

Are You Leading Your Clients?

by David F. Smith, Ph.D., CFP®



David F. Smith, Ph.D., CFP®, has been involved in financial planning since 1980. He is a member of FPA of San Diego. He is also the non-paid director of research for Five Star

Leadership®, a behavioral-based leadership development and coaching platform run by the non-profit Oahu Adventures Foundation Inc. Contact him at DavidSmith@oafound.org.

DURING A RECENT leadership discussion with several financial planners, I was reminded that the internal leadership qualities used within their firm also apply to planner-client dynamics. Leadership in action can take a range of forms from, “Emergency, get out of the house! It’s on fire,” to “Hey! Your house is in a wildfire-prone area, so we should collaborate with the experts on risk-mitigation tactics.”

In a planning engagement, leadership must be exhibited, so the questions are: (1) are you leading; and (2) how do you lead? A high-quality relationship is the basis of the planning process; lead clients and their other advisers to successful outcomes.

Five leadership qualities will improve the planner-client trust relationship much like team leaders have with team members internally.¹ Of course, an understanding that the client is paying for service, not directives, is imperative. Although it is possible for a leader in a planning firm to say to an employee, “I understand your concerns, but in this

case, just do it anyway!” that is not a good idea with clients. Rather, planners can “direct” a client; this will take leadership skill and time.

According to Five Star Leadership, the five leadership qualities are inclusion, respect, reward, improvement, and modeling.² Each quality is a learnable behavior that builds the trusting relationship between a leader and each follower. And each quality implies a one-on-one relationship.

A planning engagement with a client couple has two relationships that you lead—one with each member of the couple. As each leadership quality is discussed here and placed into a planning engagement context, think one-on-one. Planners must attend to their relationships with the various parties involved, including outside advisers.

Inclusion

When a leader (the planner) is inclusive, they consciously include their follower (the client) in discussing the what, when, why, where, and how of important issues. Importance is relative, so err on the side of importance to the follower.

For example, modifying an asset allocation may be second nature to you, but for the client you are leading, the changes may induce significant stress. By taking the leadership time to explain the issues, the options, and the reasoning used, your client is more likely to follow your direction and not impulsively fire you out of stress-induced fear of change. Because

there are many decisions, actions, and participants in planning, this is a big job. All significant players must feel included to some extent.

Respect

Respect goes hand-in-hand with inclusion, which is a type of respect itself. The simplest form of respect—as it applies to leadership—is active listening. And active listening can be difficult for two reasons. The first is that it requires the planner to lead the discussion toward the right end while allowing ample space for clients to express themselves. They may not have the words needed to fully explain how they feel about a particular issue nor the skill to discuss it, especially if the discussion is not one-on-one. For example, if both members of a couple are in the meeting, a planner must show leadership by ensuring respect is paid to all parties.

The second reason active listening is difficult is the time it can take; time you want to be paid for in some way. What can happen is, the planner cuts the conversation short in the interest of time. The planner may do this actively or with subtlety, but the result is the same: the client-follower is not paid the necessary respect.

This may not seem such a big deal one situation at a time, but as George Strait sings, “Angels don’t fly. They just walk away one step at a time.” So, active listening as a way to respect your client is not easy, but it’s necessary. Make sure you check in with your

client during discussions as well as throughout the planning engagement by asking, “What are your feelings about this change? What, if anything, don’t you understand?”

Understanding that the client is paying for service, not directives, is imperative.

Reward

Reward is an interesting leadership quality in the financial planning context. It may be easy to construct an appropriate reward system for employees, but for a client, what are the rewards? Use the reward leadership quality by asking your client what a successful engagement looks like to them. This could be monetary returns, acceptable volatility, appropriate amounts and types of communication, personalized services, freedom to travel without actively managing assets, and more.

All interactions have an individualized component a leader must pay attention to for best outcomes. The bottom line is: a leader must find out what would be rewarding and work toward making that come true within the reality of the planning engagement.

Improvement

A leader pays attention to improving their client’s understanding and participation in the planning process provided the client would find that rewarding. On the other hand, perhaps it is the planner as leader assisting a

client in improving their ability to “let it go in the short-term” through education about asset allocation, active and passive management, etc. By having a respectful and inclusive discussion about the planning process and how a client might want to improve, the planner is building a stronger and more trusting relationship.

If a firm has an internal culture of improvement, this can easily extend to client engagements. When meeting with clients, solicit ideas from them about what they would find interesting and rewarding in terms of improvement. Some of the improvement ideas will be individual, but most will likely be ideas that apply to subsets of clients. Implement using various formats such as client events, online whitepapers, podcasts, LinkedIn white board presentations, or educational forums (think online academic classes). The interaction between the planner as leader and the client regarding improvement is foundational to building and maintaining a high-quality working relationship.

Modeling

Has a client of similar circumstances as you (age, wealth, etc.) asked, “Is this what you do with your financial plan?” That is a yes/no question. If the answer is “no,” then be ready with a great explanation as “no” violates the key aspect of modeling. “Do as I say, not as I do” is very bad leadership and not even good management.

Leaders model in two ways. First, they show through their actions and words the “right way” regarding an issue. If you expect clients to respond quickly with needed information such as tax returns, then be sure to respond as quickly to their information requests. If you don’t want them to text you because compliance doesn’t allow it, don’t text them. Don’t even text them back. Call or email instead: “I got your text, but compliance won’t allow me to communicate with

clients via text.”

The other large aspect to modeling is assisting clients in learning how things are done. For example, if you provide bar charts in reports, then walk each individual client, step-by-step, through the charts, describing how they are constructed and how to interpret them. This may take a short or long time to accomplish, but if you aren’t confident they know how to read the charts, how can you be sure you are communicating? If they don’t know how to budget, show them how you do it. If they don’t know how to use the online client portal, show them how. It is also effective to have someone substitute for you in this, as delegation is a good leadership skill. Make sure you are still leading that effort, though, as leadership can’t be delegated away, only shared.

Conclusion

Leadership is not just for employer relationships. As discussed, you are employed by your clients, but you are the leader in the relationship in most cases. Whether you explicitly discuss this role-relationship or simply allow it to exist and act accordingly, without your leadership as a financial planner, the planning process will easily get off track. By using leadership qualities to be inclusive rather than directive, to respectfully listen, and to help clients achieve meaningful rewards to improve their abilities, you show them the way you forge stronger, more trusting relationships that lead to better results. ■

Endnotes

1. See David Smith’s January 2018 *Journal* article, “Understand the Behaviors of Leaders and Team Members to Improve Your Organization,” at FPAJournal.org.
2. Five Star Leadership® is a leadership research group and part of the non-profit Oahu Adventures Foundation Inc. (www.oafound.org), where the author is the director of research.