you with "money" concerns (or however you want to characterize the motives for the office visit). Sitting down with you, the prospect describes these concerns, often expressed in numbers:

1. I make $X.
2. I'd like to save $X for retirement.
3. The cost of college is $X.
4. How am I going to retire on $X?
5. Our debt is $X.
6. I have $X in my portfolio.
7. I own a home worth $X.
8. We want to give $X to our children and grandchildren.
9. We spend $X, $Y, and $Z each year.
10. The things we like to do cost $X.
11. Can I afford to do what I want if it costs $X?
12. Medical care is rising at X% each year.

Going back to our sculpture analogy, these concerns represent the block of marble and the sculpting tools. In other words, if the prospect is interviewing two or more advisors during the hiring process, he or she will come into each initial meeting with the same raw material comprised of facts, characteristics, demographics, histories, and documents. Each advisor hearing this same raw material, though, will envision a different design.

Like the sculptor that uses the tools of facial anatomy and creates a meaningful expression, the advisor creating client loyalty takes these facts and factors and writes the client's stories. Life Planners are story makers.

Writing Stories

Life Planning offers an approach that allows you to see the stories – the emotional content and connections – from the raw material. Michelangelo said, "Every block of stone has a statue inside it and it is the task of the sculptor to discover it."

So it is with clients. Inside each person is a set of stories that define the thoughts, motives, fears, temptations, and aspirations about money. The various data points, documents, facts, and factors the prospect brings to the first meeting mask how these elements came to be, and most important, how they will direct the future.

Why should you create a plan for your client's life?

1. Because there is power in planning. When plans are carefully thought through and written out, they tend to come true, whatever the obstacles.

2. Because a life plan can serve as a guide, helping you align your deepest values, beliefs and goals with your

earning power and financial resources so you can realize your dreams.

3. Because by combining proven investment strategies and an honest, heartfelt life planning process, you are quite likely to get where you want to go.

Life Planning is the process of melding money with meaning. It allows people to live richer, fuller lives – personally, professionally, financially and spiritually. For the plan to really take hold and move forward with velocity, the advisor needs motivation to pursue these deeper dimensions and the designing skills to form the plan itself.

The *EVOKE*® Life Planning process (created and taught by the Kinder Life Planning Institute) has five structural elements and each is described briefly below.

"E"xploration: A thought-provoking set of goal exercises are the starting point – the first two steps – of the process. They include the famous "3 Questions" [1] exercise that helps people think both broadly and deeply about what matters most to them in life.

1. If you had all the money you needed, as in winning the lottery, what would you do with it all?

2. If you went to the doctor and found out you had only five or ten years to live, how would you live it?

3. If you went to the doctor and found out you 24 hours left to live, what did you miss?

[1] George Kinder © 2013. This material was developed by George Kinder and the Kinder Institute of Life Planning. It is part of a program of trainings that lead to the Registered Life Planner® designation. Used by permission of George Kinder.

"V"ision: The skilled Life Planner takes this material and challenges the client to sweep away doubts and craft their ideal life in as much detail as possible. The rush of vigor and vitality surrounding this phase literally "lights the torch," energizing clients to achieve their vision in the shortest time possible. Goals are no longer something to be hoped for "some day" but immediate and vibrant--something to be worked on NOW!

"O"bstacles: "Money excuses" can be deadly, so it is critical for the client and the life planner to identify these and other potential roadblocks. The life planner provides vitally important support to keep the client on track for success through this often difficult phase. Surprisingly, some of the most stubborn constraints to getting the life we really want are internal beliefs. By working with a thoughtful professional who can validate the client's vision, these preconceptions can be dissolved.

"K"nowledge and **"E"xecution:** Once the ideal life vision has been created and obstacles defeated, traditional financial planning skills of asset allocation, risk management and product selection are incorporated to complete the design and implementation of the life plan. The unique ability of Financial Life Planners is their ability to develop relevant financial plans that directly support life goals—a marriage of the creative and the practical or a book of interconnected stories.

When I ask a seminar class to define financial planning, most of the participants respond with an answer that mentions something about investing. They're right, but only partly. Investing is a means to an end, and financial planning begins with determining the ends. Only when we know where we are headed can we decide the means – this is the process of saving and investing – needed to get us there.

The First Leap Toward Loyalty

While there are many elements to a well-rounded client relationship, it all begins (or ends, if done poorly) during the first set of formative meetings, the meetings that lead to client loyalty. Let's go through the high-level elements of this formative phase (of which, a portion of the following is excerpted from my book, "Lighting the Torch").

The purpose of the first meeting is to create a bond between planner and client. This is where you're actually creating a relationship by being actively open and listening. The client moves in this process from being anxious to being relaxed. When they first come in, they may well be nervous, thinking "Who are you?" and "Will you be there for me?" When you don't interrupt, and when you don't move quickly to your spreadsheets, flow charts, or ideas about the financial plan but stay openhearted and just keep asking the open-ended questions, the client begins to feel connected to you simply because you are attentive and listening. That's really the secret.

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We are working to build a bond of trust. In the Seven Stages of Money Maturity workshop, we say "Don't interrupt, don't plan, don't solve the problem!" when giving instructions for the listening exercises. We emphasize how important it is to just listen to a partner's story and to try to listen from the heart. What happens is that the storytellers start saying, "Wow, this is amazing-no interruptions." Meanwhile, most of the advisers are saying, "My gosh, that was really difficult to sit and listen for two minutes." Just to listen is actually a difficult skill. Often, as you're listening to your client, you may recognize that you too are experiencing some anxiety - an anxiety that we typically relieve by interjecting some comment, story, or observation of our own. Part of learning to listen well involves learning to be at ease in the midst of anxiety, whether it is coming from your client or from yourself.

The relationship of trust is really a relationship of mutual trust. It's not just about getting them to trust you; it's about learning to trust them, as well. That means that there's a part of you that's anxious about who this person is and whether you will still be okay if you make a real connection with them. In a sense, you're testing them out, too. The first meeting is about creating mutual trust, mutual connection. You dive into this work together.

What we want to remember, then, is to allow the conversation to flow without interruption. Usually the flow of the client's comments is leading somewhere, and very often it's a place with some emotion attached. It may not be an upset place-it may be an inspired place, it may be a place of longing, a place of yearning, or of desire, or even a place of excitement. If we interrupt, sometimes that flow gets blocked. The client then concludes, "Oh, this person is just like everyone else and they really don't care about where I'm going." The tentative sense of connection is lost. So we don't interrupt. It's also equally important that we don't ask specific or detailed questions until they're clearly finished with the flow of thoughts, stories, and feelings. Until then, you ask "Anything else? Is there anything else?"

There might be a few leading questions that you could ask, but only if they deepen or expand the flow, and only after they tell you they have nothing else to say. For instance, "As you were describing gardening, it sounded to me as if that gives you real pleasure." I'm not asking anything, I'm just reflecting what I heard. I may make this comment because I sensed emotion there, and the client may have moved quickly away from it. I want to allow the person the room to deepen into a subject that clearly matters.

Wherever we have emotion, we're often scared of sharing it, of going through it. So I give a little encouragement there. Or I might say, "Gosh, it sounds like the divorce was really hard for you." Again, I'm not asking a question. I'm just noticing, and also giving a touch of empathy for the difficult situation just by recognizing it. Encouraged, feeling supported, the client may then open up even further, realizing that you're interested and willing to hear about whatever he or she feels is important.

In both of these instances, once the client has completed their description of why they're working with me, I turn back to where I noticed the greatest emotions (sometimes blocked) in the client. In particular, I want to connect with what sounded like the client's aspirations, because they say something about where we're headed together, what the shape of the financial plan might be. And I want to connect with their greatest anxieties. "Follow the tears," one of my teachers used to say to me, because where emotions are troubled, the client is most likely to sabotage his or her plan.

So, that's all I'll do. I won't come back to my agenda. I want words to flow so I can notice where they clearly block themselves, where might they want to expand the conversation. Even so, if they spontaneously go into something else, I let them go.

Loyalty in a Defining Sense

Practically speaking, loyalty lies fallow until activated in the presence of choice: to continue or discontinue. When we're loyal to another person, we stand by him or her when external "stuff" may otherwise cause others to step back. We're willing to do so because we have a deeper understanding of what that person stands for or represents. This stance is not to say the other person is infallible, just that a greater goodness is present than others may see.

We talk a lot about aspiration goals for our clients. Let's formulate an aspiration goal for our planning and advisory practices:

> "I want my clients' loyalty to arise from a belief that I understand them, care for them, and provide counsel for their current and long-term betterment."

Each client that says, "Yes, this is true!" adds to the value of your firm and to you as an advisor. Loyalty is a currency of our profession.

About George Kinder
Internationally recognized as the father of the Life Planning movement, the Harvard-educated Kinder is the Founder of the Kinder Institute of Life Planning. He has been a practicing financial planner and tax advisor for over 30 years.

His books, *The Seven Stages of Money Maturity: Understanding the Spirit* and *Value of Money in Your Life and Lighting the Torch: The Kinder Method of Life Planning*, are considered by many to be the seminal works in the burgeoning field of Life Planning.

The Kinder Institute trainings are recognized world-wide as the standard for trainings in client-advisor relationship skills. The KI website, www.kinderinstitute.com, provides a listing for the general public of over 1500 trained advisors on six continents. There are over 300 Registered Life Planners® fully trained and certified worldwide.

In addition to his trainings, Kinder has delivered keynote addresses at financial institutional conferences on four continents, most recently the annual Pims Conference 2009 in the U.K. He has been the keynote speaker at the Institute of Financial Planning (IFP) and will deliver at the Personal Finance Society (PFS) in London and the EFPA in Madrid this November. In 2005, Fidelity Investments sponsored a seven-city U.K. tour, with Kinder as a keynote presenter. In the U.S., Charles Schwab, Smith Barney and the Financial Planning Association, among many others, have invited him to speak at their national conferences.

Kinder has appeared on many radio and television programs and has been profiled in a variety of publications over the past decade, including The Wall Street Journal, the Financial Times, Citywire, New Model Advisor, Money Marketing, IFA Life, Adviser Magazine, Time Magazine, International Herald Tribune, Businessweek, Newsweek, The New York Times and Money Magazine.

Winner of numerous industry awards, in 2006 Kinder won the first-ever "Heart of Financial Planning Distinguished Service Award" from the 30,000-member Financial Planning Association for his work as an 'innovator and influencer' in the profession. He is frequently cited as "one of the most influential people in financial services in America." Lee Eisenberg, author of the best-selling *The Number*, devotes 20% of his book to Kinder and the Life Planning movement. He writes about him as "…a dynamic, captivating presenter of ideas…dazzles a crowd."

In 2007 Kinder released a new title, *A Song for Hana & the Spirit of Lehoula*, a love story told in lyric prose and poetry with over 100 scans and photographs of a mile of the Hana, Hawaii coast. The book represents Kinder's life-long dream to create a work of beauty, spiritual depth, artistry and literary quality.

Kinder currently spends several months per year in Europe and divides his time between his offices in Massachusetts and Hawaii.

About the Kinder Institute
The Kinder Institute of Life Planning provides workshops, intensive trainings and consulting services to financial advisors worldwide. Our experienced professionals have presented to groups on four continents with a particular focus on the U.S., U.K., Europe, and South Africa. The Institute's work has been profiled in The New York Times, The Wall Street Journal, Morningstar, TIME, Business Week, Money Magazine, the Financial Times, Financial Advisor, New York Magazine, Harvard Magazine, the LA Times and more.

We also provide ongoing support and education for the 1,500+ advisors who have trained with the Institute and adopted our client-centered Life Planning methodologies.

If you would like to speak to an advisor about Life Planning, we invite you to use our searchable database. Some of our advisors have completed our entire course of study and training including an intensive 5-day advanced training and a subsequent 6-month mentorship program. These advisors earn our Registered Life Planner® designation which signifies that they have become Life Planning experts.

The Institute founder, George Kinder CFP®, is the father of the Life Planning movement and the recipient of numerous awards for leadership in the financial planning industry. He is the author of three books, most notably The Seven Stages of Money Maturity and Lighting the Torch: The Kinder Method of Life Planning.

About Kirk Loury

A thirty-year investment advisory, financial services, and technology veteran, Kirk Loury has worked across the industry as a chief investment officer (alternative and traditional investment firms), strategic consultant, chief marketing officer (mutual funds and venture capital), and the founder of two financial technology companies. As the founder of Wealth Planning Consulting, Inc. (WPC), he has developed two major, high-value components for financial and wealth management firms.

- The Balance Sheet Methodology (BSM) is a cloud-based financial planning, investment, portfolio, rebalancing, trading/execution, and monitoring platform with unprecedented integration and economic value. These qualities are noted in BSM's "no compromises functionality"™ and "5-pillar integration"™ market standards.

- Practice in Action! is a business coaching solution designed specifically for small- to mid-sized financial and wealth management firms seeking accelerated business performance. Using a unique combination of distance learning and the on-the-ground strength of Action! Groups (a pre-assigned accountability group of ten peer professionals), topics move quickly from concept to execution to results. Practice in Action! focuses its content on business planning, time budgeting, marketing, sales, service, and execution. The program spans twelve months and delivers a strong ROI arising from our extreme emphasis on execution.

Loury earned his B.S. in marketing from the University of Colorado, Boulder and his M.B.A. from the Harvard Business School.

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