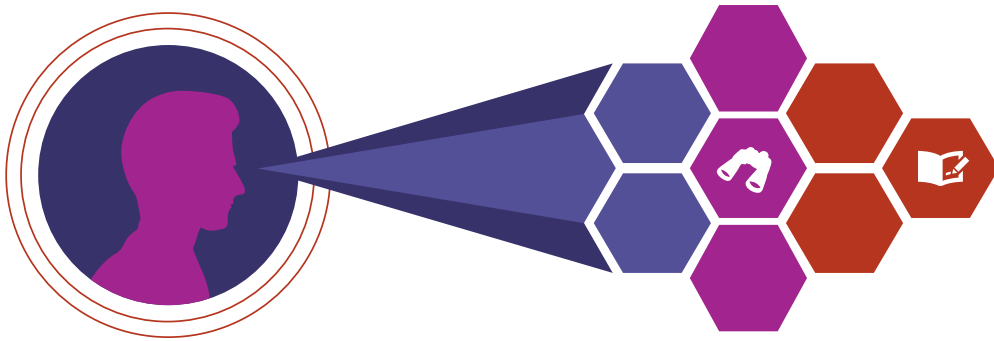


---

# MASTERING THE CLIENT REVIEW

---



FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

# 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 advisor — and it's safe to assume any of their advisors 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 even 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.

## What's inside

---

<b>Understanding client reviews</b>	<b>5</b>
A critical step in the consultative process	6
Enhancing the review experience	9
Setting the date	13
Standardizing your approach	14
Setting your review process	15
<b>Preparing for the review</b>	<b>17</b>
Preparing to discuss progress against goals	19
Gathering relevant data and resources	23
<b>At the review</b>	<b>27</b>
Addressing emotional roadblocks	28
Set expectations	30
<b>Following up and following through</b>	<b>31</b>
Invite client feedback	32
<b>Action steps</b>	<b>34</b>

---

# 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 that your clients are well-informed about the progress of their plan. Whenever possible, reviews should be conducted face to face, 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. So it’s important to be sure that your reviews deliver value on many levels:

<b>Personal</b>	Listening to clients, recognizing them as individuals, encouraging them to voice questions and concerns, and helping them past road blocks to rational decision-making
<b>Investment</b>	Explaining investment performance, making appropriate recommendations and implementing them
<b>Wealth management</b>	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?



Take this simple quiz.

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

- Rarely
- 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

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

## Are you making the most of your reviews?



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.

$$1 \times \frac{\text{Number of 1s}}{\text{Number of 1s}} = \frac{\text{Total for 1s}}{\text{Total for 1s}}$$

$$2 \times \frac{\text{Number of 2s}}{\text{Number of 2s}} = \frac{\text{Total for 2s}}{\text{Total for 2s}}$$

$$3 \times \frac{\text{Number of 3s}}{\text{Number of 3s}} = \frac{\text{Total for 3s}}{\text{Total for 3s}}$$

$$\text{Sum/total} = \underline{\hspace{2cm}}$$

### 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.

### FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

© 2020 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC is a wholly-owned subsidiary of Franklin Resources, Inc. 801504 TAP2004-W1 9/20



# 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 in a review through the client's eyes.

---

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 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:

### How much time do I have available in a year?

$$\begin{array}{r} 44 \\ \hline \end{array} \times \begin{array}{r} 40 \\ \hline \end{array} = \begin{array}{r} 1,760 \\ \hline \end{array}$$

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?

$$\begin{array}{r} 2 \\ \hline \end{array} + \begin{array}{r} 1 \\ \hline \end{array} = \begin{array}{r} 3 \\ \hline \end{array} \times \begin{array}{r} 2 \\ \hline \end{array} = \begin{array}{r} 6 \\ \hline \end{array}$$

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

$$\begin{array}{r} 6 \\ \hline \end{array} \times \begin{array}{r} 250 \\ \hline \end{array} = \begin{array}{r} 1,500 \\ \hline \end{array}$$

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?

$$\begin{array}{r} 1,500 \\ \hline \end{array} \div \begin{array}{r} 1,760 \\ \hline \end{array} = \begin{array}{r} 85\% \\ \hline \end{array}$$

Total review hours per year      Total available hours per year      Proportion of hours spent on reviews

In this example, only 15% of the financial professional's time is left available for investment management, practice management and prospecting.

## On the clock. Time testing your 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 calculations 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.

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

$$\frac{\text{Number of weeks I work per year}}{\text{Number of hours I work per week}} \times \text{Number of hours I work per week} = \text{Total available hours per year}$$

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

### How much time do I need to conduct reviews?

$$\frac{\text{Number of hours needed to prepare for review}}{\text{Average length of review in hours}} + \text{Hours per review} \times \text{Number of reviews per client per year} = \text{Total number of hours per client per year}$$

$$\frac{\text{Total number of hours per client per year}}{\text{Number of clients}} \times \text{Number of clients} = \text{Total review hours per year}$$

### How much of my time should be spent on reviews?

$$\frac{\text{Total review hours per year}}{\text{Total available hours per year}} \div \text{Total available hours per year} = \text{Proportion of hours spent on reviews}$$

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.)?

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

## Time testing your reviews



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:

### Options for better time management

- |                     |  |
|---------------------|--|
| <b>Option No. 1</b> | 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. |
| <b>Option No. 2</b> | Offer annual reviews only, with the option for telephone “check-in” if the client has a specific performance concern.  |
| <b>Option No. 3</b> | 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.   |
| <b>Option No. 4</b> | Hire additional staff and delegate more responsibilities.  |

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

#### FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

© 2020 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC is a wholly-owned subsidiary of Franklin Resources, Inc. 801504 TAP2004-W2 9/20

# 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.

Whatever date you set, be sure to lock it 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.

How long should the review take? Typically 60 to 90 minutes. In scheduling the appointment, make sure there's some extra time 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.

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

## 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 your 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]

# STANDARDIZING YOUR APPROACH



To use the time you invest in reviews most 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 actually 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 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.

"The more I practice,  
the luckier I get."

Gary Player

# SETTING YOUR REVIEW PROCESS



While reviews can and should look at recent investment performance, you want to structure the discussion 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

<b>Step 1</b> 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.
<b>Step 2</b> Open discussion/ update of personal information	Your process should 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. You want to have the client 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.
<b>Step 3</b> 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.
<b>Step 4</b> 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 that 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.
<b>Step 5</b> Agree on next steps	Outline any possible changes to the strategy/plan, as appropriate, to reflect new goals or circumstances, agreeing on a plan of action before scheduling the next review.





# 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**

During the review, the agenda is an invaluable tool to direct the flow of conversation and help keep everyone on track. In addition, the agenda enables you to raise issues that may require advance thought or preparation by the client. If you know you want to talk about retirement savings, by all means list that as an agenda item so the client won't be taken by surprise. This paves the way for any specific 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 have come to 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.



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.

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

To do that, you will need to take a comprehensive view of the client's wealth. We recommend that 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 in the first place.

For example, let's say you have a 40-year-old client who wants to retire at 55. To do that, 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 in the first place, 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.

## Key elements

### Goal and investment definition

- Personal goal (future objective that requires funding)
- Target amount required to achieve goal
- Date when target established
- Goal completion date (date when funds will be needed)
- Original amount invested
- Investment vehicle(s)
- Investment mix (investments designated to fund goal)
- Target return (average annualized return necessary to realize goal)

### Progress against goal

- Current date
- Time remaining to generate funds for goal
- Current value of investment
- Average annualized return to date
- Current target value of account (where account value should be to reach goal)
- Status (on target, ahead of target or short of target)
- Time remaining to generate funds for goal
- Recommendation (adjustments necessary to ensure achievement of goal on planned schedule)

## 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	
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



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 mix.
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
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.

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

# Progress against goals worksheet



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

To fill in some of the blanks below, you will need to use analytic tools which allow you to project the future value of an investment based on an estimated rate of return. Be sure that any tools of this type that 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

\_\_\_\_\_

\_\_\_\_\_

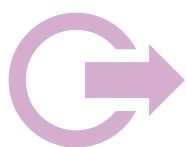
\_\_\_\_\_

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

© 2020 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC is a wholly-owned subsidiary of Franklin Resources, Inc. 801504 TAP2004-W3 9/20

# GATHERING RELEVANT DATA AND RESOURCES



Having a clear game plan about the data and resources you will use to discuss investment performance is essential to staying in control during the review itself.

Having easy-to-use, powerful reporting tools and understanding their full capabilities greatly facilitates this. 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

## **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

## **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



#### **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

#### **Wealth management review**

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

Note: Be sure that any analytic tools you use have been approved by your firm for use with clients.



## 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:** \_\_\_\_\_

**Review date:** \_\_\_\_\_

	Needed for review (Y/N)	Source of information			Person responsible	Due date/notes
		Broker/ dealer	Asset manager	Tech analyst		
<b>Macro review</b>						
Economic trends						
Interest rates						
Stock market cycle						
Currency trends						
News articles						
Regulatory decisions						
Other materials needed						
<b>Sector review</b>						
Asset class performance						
Peer group performance						
Other materials needed						
<b>Portfolio review</b>						
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						

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

# Portfolio review resource worksheet



	Needed for review (Y/N)	Source of information			Person responsible	Due date/notes
		Broker/dealer	Asset manager	Tech analyst		
<b>Investment review</b>						
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:						
<b>Wealth management review</b>						
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						

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

Franklin Resources, Inc. its affiliates and its employees are not in the business of providing tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any taxpayers for the purpose of providing tax penalties or complying with any applicable tax laws or regulations. Tax-related statements, if any, may have been written in connection with the “promotion of marketing” of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

© 2020 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC is a wholly-owned subsidiary of Franklin Resources, Inc. 801504 TAP2004-W4 9/20

# AT THE REVIEW

# 3



Careful preparation paves the way for your reviews to run smoothly.

## **Anchoring with the agenda**

When it comes time to actually conduct the review, 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. For example, use your Progress against goals analysis (on page 19) to take you through that section of the review. In addition, you may leverage the documents in Gathering relevant data and resources (on page 23) to cover investment performance.

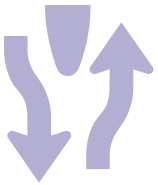
You've already created an agenda that follows your review process, and you should use it to anchor the meeting. As you follow your review process, you want to be flexible enough to answer questions as they arise and follow the natural flow of conversation. However, if things begin to stray too far off topic, the agenda provides a useful point of reference and a guide to the main steps of the review:

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

## **Uncover new opportunities**

If your relationship with a client is well established, it may require a truly dramatic and thought-provoking question to stimulate fresh thought and 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.

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.

## 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 you 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.)

---

**Typical “roadblocks” that may arise include:**

<b>Roadblock</b>	<b>Solution</b>
<p><b>Ego</b> The client becomes overconfident in their ability to make investment selections.</p>	<p>Go back to the investment policy statement or similar document, if you have one.</p>
<p><b>Envy</b> The client benchmarks their success to that of others in an unrealistic way.</p>	<p>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.</p>
<p><b>Inflexibility</b> The client generalizes from a recent experience and doesn't recognize that this may not be representative of long-term patterns.</p>	<p>Indicate that historically, short-term performance has varied greatly and may contradict short-term trends. We also recommend that 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.</p>

# 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 rebalance the portfolio or to make adjustments in 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 make sure 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 actually 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



As soon as possible after the review, while the facts are fresh in your mind, gather your notes and prepare a short letter or email.

---

Specify any next steps that you and the client must take to follow through on changes discussed at the meeting, along with a clear timetable for action.

Set a date on your calendar to check back 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 a regular series of interim contacts 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.

You may well wish to keep additional notes on the meeting for your own reference. Make it a habit to schedule 30 minutes on your calendar following each review to document your notes in your files and in your Customer Relationship Management (CRM) system. Also, use this time to schedule, complete follow-up actions and create follow-up correspondence.

### **Update the plan**

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 surest way to gauge the effectiveness of your reviews is by inviting clients to provide feedback via a brief survey that poses specific questions about your performance in various areas.

---

A good approach is to ask clients to rate you 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 be sure 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?

---

#### 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.

---

#### Alimony (1040, line 31a)

---

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

---

Franklin Resources, Inc., its affiliates and its employees are not in the business of providing tax or legal advice to taxpayers. Please see back cover for important tax information.

#### 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?

---

#### 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.

---

#### 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?

---

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

---

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

---

#### Name of tax preparer (all documents)

---

Do you have a relationship with this person?

---

# 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 clearly demonstrate the value you deliver on a financial level and a personal level. Whatever your level of experience as an advisor, it's worth taking a step back and considering how to make your 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.



---

At Franklin Templeton, everything we do has a single focus: to deliver better client outcomes.

- We have deep expertise across equity, fixed income, alternatives, multi-asset solutions and cash strategies
- We offer an unmatched range of specialist investment managers, consisting of more than 1,300 investment professionals
- Over 70 years of experience in identifying opportunities and delivering investment solutions to clients.

**FOR FINANCIAL PROFESSIONAL AND INSTITUTIONAL USE ONLY. NOT FOR PUBLIC USE.**

Franklin Resources, Inc. its affiliates and its employees are not in the business of providing estate planning, tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties or complying with any applicable tax laws or regulations. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

The Advisor Partnership Program (TAPP)<sup>®</sup> and Our Experience. Your Potential.<sup>®</sup> are registered trademarks of Legg Mason Investor Services, LLC.  
© 2020 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC is a wholly-owned subsidiary of Franklin Resources, Inc. 972450 TAP2004 9/20