

Investment News

Client trust: It is yours to lose

One key to making sure you don't is to set up and articulate service standards

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More than their friends, portfolio managers or corporations, investors trust their brokers or financial advisers, according to the first annual U.S. Financial Services Trust Barometer, sponsored by the Edelman public relations firm.

The barometer was based on a survey of college-educated individuals 25 to 64 whose incomes are in the top 25%.

The survey is part of a larger initiative the firm has undertaken for the past 10 years, the Edelman Trust Barometer. This survey is conducted in 22 countries and measures respondents' trust in government, business and other institutions, as well as the factors which influence that trust.

Not surprisingly, trust in financial services institutions is down sharply from a few years ago.

The latest report shows that the financial services industry trails almost every other industry, with just 33% of respondents saying they trust banks. Only insurance and media companies performed worse, each having just 32% of respondents saying they trust them.

Yet when participants in the United States were asked whom they trust most to provide accurate information on investments, investing or the market, 68% said their broker or adviser. In case firms need to be reminded, it is the adviser's relationship with the customer that is king.

How can advisers make the most of their position? The survey produced other findings that offer some answers.

The quality of communications and customer service are as important in creating and maintaining a reputation as price and performance.

In other words, clients are as likely to refer you to a friend because they like the way you conduct your portfolio reviews as they are because they like the results those reviews contain.

However, many advisers spend limited time on client communications and haven't established service standards for their firms.

A clear statement about your service standards should be part of your marketing efforts, included in your welcome package to new clients and presented to existing clients at their reviews. If you

don't yet have service standards, or at least none that have been articulated to clients, consider writing them.

Typically they include how quickly a client can expect to have a telephone call or e-mail returned, how frequently they can expect to hear from you and what those communications will entail (statements, newsletters, market updates, invitations to programs or client appreciation events), and how often they can expect to meet with you and what those reviews will include.

Reputation is based as much on trust and transparency as leadership and share price. How can you demonstrate it to clients and prospects?

Consider looking at your practice from three perspectives: communications, processes and policies.

First, be sure that your communications clearly explain to clients the fees that they will be charged.

Second, make certain you explain your investment processes so that when you make a recommendation, clients understand how you have arrived at it.

And third, create an investment policy statement so there is no question that you and your clients are clear about their objectives, risk tolerance and any restrictions they wish to place on their accounts.

You may want to include a section in your service standards on transparency. Clients appreciate this, but advisers may forget to mention it.

Younger people, those 25-34, have higher trust than those over 35, and they especially value online communication.

One of the challenges many advisers face is lowering the average age of their client base, so it is good news that Generation Y is slightly more trusting than their elders when it comes to advisers. But advisers need to think about how to communicate with this target audience.

A lot has been made about social media as a tool for prospecting, but it is even more important as a tool for client communications. A brief e-mail at the end of the day on what made a stock move, a webinar on alternative investments, or a website with videos that explain financial concepts can all be effective ways to reach out to a younger audience.

There is even a new service, advisortlc.com, that allows you to deliver video messages to your clients by adding a camera and a software program to your computer.

With new tools, old values and good communication, advisers are in an excellent position to take their practices to the next level.