# 3 *The Chairs Are Changing*

**CHAPTER AT A GLANCE:**

*Decades ago, getting financial advice was easy for the consumer. Roles were clear, life was simple, and for most people, one or two advisers could handle all their needs. Now there are more people with more money, and at younger ages. As financial complexity set in, demand for services followed. Meanwhile, advisers' roles have morphed and expanded. As a result, the industry is at a crossroads of consumer perception. The chairs at the proverbial conference room table will be filled with advisers who adapt to changing times. Here is a brief look at how to navigate your place in the evolution.*

When life was simple and the middle class was the largest facet of our economic make up, we could easily make it through our time on earth with a single adviser or two. Insurance people sold insurance, accountants gave tax advice, and lawyers drafted wills. Decades ago, it was the rare wealthy family that needed five to ten different types of advisers over the course of their lifetimes. Today the quantity and diversity of issues that would warrant such a team is not so uncommon.

The increase in quantity and complexity of choice for the wealth holder has paved the way for new business models and career choices for financial advisers. Historically, the financial services engine was driven by large companies that manufactured products. The industry evolved not as a profession but as a distribution channel. Salespeople brought the products to market and were paid if the sale was consummated. The acquisition process was clear to both buyer and seller.

For those of us who've been in the industry for decades, we cut our teeth selling products. Perhaps over time, we acquired wisdom and knowledge about creative ways to use the products and shared this with our clients and prospects. But at the end of the day, we were operating in *the sales style.*

Some professionals were so adept at selling and achieved such great success they earned autonomy from the manufacturer. Either their sales managers acknowledged their success and left them to operate with little supervision, or they branched off into an independent structure in which they could represent the products of many manufacturers. On paper, this increased the wealth holder's choices, but the choices weren't always presented to them front and center.

In the 1970s, some advisers began to crave greater context for their roles in clients' lives. They knew their work was important, but it felt transactional, somewhat empty. This stimulated some to evolve into a planning mode of doing business. What was once financial services—the delivery of products—gave way to financial planning, the delivery of advice, education, wisdom, and knowledge. In the 1990s, some began to attach a fee-for-advice model to the planning portion of their work. Hence *the advice style* was born.

Today, we have found that advisers' behaviors have naturally pooled into three modus operandi: the sales style, the advice style, and the discernment style, which are introduced on the following pages. Inherent to each method is the vantage point, communication style, and revenue model of the adviser.

### THE THREE ADVISER STYLES

*These styles offer insight into advisers' varying roles and behaviors within those roles. They also offer decision-making opportunities regarding current and future business models.*

- *The sales style: Persuading a prospect or client to follow a specific course of action or purchase a particular product.*
- *The advice style: Providing an opinion about how to remedy or enhance a particular situation.*
- *The discernment style: Asking a sufficient number of the right questions for consumers to achieve their own conclusions.*

### THE SALES STYLE

We believe that much of the industry operates in the sales style, where incentive-based compensation is their primary revenue driver. This style is based on persuading the client to follow a specific course of action or to purchase a particular product. The client needs need life insurance to protect their estate tax liability. They need non-traditional investments to protect their downside risk.

Our experience indicates that this style works well in the emerging affluent market (under $1 million) because the wealth holder may not tolerate the longer sales cycle inherent to planning, or a fee-for-advice compensation structure.

### IS THE SALES STYLE RIGHT FOR YOU?

*If the majority of your revenue comes from incentive-based compensation, you are operating in the sales style. The sales style represents an important seat at the wealth holder's planning table. It is ideal for professionals who enjoy developing deep expertise in a particular technical discipline, and who prefer not to be accountable for developing and implementing multidisciplinary plans for wealth holders.*

### THE ADVICE STYLE

We believe that another substantial portion of the industry is operating somewhere between the sales style and the advice style. The latter is a style in which the adviser gathers data and provides an opinion about what could or should be done to remedy or enhance a particular situation. The advice style is focused on clearly articulating the client's best course of action as seen through the adviser's insight, expertise, and experience.

The advice style has been proven effective in the affluent market ($1 to $3 million of net worth) and emerging wealthy ($3 to $10 million) markets. These sector has generally demonstrated a willingness to pay a fee for planning services. However, they may prefer to get in and out of the cycle quickly, and therefore value the delivery of recommendations they can accept or decline.

Many advisers will quickly slip themselves into the advice style category. They offer planning, therefore they are advisers. In reality, many professionals who are creating financial plans are actually operating in the sales style. The distinction is in the compensation drivers, the planning and communications methodologies, and the professional's primary underlying commerce goal in the relationship.

Some advisers are currently applying the advice style to a higher-end marketplace, and on reading this, may question our $10 million cap. Our experience indicates that its acceptance by wealth holders worth $10 million or more is decreasing and that the rate of decline will quicken.

#### IS THE ADVICE STYLE RIGHT FOR YOU?

*For those who currently provide planning services and charge planning fees, it is possible that you are operating in the advice style. In this realm, it is primarily the wealth holder's hard data—assets, tax liability, and distributions to heirs—that the planning embraces.*

### THE DISCERNMENT STYLE

We believe that less than one tenth of one percent of the industry is

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currently operating in the discernment style—perhaps only 100 advisers nationally. The discernment style is based on the belief that if you ask your clients enough of the right questions, they will come to substantial conclusions about the overarching vision for the use of their wealth. This goes beyond legal documents that indicate how the wealth should be distributed and when. It documents their intent for how the wealth can enhance the lives of the family members.

Through our decades of training and coaching advisers working in the upper net worth brackets, we have seen increased demand for the discernment style in the emerging wealthy market ($3 to 10 million) and we believe it will rapidly become the most accepted style in the high wealth market ($10 million+). These wealth holders do not want to be sold or told. They want facts, but they prefer facilitation of their decision making over flat do-or-die recommendations. The only current obstacle they face in adopting this style of planning is that they haven't yet come across the opportunity.

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**IS THE DISCERNMENT STYLE RIGHT FOR YOU?**

*When an adviser begins to search for the same kind of deep introspection that a wealth holder longs for in his or her planning life, the two minds merge at the discernment style. In this style, the adviser uses deeper and deeper questioning to stimulate the client to reach his or her own best conclusions.*

**ADVISER STORY PROVIDED BY SCOTT FITHIAN**

*I first met my client, Diane, in the early 1990s, when I was doing planning for her husband, Joe. He was very successful in the home-building business and she had raised their four children. Typical of many marriages of this era (Joe and Diane were in their fifties), Joe was making many of the financial decisions and Diane wasn't very involved. At that time in my practice, I was operating in the advice style while developing and testing my discernment-based behaviors. It worked in the sense that we implemented some great strategies for Joe, yet there were two things that just didn't feel right to me: Diane's lack of involvement in the planning, and the fact that I couldn't get Joe to go deeper into developing his broader vision for the wealth. In 2003, Joe died rather suddenly at the young age of 62. Diane was shocked, grief stricken, and financially paralyzed. She felt disconnected from the $25 million she now owned—like the wealth wasn't hers.*

*Over the next three years, I had the opportunity to become one of Diane's closest friends and her primary adviser. We had many heart to heart conversations in which it felt like time was standing still for both of us. I wasn't thinking about what she needed to do and she was in no condition to make any buying decisions, or to make any substantial changes in her estate.*

*In our relationship, I applied the discernment style wholeheartedly. I posed stimulating questions and she surprised herself with her answers.Each layer of questioning created deeper clarity for her regarding who she could be in relation to the wealth. She began to develop a sense of herself as the 62-year-old owner of $25 million who had all the passion and influence to accomplish great things. She became extremely philanthropic and embraced her next phase of life in an entirely new context. I know that Diane would have never achieved all of this without the application of the discernment style.*

### AN OPPORTUNITY TO IMPROVE WEALTH HOLDERS' RESULTS

More detail on the three adviser styles is presented in Chapter 4 and throughout this book. The basic premise is this: if you're craving greater intimacy during your conversations with wealth holders, discernment-based communication is a way to achieve it. If you sincerely wish that more individuals and families of significant wealth would take comprehensive action to establish their legacies and protect their families, discernment-based communication offers a proven solution. However, it is not a secret bullet to increase product sales. It is a specific tool for increasing wealth holders' clarity about the ultimate intent for their tangible and intangible assets.

Advisers can fully embrace discernment-based communication as a business model and become a most trusted adviser, or you can increase client intimacy and therefore the quality and depth of the wealth holder's decision making by incorporating these behaviors into your existing sales style or advice style of interaction. Sample questions are offered in subsequent chapters.

### THE POWER AND CONSEQUENCE OF CHOICE

The broadening of the marketplace brings with it the luxury of choice. It creates space for every type of adviser to build a preferred business model. With choice comes consequence. This book helps advisers anticipate their futures, lending insight into the evolution in wealth holders' thinking; to what they crave and tolerate, so that advisers can make educated decisions about what their future businesses might look like.

Ambiguity in your business model shows up as confusion to your prospects. Some professionals find themselves with decreased sales effectiveness yet they haven't quite become an adviser. Cash flow suffers. Until you come to terms with your own best fit, it's difficult to perfect your craft.

Professionals who wish to move up market and currently operate in the sales style may hit obstacles during their journey. Salespeople who crave the professional cachet of operating as an adviser but have never left their sales roots and behaviors must embrace a wholesale shift in how they operate. For some this means learning how to ask for planning fees and how to structure a fee-for-advice practice while perhaps still credibly collecting product commissions.

For those who currently provide planning services and charge planning fees, it is possible that you are operating in the advice style. In this realm, it is primarily the wealth holder's hard data—assets, tax liability, and distributions to heirs—that the planning embraces. Reputable well-equipped professionals operating in the advice style fill a great void for the wealth holder. Often, the breadth of their vantage point is greater than the sales professional. This allows them to spot and fix problems that professionals operating in a single core discipline aren't motivated or trained to address.

When an adviser begins to search for the same kind of deep introspection that a wealth holder longs for in their planning lives, the two minds merge at the discernment style. For those who believe they were born to operate in the discernment style, the traditional industry channels aren't supporting their evolution. Indeed, this is new thinking. But it is rooted in the natural hierarchy of the way our psyches are programmed to make decisions. When one's fundamental financial needs are met, it frees the mind to ponder other types of existence. That free thinking space in our brains longs to be fed with innovation and new ways of problem solving.

How do you engage in these conversations with wealth holders? How do you facilitate their craving for greater meaning and purpose through use of their material assets? How do you charge for the services? No technical or sales conference can prepare you to succeed in this realm.

What lies ahead for every adviser is simply an intentional choice. If you choose to operate in the sales style or the advice style with wealth holders worth $3 to $10 million or more, take notice of their changing reactions toward your existing business structure. If you choose to operate in the discernment style, be certain you have the raw ability and desire the substantial responsibility you are about to embrace on behalf of your clients. Compensation structure and fiduciary responsibility are just the starting points. Whichever you choose, planning to be ahead of the curve always lends greater opportunity for a wise choice.