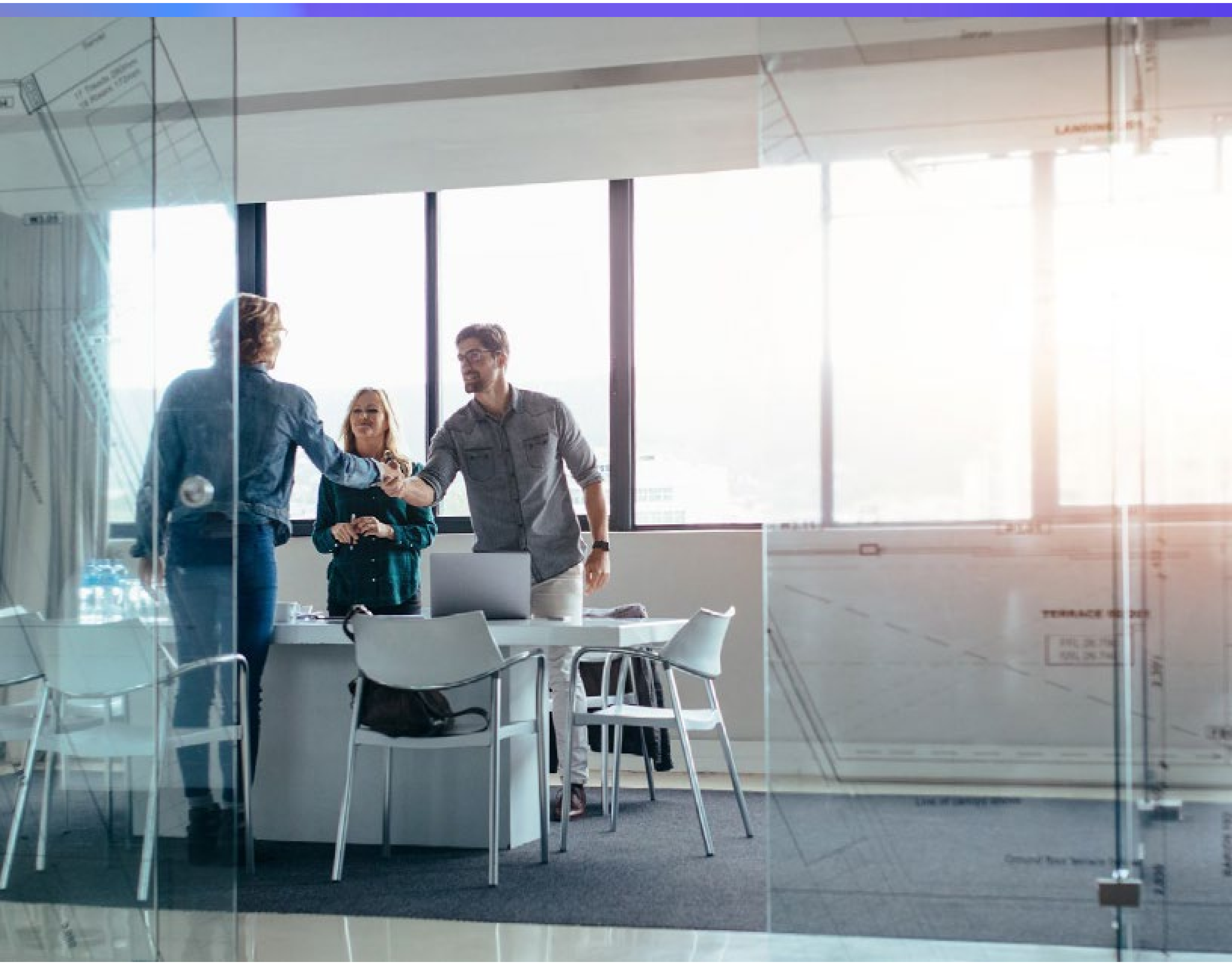
Mastering the client review



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The challenge

In today's highly competitive environment, no financial professional can afford to take clients for granted—especially those with substantial assets. Many high-net-worth clients have more than one financial professional—and it's safe to assume any of them would welcome additional assets from those clients.

How can you help ensure that your best clients stay with you through the ups and downs of the markets? Service is the key. Service is often cited by high-net-worth clients as a reason for switching financial professionals.

The opportunity

Reviews are the most visible and most personal type of service that you deliver to clients, and they play a huge role in client retention.

To truly master them, it's essential to see reviews as more than a forum to discuss investment performance, and instead approach them as opportunities to deliver value on many levels. The result will be stronger client relationships and new opportunities to gather assets and win quality referrals.

How we can help

On the following pages, you'll find ideas to help you take your reviews to the next level and expand your existing client relationships. These ideas were designed primarily for use with annual reviews, but the principles can be applied to semiannual and quarterly reviews as well.

Mastering the client review is one of many resources available to help you manage your practice, evaluate your service offering and formulate a strong value proposition.

Contents

1 Understanding client reviews

Client reviews are the heart and soul of your consultative process. They embody your commitment to understanding each client's goals, tailoring investments and strategies to those goals, and ensuring your clients are well-informed about the progress of their plan. Whenever possible, reviews should be conducted in person to facilitate conversation and deepen the relationship.

A critical step in the consultative process

Because reviews are typically the most in-depth interactions you have with clients all year, they have a huge impact on how clients perceive you and your practice.

Done well, they help strengthen the three "Rs" that are critical to every advisor's success:

- Relationship—by clarifying your understanding of client needs
- Relevance—by demonstrating your knowledge of their financial situation
- Retention—by reinforcing the value that you have committed to deliver

A showcase for your value

In principle, reviews are opportunities to explain investment performance, but in reality, they are much more than that. This is where "the rubber meets the road" in bringing your service proposition to life. It's important that your reviews deliver value on many levels:

Personal
Listening to clients, recognizing them as individuals, encouraging them to voice questions and concerns, and helping them past roadblocks to rational decision-making

Investment
Explaining investment performance, making appropriate recommendations and implementing them

Wealth management
Offering relevant insights into strategies for wealth management needs

> **Which kind of value matters most to clients over the long term? Though wealth management and investment value are essential, personal value is the "X factor" that ultimately keeps clients coming back to you through the ups and downs of the markets.**

Are you making the most of your reviews?

1. How much time do you typically allot for a review with a client?
- Less than 60 minutes
- 60 minutes
- 90 minutes or more

2. How consistent are you in the process you use for client reviews?
- Not very consistent
- Somewhat consistent
- Very consistent

3. How carefully do you plan in advance what you will discuss at a review?
- I gather relevant data, but do not set an agenda
- I set an informal agenda, for my eyes only
- I set a formal agenda and share it with the client in advance

4. How carefully do you plan out your opening remarks at a review?
- I do not plan them in advance
- I give it some thought, but I don't get specific
- I plan them out carefully and mentally rehearse them

5. What best describes the percentage of time at a review that you spend on topics other than investment performance?
- 30%
- 40%
- 50% or more

6. Do you have a well-developed and meaningful value proposition?
- No, but I realize I should have one
- Yes, but it needs work
- Yes, I have a formal written value proposition that I'm very confident in using

7. How often do you articulate your value proposition as part of the review?
- Never
- Occasionally
- Almost always

8. How often do you ask for referrals at a review?
- Never
- Occasionally
- Almost always

9. What method do you use to record new information about the client that comes up during a review?
- I take handwritten notes and place them in a file after the meeting
- I dictate notes afterward and file a transcription copy
- I enter information in a searchable electronic database

Take this simple quiz.

Check your total score to see if you are taking full advantage of the opportunities presented by client reviews.

Are you making the most of your reviews?

1 x ______________________ = ______________________

Number of 1s — Total for 1s

2 x ______________________ = ______________________

Number of 2s — Total for 2s

3 x ______________________ = ______________________

Number of 3s — Total for 3s

Sum/Total = ______________________

Score yourself.

Check your total score to see if you are taking full advantage of the opportunities presented by client reviews.

Award yourself 1 point for each answer 1 that you selected,
2 points for each answer 2,
3 points for each answer 3, then total the points for your score.

Score legend

21–27 Excellent
Excellent use of client reviews.

15–20 Good
Good, but there is more you can do to take full advantage of reviews.

9–14 Needs improvement
You have room to make your reviews more productive.

Enhancing the review experience

How clients perceive your service depends not only on what you do, but also how you do it.

That's why it's useful to periodically step back and think about the experience you provide from the client's perspective. This can provide valuable insights and lead to adjustments that increase satisfaction and streamline the process. Will a client move their account simply because they don't like the lighting in your office or the feel of their chair? That's unlikely. But could these things play a role in shaping their perceptions of your service? Absolutely.

Greeting
The review experience begins when the client arrives at your meeting site, not when they first see you. Is there someone to greet the client? Do they greet the client by name? Is the waiting area clean and well-ordered? Are refreshments available? Are there magazines or newspapers to read?

Review location
Take a seat in the chair where clients sit during your reviews. Is it comfortable? Is it easy to see across the desk or conference table? Do things look cluttered or busy? Does the entire setting say "Here is someone who understands my needs"?

Documentation
Remember that to the client, the information you review is both important and personal. Are you using well-organized, high-quality documents to present it? Is the information provided to the client in a professional folder or portfolio?

You
Your personal style sets the tone for the meeting. Are you formal or informal in your manner? How do you take notes — by hand, or using a computer? Or is an associate on hand to take notes so you can give your complete attention to the client?

> **The degree of control you have over these elements may vary greatly depending on how and where you run your practice. The important thing is to assess how the review "feels" and take what steps you can to enhance the client experience.**

Time testing your review commitments (example)

How much time do I have available in a year?

44	x	40	=	**1,760**
Number of weeks I work per year		Number of hours I work per week		**Total available hours per year**

* Remember to deduct days for vacations, holidays, and days you attend conferences.

How much time do I need to conduct reviews?

2	+	1	=	**3**	x	2	=	**6**
Number of hours needed to prepare for review		Average length of review in hours		**Hours per review**		Number of reviews per client per year		**Total number of hours per client per year**

6	x	175	=	**1,050**
Total number of hours per client per year		Number of clients		**Total review hours per year**

How much of my time should be spent on reviews?

1,050	+	1,760	=	**60%**
Total review hours per year		Total available hours per year		**Proportion of hours spent on reviews**

How often you conduct reviews in person is a function of the number of clients you serve, the size of their wealth, and the availability of your time. It's important to be realistic about what you can and cannot do. To that end, the following approach can provide a useful "reality check."

We've included some sample figures to illustrate the process.

In this example, only 40% of the financial professional's time is left available for investment management, practice management and prospecting.

On the clock. Time testing your reviews

How many work hours do I have available in a year?

________	x	________	=	________
Number of weeks I work per year		Number of hours I work per week		**Total available hours per year**

* Remember to deduct days for vacations, holidays, and days you attend conferences.

How much time do I need to conduct reviews?

________	+	________	=	________	x	________	=	________
Number of hours needed to prepare for review		Average length of review in hours		**Hours per review**		Number of reviews per client per year		**Total number of hours per client per year**

________	x	________	=	________
Total number of hours per client per year		Number of clients		**Total review hours per year**

How much of my time should be spent on reviews?

________	+	________	=	________
Total review hours per year		Total available hours per year		**Proportion of hours spent on reviews**

Does the proportion of time you are spending on reviews seem reasonable to you? Does it leave sufficient time for other essential functions (e.g., investment management, practice management, prospecting, etc.)?

How often you conduct reviews in person is a function of the number of clients you serve, the size of their wealth, and the availability of your time. It's important to be realistic about what you can and cannot do. To that end, the following approach can provide a useful "reality check."

A review that does not meet client expectations can damage the relationship and eventually lead to an ACATS form on your desk.

Time testing your reviews

Options for better time management	
Option 1	Segment your client list based on assets, production, or the complexity of their financial needs, and offer different levels of service to different segments. “A” clients might receive annual and quarterly reviews, while “B” clients receive only annual and semiannual reviews and “C” clients receive only annual reviews.
Option 2	Offer annual reviews only, with the option for telephone “check-in” if the client has a specific performance concern.
Option 3	Reduce the number of clients by establishing or raising a minimum asset level. Many financial professionals find that providing a high level of service to a select group of clients ultimately results in a more satisfying and rewarding practice.
Option 4	Hire additional staff and delegate more responsibilities.

Regardless of how often you give reviews, be clear about how you conduct them when you describe your service proposition to clients, and make sure you follow through on what you promise.

To run your practice effectively, you may need to manage your time spent on reviews.

If you think you are spending too much time on reviews, you have several options.

Setting the date

The ideal time to schedule your next review is at the end of the current review, when there is sufficient lead time to easily select a date that works for both of you.

In selecting a date, be aware of when your firm sends out performance data to clients, particularly if you are conducting a quarterly or semiannual review.

Be sure to lock the date in your calendar and avoid changing it unless absolutely necessary. Moving a scheduled review sends a signal to the client that you have other priorities, which is the last thing you want to do.

A typical review should take 60 to 90 minutes. In scheduling the appointment, make sure extra time is built in for unstructured conversation. That's very often the key to learning something important that might not emerge otherwise.

A communication should go out to the client five to six weeks before the date, accompanied by a formal meeting agenda. Be sure to confirm the date by phone about 10 days before the meeting, and then again one to two days prior to the meeting.

Example communication
Dear [client name]:

The review we scheduled for [date/time] is coming up soon, and I've set aside [duration] (minutes/hours) for our meeting.

I'm looking forward to the opportunity to discuss your overall plan, the progress that's been made toward you achieving your individual goals, and the recent performance of your accounts.

In addition, I want to be sure that we can address any recent changes in your situation that haven't arisen in our previous conversations. The enclosed agenda is designed to help guide us in making our conversation focused and productive.

To make sure we have all relevant information at hand during our meeting, please bring the following documents:

- *Statements from other financial accounts (bank, brokerage, mutual fund)*
- *Your most recent federal and state tax returns*

As always, feel free to call me about anything in advance of our meeting. I look forward to seeing you on [date/time].

Sincerely,

[signature]

Please be sure to follow your firm's approval process, if applicable, for any confirmation letters or agendas that you send.

Standardizing your approach

To use the time you invest in reviews effectively, it's important to standardize your process.

That doesn't mean all your reviews should be exactly the same; different clients have different priorities, and you should have the flexibility to address them. However, preparing and conducting reviews in a consistent way makes it easier to focus on a client's individual issues.

Think about a professional golfer who practices the same swing motion over and over. Standardizing that motion frees him to focus on the unique challenges of each golf hole without worrying about his basic swing.

You want a process that lets you customize your reviews without reinventing the wheel each time. The more repeatable the process and the more consistently you apply it, the more efficient your preparation for each meeting will be. And if you work as part of a team, the easier it is to delegate elements to an associate. That enables you to do what only you can do—deliver customized service and attention.

A standardized process may also be good from the client's perspective. Knowing what to expect when they sit down with you reinforces perceptions of your reliability and professionalism.

Setting your review process

While reviews can and should look at recent investment performance, the discussion should be structured in a way that builds a bridge from the past to the future—looking ahead toward the realization of long-term goals.

Options for better time management	
Step 1 **Recap value proposition**	Provide a brief recap of the basic terms of your relationship as summarized in your value proposition—including your investment management process, service commitment and wealth management capabilities. This ensures there is a clear context and that the client recognizes the total value that you bring to the relationship.
Step 2 **Open discussion/ update of personal information**	Start with an open discussion of anything that is on the client's mind, including any concerns they may have or any "headlines" they may have questions about. Following that, you should recap any new developments in the client's life since your previous review. This is a natural way to begin and allows you to quickly assess how much time may be needed during the review to explore the potential impact on current plans. Ask the client to elaborate on any relevant changes that emerged during conversations since the last review. In addition, you will want to recap the investment policy statement or similar document(s), including risk tolerance and time horizon, allocation model and investment/manager selection.
Step 3 **Show progress against goals**	Evaluate recent performance as being "on track" or "off track" in regard to achieving specific personal objectives such as "funding my child's education," "buying a second home" or "retiring early with 75% of current income." Go over any assumptions made in making this judgment and discuss potential changes to the client's strategy/plan that appear necessary to realize the client's goals in an appropriate time frame.
Step 4 **Present specific investment performance**	Discuss any gains or losses since the last review. Use analytic tools and reports available from your firm or your own tool kit to address investment performance in a comprehensive and systematic way. Be sure any tools you use are approved for use with clients by your firm. You may wish to start with general market conditions and specific sector benchmarks before zeroing in on the performance of the client's portfolio and component investments within the portfolio. Where relevant, discuss the attribution of performance based on allocation model, sector weights and/or security selection.
Step 5 **Agree on next steps**	Outline any possible changes to the strategy/plan, as appropriate, to reflect new goals or circumstances, and agree on a plan of action before scheduling the next review.

Notes

2 Preparing for the review

Creating a formal review agenda that's specific to the client and sending it out in advance of your meeting is a good policy on many levels. It makes a clear statement that you are serious about the client's business and well-organized in your approach, inspiring confidence and setting expectations for progress.

Creating a formal agenda

The agenda is an invaluable tool to direct the flow of conversation and help keep everyone on track. It enables you to raise issues that may require advance thought or preparation by the client. If you want to talk about retirement savings, list that as an agenda item so the client won't be taken by surprise. This paves the way for any recommendations you may be preparing in that area. There are two ways you can present the agenda—one that includes the key points of discussion or another that includes the key points of discussion and the underlying details for each key point.

Sample agenda A

1. Open discussion
2. Update personal information
3. Discuss progress against goals
4. Recap investment strategy
5. Present financial performance
6. Agree on next steps

Sample agenda B

1. Open discussion
- What's on your mind?
- Concerns?
- Headlines scaring you?

2. Update personal information
- Personal/Family
- Job/Career status
- Major expenditures
- Retirement
- Education funding
- Estate planning
- Charitable giving
- Other

3. Discuss progress against goals
- Reference any goals here that you have previously discussed with client

4. Recap investment strategy
- Risk tolerance and time horizon
- Allocation model
- Investment/Manager selection

5. Present financial performance
- Economic conditions
- Sector performance
- Portfolio performance
- Investment performance

6. Agree on next steps
- Plan readjustments
- Reallocation
- Asset transfer
- Date/Time of next review

Planning your opening remarks

Since a review is a presentation as well as a conversation, it's best to plan your opening remarks. You want to construct a brief and cogent summary that highlights key client goals and the progress that's been made toward them, referencing your last meeting and any recent conversations.

This summary should ideally take the form of a narrative or "story" that ties together your original discussion of their personal goals, the progress that has been made in relation to them, and whether that progress is above or below expectations. This is a proven method of cutting through the clutter of information that surrounds us in modern life and zeroing in on what really matters to the client.

Here's an example:

"When we first met two years ago, we talked about you wanting to retire by the time you turned 55, so you could finally spend more time with your family. We set a goal of you having $55,000 in deferred income and another $500,000 in investments by that time. Last year, we made great progress toward that goal. This year, as we discussed over the phone last March, the markets were very volatile—but nevertheless, I believe we are still on track to meet your goal. Before we get into specifics, I'd like to spend a few minutes talking about anything new in your family and your life that's come up since our last review."

Preparing to discuss progress against goals

As an industry, we place considerable importance on measuring investment performance, particularly in relation to an index.

Yet from the client's standpoint, the value of using indexes as a measurement tool is limited.

We believe both financial professionals and clients are best served when the review conversation goes beyond measuring investment performance to also focus on progress toward personal goals. The key is helping clients put a realistic price tag on their goals and then measuring investment performance against that number/goal.

To do that, you will need a comprehensive view of the client's wealth. We recommend you incorporate the use of analytical tools (approved for use by your firm) that let you test whether a given investment mix is "on track" to meet a specific future goal—or whether that goal is realistic.

For example, let's say you have a 40-year-old client who wants to retire at 55. You first need to define what the client's cost of living will be in retirement, and then test whether the client's current investment plan is adequate to generate the needed income. You can then have an intelligent conversation about whether this goal is realistic, and what kind of trade-offs the client is willing to make (e.g., reset their expectations or else adopt a more aggressive investment posture).

Assuming you have already set specific financial goals ("the number"), the following approach illustrates one way to present progress against goals at an annual review.

> **After all, the main reason that most clients invest is not to beat an index. Instead, they invest to achieve specific personal goals, like a secure retirement.**

Progress against goals worksheet: How to complete this form

Goal	
Enter the future objective that requires funding, such as retirement, education funding, etc.	
Amount required to achieve goal ($)	Enter the estimated future cost of the goal.
Date when goal established	Enter the date when the goal was established and the amount that was first invested.
Goal completion date	Enter the estimated future date when funds will be needed for the goal.
Original amount invested ($)	Enter the amount invested specifically toward achievement of this goal.
Investment vehicle	Enter the type of vehicles used.
Investment mix	Enter the specific investments designated for this goal.
Target return (%) (gross average annualized return necessary to realize goal)	Calculate and enter the average annualized percent return needed to deliver the future cost of the goal. Indicate any assumptions you are making in generating this figure, such as the reinvestment of dividends.
Progress against goal	
Current date	Enter date of review.
Current value of investment ($)	Enter current value of designated investment.
Actual gross average annualized return to date (%)	Calculate and enter the average gross annualized return realized between date of original investment and current date. Indicate any assumptions you are making in generating this figure, such as the reinvestment of dividends.
Target value of account ($) (where account value should be in order to reach goal, based on original assumptions about desired rate of return)	Calculate and enter the total value of what the investment would be if it had achieved the average annualized return designated as necessary to realize the goal.
Status (on target/ahead of target/short of target)	Compare current value of investment and target value of investment and enter whether investment is now on target, ahead of target or short of target.
Time remaining to generate funds for goal	Enter the time between review date and goal completion date.
Recommendation(s)	
Enter any recommended adjustments necessary to ensure achievement of goal on planned schedule. Be sure to advise the client of any risks, restrictions or limitations that are relevant to your recommendation.	

Progress against goals worksheet (example)

Goal	
Enter the future objective that requires funding, such as retirement, education funding, etc.	
Amount required to achieve goal ($)	$213,000
Date when goal established	9/1/12
Goal completion date	9/1/26
Original amount invested ($)	$60,000
Investment vehicle	A tax-deferred college savings account
Investment mix	75% equity, 25% fixed-income investments
Target return (%) (gross average annualized return necessary to realize goal)	9.5%
Progress against goal	
Current date	1/1/20
Current value of investment ($)	$85,832.98
Actual gross average annualized return to date (%)	5%
Target value of account ($) (where account value should be in order to reach goal, based on original assumptions about desired rate of return)	$116,839.09
Status (on target/ahead of target/short of target)	Short of target by $31,606.11
Time remaining to generate funds for goal	Approximately 6.5 years
Recommendation(s)	
Increase contributions or adjust investment mix to seek higher level of return	

Progress against goals analysis should be done annually, rather than quarterly or semiannually. You want to be sure adequate time has passed to show meaningful progress and not just short-term "blips" in performance.

Progress against goals worksheet

Use analytic tools to project the future value of an investment based on an estimated rate of return to help you fill in some of the blanks below. Be sure that any tools you may use are approved for use by your firm.

Client name: ______________________________ **Date:** ______________________________

Goal	
Amount required to achieve goal ($)	
Date when goal established	
Goal completion date	
Original amount invested ($)	
Investment vehicle	
Investment mix	
Target return (%) (gross average annualized return necessary to realize goal)	
Progress against goal	
Current date	
Current value of investment ($)	
Actual gross average annualized return to date (%)	
Target value of account ($) (where account value should be in order to reach goal, based on original assumptions about desired rate of return)	
Status (on target/ahead of target/short of target)	
Time remaining to generate funds for goal	
Recommendation(s)	

Gathering relevant data and resources

Create a plan about the data and resources you will use when discussing your client's investment performance.

Having easy-to-use, powerful reporting tools and understanding their full capabilities greatly assists in maintaining control during the review. Be sure to take advantage of any available tools from your firm or your own tool kit to provide targeted analysis of relevant issues. As you plan to gather resources for the review, be sure to identify the source for the information, who is responsible for getting it, and the date you need it. Relevant data and documentation may include:

Client communication
- Recent statements
- Follow-up to recent conversations

Individual investments review
- Investment performance
- Investment earnings (independent of asset additions/withdrawals)
- Manager performance
- Manager commentary
- Return vs. benchmark
- Style consistency
- Average duration (fixed income)
- Performance attribution (sector, style, currency)
- Other

Plan review
- Copy of existing plan
- Reports showing progress to plan

Investment environment
- Economic trends
- Interest rates
- Stock market cycle
- Currency trends
- News articles
- Regulatory decisions

Wealth management review
- Estate planning
- Charitable giving
- Business succession
- Long-term care
- Special needs for parents
- Education savings
- Special needs for children/grandchildren
- Other

Sector review
- Asset class performance
- Peer group performance
- Other

Portfolio review
- Allocation profile
- Absolute return
- Risk-adjusted return
- Tax efficiency ratio
- Portfolio turnover
- Portfolio cash flow (independent of investment income)
- Risk/Volatility data
- Performance attribution (by allocation and/or sector weighting)
- Other

Portfolio review resource worksheet

This worksheet is designed to help you quickly map out the data and documents needed for a client review, as well as identify the sources of information and the people responsible for obtaining the information. Use the “other materials needed” lines to add items not included on the printed list.

Client name: ______________________________ **Date:** ______________________________

	Needed for review (Y/N)	Broker / dealer	Asset manager	Tech analyst	Financial professional		
	Source of information					Person responsible	Due date/notes
Macro review							
Economic trends							
Interest rates							
Stock market cycle							
Currency trends							
News articles							
Regulatory decisions							
Other materials needed							
Sector review							
Asset class performance							
Peer group performance							
Other materials needed							
Macro review							
Allocation model							
Absolute return							
Risk-adjusted return							
Time-weighted return							
Tax efficiency ratio							
Portfolio turnover							
Portfolio cash flow (independent of investment income)							
Risk/Volatility							
Performance attribution by allocation							
Performance attribution by sector weighting/security selection							
Other materials needed							

Portfolio review resource worksheet - continuation

	Needed for review (Y/N)	Broker/dealer	Asset manager	Tech analyst	Financial professional		
	Source of information					Person responsible	Due date/notes
Macro review							
Investment performance							
Manager performance							
Manager commentary							
Return vs. benchmark							
Style consistency							
Average duration (bonds)							
Attribution to sector performance							
Attribution to FX (international investments)							
Other materials needed:							
Wealth management review							
Estate planning/materials needed							
Charitable giving/materials needed							
Business succession/materials needed							
Long-term care/materials needed							
Special needs for parents/ materials needed							
Education savings/materials needed							
Special needs for children/ materials needed							
Other materials needed							

Notes

3 At the review

When it comes time for the review, careful preparation of the analysis and documents you've produced should allow you to cover important points efficiently—leaving time to discuss new ways to provide service to the client. You've created an agenda that follows your review process and you can use it as a point of reference as well as to help redirect the discussion if things begin to stray off topic. However, you want to be flexible enough to answer questions as they arise and follow the natural flow of conversation.

Uncover new opportunities

If your relationship with a client is well established, it may require a truly dramatic and thought-provoking question to open up new areas for discussion. For example, instead of questioning clients and prospects about their estate-planning needs, ask them what kind of mark they want to leave on the world and their children.

Address emotional roadblocks

As you're well aware, wealth can be an emotional topic.

From time to time, you may see otherwise sensible clients develop irrational attitudes toward investment performance that cloud perceptions and hinder rational decision-making. This is especially true when short- term movements in the markets lead clients to make impulsive changes to a long-term strategy.

Pose thought-provoking questions
• If you were to pass away tomorrow, who would control your assets? Are they truly prepared for that responsibility?
• Are they aware of what you would like them to do?
• How do you want to spend your time during the first month of retirement? How do foresee this changing over the course of the next 10 years in retirement? (Segue to retirement planning.)
• Outside of your friends and family, who would you like to benefit from your wealth? (Segue to charitable giving.)
• Do you have guardians named for your children? Have you completed the paperwork to make this legally binding? (Segue to estate planning.)

While clients may exercise authority over investment decisions, it's prudent to be alert to emotional roadblocks that can derail your review conversation and be ready to help overcome them. The first step is to ask the client to describe their feelings in detail and acknowledge their feelings.

Once you have done that, you want to return to the original reasoning that led to the original investment decision and investigate whether the client has altered any fundamental assumptions. Whether or not you convince them to take a more rational approach, you will come out ahead if you are clearly acting out of concern and address them with respect.

Addressing emotional roadblocks

Typical “roadblocks” that may arise include:

Roadblock	Solution
Ego The client becomes overconfident in their ability to make investment selections.	Go back to the investment policy statement or similar document, if you have one.
Envy The client benchmarks their success to that of others in an unrealistic way.	Return to your initial analysis of their needs and show how your plan is built systematically in response to those needs and risk tolerance, reminding the client that short-term results may vary in the pursuit of long-term goals.
Inflexibility The client generalizes from a recent experience and doesn’t recognize that this may not be representative of long-term patterns	Indicate that historically, short-term performance has varied greatly and may contradict short-term trends. We also recommend you indicate that past performance is not a guarantee of future results and markets may at times be volatile and unpredictable. Use historical data to show how short-term performance can vary greatly and may contradict long-term trends.

Set expectations

Once you've explored new issues and ideas, you want to set clear expectations for action, spelling out what the next steps will be for the client and for you.

If it is appropriate to adjust the plan or portfolio, be specific about when and how you expect to make any changes and ask the client to confirm verbally. Now is the time to head off any potential misunderstanding. Set deadlines for each action to ensure you fulfill your obligation to provide timely execution and follow-up.

Ask for referrals

Some financial professionals are reluctant to ask for referrals at a review, yet it is an excellent opportunity to do so. After all, during a review you demonstrate both your familiarity with the client's needs and your ability to assemble a practical plan to satisfy those needs—the core competencies that make you a valuable partner to the client. One of the clearest cues for you to ask for a referral is when the client thanks you for something or shows appreciation during the review. This is a "bell" that signals that your value has been recognized and that the door is open for you.

4 Following up and following through

Schedule 30 minutes following each review to document notes in your own files and your Customer Relationship Management (CRM) system, and to schedule and complete follow-up actions. Prepare a short letter or email to your client specifying next steps you and the client must take to follow through on changes discussed along with a clear timetable for action.

Set a date on your calendar to check on the status of any indicated changes and think about how you will keep the dialogue going between reviews. The more important the client, the more important it is to have regular communication between reviews; generally speaking, frequency of contact is closely correlated with the size of AUM. Your communication need not be in-depth to matter; a one-line "FYI" note sent with research can be enough to demonstrate your commitment to a high level of service.

Follow through with any updates as quickly as possible, and provide documentation to the client of the changes, using compliance-approved communications.

Invite client feedback

The best way to gauge the effectiveness of your reviews is by inviting client feedback.

A good approach is to use a brief survey that asks clients to rate your performance on various dimensions of the review experience. Examples of questions that may be relevant include...

How well do I...

- Accommodate your schedule in setting review times?
- Explain the progress of your plan?
- Explain the overall portfolio as well as individual investment performance?
- Explain our fee structure and the services we provide for those fees?
- Provide clear and appropriate answers to your questions?
- Recognize your personal concerns and life goals?
- Raise issues that you had not previously considered?
- Follow up with you on specific issues discussed during the review?

This can be a conversation, a printed survey or an online survey (as approved by your compliance department). If you send a printed survey, include a pre-addressed, pre-stamped envelope that clients can use to return it. If sending an online survey (there are a variety of resources available on the Internet), review your firm's compliance policies to be sure that it is permitted, and if so, that you adhere to any required guidelines.

Analyze client tax documents

You've asked the client to bring a copy of their tax return, so you'll want to evaluate it for clues to unmet needs. If you have worked with the client for years, compare copies of previous returns and be alert to figures that are inconsistent with past trends.

Areas where it may be important to "read between the lines" include:

Current income (1040, lines 7 and 21)

Does it seem unusually large or small relative to AUM?

Is it unusually large relative to that of other years?

Does "other income" (line 21) derive from consulting fees or director's fees, which might allow for the establishment of additional retirement savings plans?

Concentrated stock positions (1040, Schedule B Part II)

Check the detail for this section to see if there are single stock accounts for a large share of dividend income. This could indicate whether there are heavily concentrated positions that should be discussed.

Interest income and dividends (1040, lines 8, 9)

Is the overall figure unusually large relative to the assets under your management? This could indicate significant assets under the care of other advisors.

Illiquid assets (1040, Schedule E)

Are there significant holdings here (e.g., real estate, business partnerships, estates/trusts) that might call for a reassessment of how liquid assets are invested?

Could any of these holdings be suitable as a charitable gift?

Alimony (1040, line 31a)

Has the client updated their beneficiary designations following the conclusion of a divorce?

Inheritance (1041, line A, "decedent's estate" box)

Did the client pay estate tax as a result of an inheritance?

Charitable giving (1040 Schedule A, lines 16, 17)

Are contributions in the form of cash, securities or property?

Could a charitable remainder trust or donor advised fund be more advantageous for the client?

Could there be holdings in the client's account with long-term appreciation that might be suitable for charitable giving?

Name of tax preparer (all documents)

Do you have a relationship with this person?

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Action steps

Client reviews are the single most important factor in maintaining strong relationships with clients. Each one should offer a clear and meaningful review of recent performance, and demonstrate the value you deliver on a financial and personal level. Regardless of your experience level as an advisor, it's worth taking a step back and considering how to make client reviews more efficient for you and more satisfying for your client.

Systematize your "client review fundamentals."
To maximize your practice's efficiency, find ways to streamline the client review experience, review commitments, conduct scheduling, review process, and set agendas. Don't get overwhelmed; take them one at a time.

Position performance as "progress against goals."
It's all about getting the client closer to where he or she wants to go.

Make the most of available tools and resources.
Understand and take full advantage of tools and resources to generate reports that zero in on specific issues of importance to your client.

Lay the groundwork for referrals.
Bear in mind that if you provide a high level of value at the review, it is an excellent time to discuss referral opportunities.

Create a clear, documented follow-up process.
Remember, details count.

Notes

All investments involve risk, including possible loss of principal.

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