

In Educating Clients, Ancient Wisdom Holds True

by Nancy Opiela

"I see myself primarily as an educator," says Georgia Bruggeman, CFP®, of Meridian Financial in Holliston, Massachusetts. "Providing a financial education to clients is so important because it improves their decision-making and influences how comfortable they are with investing."

"Client education is an important tool for managing client expectations," adds Mark Bohn, of Salient Financial Corp. in San Rafael, California. "For example, helping a client understand the long-term trends and cycles of various investment classes helps them look beyond short-term events and focus more on achieving their goals. Therefore, their goals, rather than earning the highest rate of return possible each year, remain in the forefront."

Planners use a range of ways to educate clients, from face-to-face client meetings to seminars at town halls, restaurants, even gyms; intimate office workshops; quarterly client newsletters; quick e-mails; and Web site postings. But whatever the method, the success in getting a particular planning concept across often depends on the extent to which the educational effort involves the client. As the Chinese philosopher Confucius said some 2,500 years ago, "I hear and I forget. I see and I remember. I do and I understand."

Here, planners offer strategies and techniques for involving clients in their financial education.

Getting to Know You

Karen Mauro, CFP®, of ARS Financial Services in Jericho, New York, is a former English teacher and teacher trainer. She says that involving clients with their financial education requires getting to know clients, their goals, and philosophy of money.

"I remember telling the teachers I trained never to ask a yes or no question because they'd get a one-word answer. Rather than 'Did you enjoy the story?' I suggested they ask, 'What did you enjoy about the story?' Planners should use these techniques to get deeper into conversation with clients. The more we know about our clients, the better we can target the material we are trying to communicate."

Mauro also suggests that when planners educate, they try to "connect with something the client already knows." She advises, "Build on concepts your client understands. It's often effective if planners can connect financial information with something from the client's business."

Those initial meetings are also an excellent opportunity, says Bohn, to educate clients about what makes your firm unique, specifically what distinguishes your investment approach. "I believe markets are efficient and diversification is the key to long-term success," he says. "We also have a small-cap bias. It's important for clients to understand my investment approach and how I might differ from other planners they are considering. If our clients understand how our firm manages money, it is far easier for them to stick with us over the long term, especially when the market is down."

Adds Dean L. Boebinger, CFP®, of King Investment Advisors Inc. in Houston, Texas, "It's my goal in that first meeting to understand what a prospective client's base knowledge is, what they are looking for, and if our firm is a good fit for them. After listening to their financial concerns and goals, we then educate prospective clients about our disciplined investment approach. That education is important for the client, but also to our business. If the prospective client doesn't accept our investment approach, it is best to pass on the individual because it is unlikely they will stay with the firm for the long haul. They may also continually question our decisions, or worse, could end up threatening litigation."

Keep It Simple

While planners agree that an educated client is a more satisfied client, it is a fine line to walk between educating

and over-educating. With today's emphasis on transparency, the temptation is to provide a greater level of financial detail. But planners would do well, says Mauro, to remember that "the mind can only absorb what the rear end can endure."

She continues, "Whether you're teaching adults or children, and whatever your topic, the student's mind wanders. Planners often don't recognize this and give too much information—information their clients don't want or need. I used to tell my teachers, 'Over-plan, but don't over-teach.' That is, know your material and be prepared for questions, but don't overwhelm your audience with too much information. It's more effective to present the basics, build a solid foundation and allow your client to think about what you've said, process the material, and maybe ask a question. True learning comes about in that dialogue."

To foster just that sort of dialogue, Renee Cabourne, CSA, of Cabourne & Associates in San Dimas, California, offers small workshops for clients lacking a solid financial foundation. "I conduct workshops for a maximum of eight clients because I can get to the heart of clients' issues with financial matters more easily in a more intimate setting," she explains.

Although she originally intended to offer a series of workshops, Cabourne has found her "Basics of the Financial Markets" and "Introduction to Mutual Funds" are the most effective springboards for clients seeking a financial foundation. "These two three-hour workshops tailored especially for women really provide the building blocks clients need for other conversations," she says. "Each workshop has a fill-in-the-blank workbook to ensure that clients pay attention. After each segment there is a quiz so I can be sure they really understand the material before we move on. If we have a stumbling block, usually it's one of the other women at the table who offers something that helped them understand the concept, to clear things up for the client who's having trouble."

Cabourne continues, "I gear these workshops toward women. I tell them not to wear makeup or fancy clothes because I don't want there to be any pre-conceived notions about what we know and what we don't know. I tell them to check their fear at the door and, before you know it, they are giving each other advice and feeling empowered. One woman left my first workshop in tears because she was so excited about her financial future. She said, 'You could charge \$500 for this.' My response was, 'If I charged \$500, you wouldn't have come. I'm not doing these workshops for the money. I do them so you won't be afraid to ask me a question.'"

Worth a Thousand Words

Which method helps you remember something more easily: if you read it in the paper or hear it on the radio? "Most of us are visual learners," says Mauro. "Explain a financial concept to a client and the words jumble. Show them something, and it begins to make sense."

Accordingly, Mauro is a big believer in charts and graphs. "There's a chart from Callan Associates, 'Investment Return on Different Asset Classes Varies Widely Over Time,' that shows the top-performing asset classes each year. It illustrates so clearly for clients how impossible it is to succeed if you chase last year's winners, and it brings home the value of asset allocation," she notes. "American Funds also has some wonderful literature and visual aids. One chart I use quite often illustrates the importance of dividends over time. In the years 1972 and 1982, the Dow closed at the same number. The chart illustrates how much more \$100,000 invested for that decade would have earned when invested in American's funds that invest in higher-dividend-paying stocks."

Georgia Bruggeman also is a faithful user of graphs. "If something sticks with me, I tend to share it with my clients," she says. "The fund companies provide a lot of literature to illustrate particular points to advisors, and I look to that material to see what I can pull out for my clients. If it's effective for me, it will work for my clients."

In addition to Ibbotson Associates' charts illustrating the performance of various asset classes over time and the folly of trying to time the market, Bruggeman uses Wilson Associates' graphic illustration of the efficient frontier. "I tell new clients that each point on the graph is a different portfolio," she explains. "When they look at the graph, it's easy for them to understand the relationship between risk and reward. If I didn't have the graph, it would be a

very difficult concept to explain."

Cabourne notes that she finds mutual fund companies a valuable resource for visual aides. "Fund representatives hand me discs with presentations on how to explain concepts from dollar-cost averaging to the value of compound interest. For the most part, they are well done and very professional."

Integrate into Everyday Life

While planners agree that client meetings are the best way to educate clients, it is important, says Bruggeman, to make education an ongoing process, not something that happens once a quarter or once a year in your office. "If planners can stay in touch with clients throughout the year, finances will become something that a client deals with all the time—and that's preferable to isolating financial matters to an annual discussion," she says.

Bruggeman chooses to stay in touch with her clients via e-mail. "I'll send articles I read in Fortune, Forbes, and Barron's. I also like the Financial Planning Association's Financial Planning Perspectives," she notes.

Connie Stone, CFP®, of Stepping Stone Financial Inc. in Chagrin Falls, Ohio, also connects with clients via e-mail. Stone has developed an extensive resource file she organizes by various financial planning topics. "I keep hard copies in a file box and a list of articles on my computer," she explains. "In addition to financial planning and investment topics, I'll save articles about ancillary issues such as fighting back against identity theft. If a client has a stumbling block, I often have something at my fingertips to share with them."

Stone also has given clients homework assignments to help them focus and work through stumbling blocks. "Often widows struggle with basic financial literacy," she says. "I tell them to visit the bookstore and find a writer who has a writing style they like. I tell them I like to work with people who want to be empowered and share in the decision-making process."

David Twibell, J.D., of Flagship Capital Management in Colorado Springs, Colorado, says his newsletters help his firm stay connected with clients. "I write a weekly newsletter and a larger quarterly newsletter," he explains. "I write them myself rather than buying pre-packaged versions because that way I can address the issues that most affect my clients. I recently wrote a short educational article on gift planning and included it in one of our holiday issues. It was an area many clients had asked about as the year was drawing to a close, so providing some education on the subject made sense. I enjoy the writing, but it is a commitment. My clients really appreciate it and will often send me a note of thanks. I also use the newsletter to build a personal relationship with clients. For instance, I might include something funny about my daughter."

Boebinger's firm also relies on quarterly investment and financial planning newsletters. "Our investment newsletter keeps clients informed of any material changes in their portfolios," he explains. "We also publish Decision Maker, written by Roger King, our president. It presents financial information in an unintimidating way that encourages active participation from the client."

Joe Clark, CFP®, RFC, of Financial Enhancement Group LLC in Anderson, Indiana, stresses that planners must educate clients on both "static philosophy and dynamic strategies." He explains, "I've been in the financial services industry for 17 years and every time I do a lecture, people want to hear me say that I've done the same thing for 17 years and that it's always worked. To believe that is possible is absolute lunacy. You have to be able to take clients to a point of understanding your overall game plan, but stress that there will be times when we'll need to make moves in reaction to the market environment."

Expand Beyond Finances

Should advisors look beyond the financial world when communicating with their clients? "We financial professionals assume that just because we are interested in a particular financial topic, our clients will be interested," says Richard Sincere, chairman and CEO of the Holliston, Massachusetts-based Sincere & Co. LLC,

an independent marketing and sales distribution company that works with large institutional firms to tailor and develop products for fee-only and fee-based advisors. "While our firm is committed to providing advisors with the education they need to make the best choices for their clients, I question whether planners should be sharing all that information with their clients."

Sincere continues, "I think many clients have the attitude that their planner should do what he or she is an expert at and let the client enjoy life. Really, as a client, I only need to understand a couple of facts. I need to understand what our objectives are. And I need to understand what our benchmark is and how we are doing against that benchmark."

Probably the most appropriate thing for advisors to do, says Sincere, is to determine what clients expect from them and design a program to meet those needs. "I remember doing a focus group eight years ago where the minimum net worth was \$30 million. You know what they cared about? The best vacation spots. They wanted to know where to find the best fly fishing," he notes. "Of course there are clients who want to micromanage the process and are interested in all this detail, but I'd argue those aren't the people most advisors want as clients."

Accordingly, Sincere suggests that planners broaden the scope of their educational efforts. "Rather than learning about some sophisticated investment, clients may be more interested in learning about what other entrepreneurs are going through, how to streamline their business, apply new technology, or engage their family because they work so much. I think it's certainly within an advisor's role to present strategies to improve a client's business and enhance family life," he says. "Planners might consider asking a client to write a story for a newsletter about where they went on vacation or a strategy they employed in their business. The advisor's educational effort then fulfills another purpose of connecting entrepreneurs with each other. I think clients would find that valuable."

A Two-Way Street

While concentrating on educating clients, it's important, says Twibell, for planners to take the opportunity to learn from their clients. He explains, "I work with relatively high net worth clients and they are experts in their respective fields. Planners I talk to about this think it's quaint that I spend so much time learning about my clients' businesses, but not only does it help me to work more effectively with each client, it gives me very helpful market insights. What I learn about my clients' businesses and industries helps me to become a better financial manager."

Mark Bohn stresses that planners must also commit themselves to ongoing education. He explains, "Just as you cannot love someone more than you love yourself, you cannot educate someone beyond your own education. This point may seem matter-of-fact, but unfortunately many advisors do not take the time to become fully educated in an area before they start teaching their clients. We want to be with our clients for generations and the only way to achieve that long-term relationship is to educate them. But that requires that we have a good grasp of market issues and the latest products."

In that regard, Bohn notes that he prefers "research that comes out of academia." He explains, "I don't want to read someone else's interpretation of what the researchers said. I want to read what the university professors have to say because they don't have relationships with fund companies. I mine these research papers for what is applicable for my clients. I don't share all the technical data, but what I take away from the research, and my clients appreciate that."

Finally, Renée Cabourne notes that she makes clear to her clients that she is not an expert in all financial matters, that at times they will need to consult with attorneys and CPAs. In fact, Cabourne is launching a project this spring, the Foothill Advisory Institute, that will become a "regional educational forum for advisors from different disciplines to get together and educate themselves and collaborate for the benefit of their clients."

Diminishing Fear, Strengthening Relationships

Above all, planners say the goal of client education is to get clients to the point where they are not afraid to ask questions. Says Dean Boebinger, "We treat all clients with respect and courtesy, and consider no inquiry as bothersome, but rather as an opportunity to educate. We don't want people to apologize for questions."

While an educated client is generally easier to work with, education also cements the planning relationship as the client increasingly relies on the planner as a resource. Says Cabourne, "I want my clients to be comfortable asking me questions because that kind of an open dialogue gets them involved and deepens our relationship. Additionally, if a client feels comfortable asking me questions, they will often mention me to their friends when they have financial questions. People are starving for relevant information. If I can find a way to give them that information and be there for them, that can only promote my business."

David Twibell adds, "The more I educate my clients, the more they come to appreciate the level of sophistication and expertise I bring to the relationship."

In the final analysis, education empowers the client and gratifies and sustains the planner. "I derive the most satisfaction from empowering clients to make and implement educated financial choices to reach their goals," Connie Stone concludes. "Completing a transaction or providing a service is worthwhile, but it's merely mechanical. What matters most to me is that through client education, I can have a lasting, positive impact on someone's life."

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