Key habits of ‘valued’ advisors

By Editor Test *Mon, Dec 17, 2012*

Only 57% of wealthy clients call their advisors "valued," according to Fidelity-sponsored surveys of 1,000 millionaires and 1,000 advisors representing all channels.

Only 57% of investors surveyed said their financial advisors “proved their worth navigating recent market conditions,” according to the third report in Fidelity Investments’ Insights on Advice series.

The report, “Proving Your Worth: Uncovering the Traits of the Valued Advisor,” is based on two recent Fidelity studies of millionaire clients and advisors. It explores how investors viewed their financial advisors’ performance and identifies ways for advisors to enhance their perceived value.

At least two benefits seem to accrue to “valued advisors.” According to the report, financial advisors who proved their worth benefited from clients who were more engaged, trusting and loyal, with 66% saying they would likely stay with their advisors if they switched firms (compared to 37% for investors without a “Valued Advisor”).

Valued advisors also benefited from three times the number of referrals, a significantly higher share of client assets (71% vs. 49%) and more clients who wanted to consolidate assets with them (39% vs. 24%).

The report showed that clients value advisors who:

- **Focus on long-term planning.** When working with Valued Advisors, investors were more focused on long-term investment returns (84% vs. 74% for other investors) than short-term fluctuations in the market. Regarding the most important benefits of working with an advisor, those with Valued Advisors said they “help me reach my financial goals” (72%), “help me achieve financial independence” (65%) and “provide peace of mind” (61%).
- **Provide comprehensive guidance.** More investors with Valued Advisors (29%) were interested in receiving holistic financial guidance than their counterparts without Valued Advisors (18%) and 63% of investors with Valued Advisors wanted their advisor to know everything about their personal and financial lives.
- **Use technology to enhance client relationships and promote collaboration.** Forty-two percent of investors with Valued Advisors felt technology had enhanced the relationship versus 20% of those without Valued Advisors. Moreover, 45% of investors with Valued Advisors agreed that they collaborate more effectively with their advisor through the use of technology.

The study, based on interviews with 1,000 wealthy clients and 1,000 advisors from all channels, implied that 43% of clients *don’t* value their advisors. “We were surprised it was that low,” said Alexandra Taussig, a senior vice president at Fidelity’s National Financial unit, which works with hundreds of broker-dealers who employ thousands of advisors. “It’s so important for advisors to be on the right side of that equation. It was interesting that advisors considered technology to be important. Advisors used to see technology as a disintermediator. Now they see it as an enabler.”

“Some of it could be explained by the match between client and advisor. Forty-three percent might not be with the right clients and vice-versa,” Taussig added. “The advisor needs to find the right client. It could be that one advisor is incredibly valued by one person, and not by another. For instance, many clients say their advisors give them ‘peace of mind.’ There’s no black or white formula for providing peace of mind. That may explain why we see advisors specializing in niches. We’ve seen advisors build practices around dentists, for example, or families with special-needs children. We may see more of that going forward.”

Gen X/Y investors seek simplicity and technology

The report found that relationships between Gen X/Y investors and Valued Advisors were stronger than for other investors, even other investors with Valued Advisors. Gen X/Y investor referrals were close to 80% higher, and 70% of Gen X/Y investors with Valued Advisors depended more on their financial advisor in the past year (compared to 49% of all investors).

Sixty-five percent of Gen X/Y investors felt “it takes a lot to manage all the different aspects of their financial lives”, and 70% were looking to “simplify their finances”. Fifty-nine percent of Gen X/Y investors expecting their advisors to contact them if the stock market changed a lot in one day.
More Gen X/Y investors said that technology enhanced their relationship with their advisors (55% vs. 28% for older investors) and that it enabled more effective collaboration (62% vs. 33%).

Compared with older investors, Gen X/Y investors were likelier to use social media (by 23 percentage points), phones (by 23 percentage points) and tablets (by 21 percentage points) as tools for their financial activities.