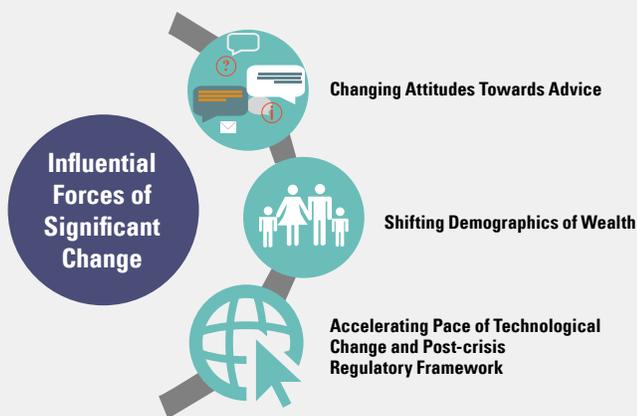


With Money in Motion, Three Factors Differentiate Top Advisors

Q&A with Sterling Shea, *Global Head of Wealth and Asset Management at Dow Jones*, and Brie Williams, *Head of Practice Management at State Street Global Advisors*.

A new model of wealth management is emerging, driven by changing investor attitudes towards engagement, a massive intergenerational transfer of wealth, and an explosion in web-based technology.



These unstoppable trends present challenges, but they also provide transformational opportunities. Client expectations are shifting rapidly. How our industry adapts to meet these expectations will dictate future success. Advisors and organizations need to manage client expectations and behaviors, while providing more personalized advice and customized solutions. Critical for success is the ability to clearly articulate a value proposition and deliver personalized, goals-based services to clients.

For a real-time exchange of information on how these changes are reshaping the wealth management landscape, I spoke with Sterling Shea, Global Head of Wealth and Asset Management at Dow Jones. He provides a clear window into the future-ready advisory practice. Sterling is a Barron's veteran and has led their advisor initiatives since the publication began ranking America's top financial advisors over 10 years ago. Among his responsibilities, he oversees Barron's advisor-related activities including content,

conferences, and programs geared toward elite practitioners spanning the independent, consultant, and national full-service channels.

Brie: Given the significant changes we're seeing, what should advisors think about when addressing growth capture and client advocacy?

Sterling: It really is a perfect storm of disruption impacting the industry. The most consistent element we see among advisors who successfully grow their business organically is that they've shifted from a performance-centric value proposition towards a holistic, client-driven outcome-oriented solution. That positions the advisor as the financial quarterback for the family across a whole host of issues and needs.

It sounds like a subtle shift, but it involves an advisor's ability to work both sides of the balance sheet and look deeply at the underlying client needs across a wider set of their financial lives. That's a critical part that advisors need to think about if they're going to develop a strategy to grow their business and provide deeper value for clients. Investment performance is table stakes now, and advisors have to deliver on a broader set of needs.

Brie: Are there any key considerations to think about when meeting with prospects in this growth environment?

Sterling: It all starts with discovery. I think advisors are well-served to reexamine that discovery process and make it a deeper, more thoughtful conversation. It's not just about the wealth profile and investment objective, but rather the authentic intent of the client's wealth. What are they really trying to accomplish? What are the needs of this family?

Think about the baby boomers, shifting from the accumulation phase of their life to the distribution phase. As that happens, their needs shift and what they looked to their advisors to solve even five years ago might be very different than what they're going to need five years from now. A thoughtful discussion and discovery that really

examines what they're afraid of, what their dreams are, what multigenerational dynamics there might be within that family that are going to come to bear, will arm the advisor with greater intelligence in the portfolios they need to create the right outcome for clients.

Brie: That's an interesting point because it's thinking about the client as more than a single entity, which can lead to more growth and asset continuity for the practice and for clients.

Sterling: Right. A recent survey by a large wealth management firm reported that among high- and ultra-high-net-worth clients, four out of five surveyed were financially responsible for adult children, or parents, or some combination thereof. That's fundamental for the advisor to know what they're up against. It's not just a simple question of returns. And it really must influence the way the advisor positions their business to be a trusted steward. That doesn't happen immediately. You have to earn trust by better understanding the family's needs.

On the other side of the spectrum, you have work-around estates and trust planning, and philanthropic needs that have shifted, particularly as families are going away from gifting large sums of money. Maybe now they're interested in more of an ESG approach. If you're still asking the same questions, are you really getting to the next layer of understanding? Because the client's sense of risk and wealth and saving might have changed fundamentally.

Brie: And if we're reshaping product mix around client needs, what should advisors be considering?

Sterling: I think advisors should fall back on fundamentals. The best portfolios are inclusive of alpha and beta and they're grounded in fundamental planning. They have to be streamlined and have an easy-to-understand approach to volatility. The chance that capital markets performance in the future will be the same as that of the decade just passed is zero. Advisors should be open to new solutions, but they're going to have to have buy-in from their clients.

I've heard it described that the advisory business used to favor people who were good at selling complexity, but now clients want to buy simplicity. The degree to which your approach is easier for clients to buy into is going to be paramount, because the client of the future will demand transparency and understanding.

Brie: That's a good transition for us to talk about the role of technology. Eight in ten wealth managers today agree that digital transformation is important for the future of their firm.¹ How can an advisory firm take steps in the right direction with technology?

Sterling: If you're looking to grow your business, you have to embrace technology. If you're not comfortable doing it yourself, hire someone on your team who can do that.

Because it's going to be absolutely necessary to succeed. We see it impacting two key areas: advice and communication.

First, if you're going to differentiate by providing better, deeper advice, you'd better understand the clients' needs, and you're going to need a lot more time to spend with those clients. Technology has to be the efficiency driver that buys you time for direct client interaction and deeper conversations.

Second, you have to embrace new forms of technology and client communications. The client of the future is going to demand a rich digital experience that's predicated on their interaction with non-financial companies and lets them communicate with you and your team on their terms, not yours. Video and web-based methodologies have to be seamlessly integrated in your client communication strategy. A small percentage of advisors who are thriving and growing have really embraced technology. Others have their head in the sand, and that's a dangerous place to be.

Brie: And what about the role of trust in this digital age?

Sterling: Trust is vital. If you ask me, "What are the three factors that are going to differentiate winners from losers in the decade to come," I'd say service, authenticity and trust. The advisor has to create a brand. And I'm not talking about the overarching financial services brand of the firm they're attached to, but the individual advisor's brand. We define that as a cluster of values that clients associate with your team. The more sharply you can define that around key values — trust, authenticity, understanding, empathy — that's going to markedly protect you. The ability to shape that trust through a really clean, easy-to-understand narrative, we think is going to be massively important.

Brie: You mentioned the need for holistic advice. Some firms provide traditional portfolio construction resources, others a highly customized solution. Can firms straddle the two successfully?

Sterling: I think you can straddle. The key is to have a client-centric strategy that's built on exactly who you're serving. One of the trends we see among advisors who are most successfully growing their business is that they're being more thoughtful about defining the ideal client. Understanding the unique common attributes of the clients you're serving and making sure that you're not bringing in clients who will be disruptive to that efficiency is vital. It's not so much about the model you're using, but that it matches the people you serve. The better you can define that client base, the better it will be applied to the model that you chose. And not just by wealth profile, but by behavioral tendencies, by long-term needs, by sophistication and appetite for the services you're providing.

What is your marketing approach for the long-term, based on the type of client you can ideally serve? Who is in your wheelhouse and how can you deliver growth that's identical to that? That's embedded in the efficiencies. You won't have to morph your model; because it will be ideally suited to clients you know you work really well with.

Brie: What actionable items can you share with advisors for their own practice?

Sterling: We've heard a couple of suggestions from Barron's ranked advisors on things they did in their business that had a huge effect on their success. The first is from an advisor in California who said they reframed their approach to prospects and initial meetings. They don't start with answers before they know the question, because they realized that positioned them in a way that was solely geared around capital markets and investment performance instead of a family's needs. They still talk a lot about the markets, but it comes later and it's with context. They hone that and increase their win ratio. We used to walk into meetings and say, "This is what we can and will do with your money." Now we focus on listening.

Another interesting idea is from an advisor who formed a client focus group. They brought in three family clients and said, "What do you appreciate most about what we do? What is of the most value? Because we're trying to build a brand around our team and we'd love to get your input." Any brand expert will tell you the first thing with brand strategy is to do a focus group. This advisor's suggestion is simply that the best focus group you could have is your own clients, because what *you* think they value most about doing business with your team might be very different than what *they* think. Those strengths are going to be the roadmap to your differentiation. You must have a long-term brand and marketing strategy to be a thriving advisor in the decade to come.

Brie: Active listening and feedback are critical to success. Can you share two more?

Sterling: Sure. The first is about driving team success. This advisor suggestion was to focus on the team first and the client second. You heard me right. While it's seemingly counterintuitive, prioritizing staff by investing in training, mentoring, and development will create team members who constantly strive to delight the firm's clients. Team culture, attitude, and enthusiasm are hugely important. What does the ideal, amazing client experience look like? What are the million little touches? The sum of that experience is going to be a huge differentiator, especially if clients perceive the investment performance to be more similar or lower or perhaps more commoditized.

The final example I'll give you is from an advisor who talks about team efficiency. It's simply to leverage yourself. Hire a chief of staff to focus 30% on administrative tasks and 70% on simply managing and gating items that do not need to come to you. Hire people with big upside potential and, within a few years, they'll be fully trained and can be redeployed in other key functions of the business. Think of yourself as a CEO. The time that you are with clients should be more meaningful, but you have to build these efficiencies. Someone making sure that your time is spent as efficiently as possible adds huge value to the team dynamic.

Brie: If someone is serious about 2019 planning, what are the first steps when addressing the health of their business and preparing for the trends we just outlined?

Sterling: Make an authentic assessment of your strengths and weaknesses. If you're uncomfortable doing that as an exercise with your team, get a coach, talk to your firm management, talk to your custodian or your broker-dealer network. But you have to be really honest with yourself on what needs to be addressed. You need to have written plans for succession, for marketing and strategic growth, for your investment process, and how that needs to evolve. Success in wealth management isn't accidental. It's born of thoughtful planning, and that starts with an honest gut-check about your strengths and weaknesses.

This is a great team exercise. Think about what has to happen in your team looking forward. Maybe make an org chart for what you think your team will look like five years from now. Let that be a roadmap to help you get your business to where you want it to be.

Brie: I would add to that the importance of accountability. If you're assessing your progress on a quarterly basis, you can optimize where you're falling short and stretch further where you're overachieving.

Sterling: Absolutely. And don't limit key performance metrics to revenue or asset growth. It has to include other factors — time spent with key clients, time spent on different segments of your client base. Figure out which metrics are indicative of what you want the practice to look like moving forward. And so that there's career progression as well, which will help the practice grow and prosper, you need to professionalize every function of the business.

Brie: One last question: What are a few things that you see consistently when you're working with elite advisors and you're evaluating who makes the list each year?

Sterling: I think what's most indicative of those teams that are really successful is that referrals are the ultimate arbiter of success in this business — your ability to attract, win and retain long-term clients by providing service that they value and are willing to pay for. So it's important to be honest about the strength of your business in that regard. Are you able to sustain long-term, steady growth by referrals? There's an empirical footprint when the money's coming in the front door but going out the back. We try to reward advisors who are doing meaningful work and earning a greater share of their client's wallet and referrals.

If there's one thing that's the most consistent identifier of the very best people in this business, it's attitude. It's a constant effort to get better at what you do to provide deeper value for clients. I encourage advisors who want to do more for their clients and grow their business to find peers who think the same way and be very open and honest with them. The more you give, the more you get. Coaching among the peer set is essential. And it's very, very common among the top ranked advisors on our list.

¹ Roubini ThoughtLab, Wealth and Asset Management 2021: Preparing for Transformative Change, 2016.

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