



ALLIANCEBERNSTEIN®

EXECUTION GUIDE

A HIGHER STANDARD OF CARE

In today's competitive environment, firms need to evolve in order to stay current. The status quo no longer works.

This guide reviews the financial-services industry—where we are today and how we got there—and examines the concept of innovations. In particular, we consider how a Financial Advisor (FA) can know which trends to follow, which innovations to accept and which ideas are “flashes in the pan” that should be avoided.

The bulk of the guide focuses on teaching advisors how to create a business that follows the holistic advisory model. We explain the concept of a Standard of Care and provide the executable steps needed to develop a personalized one. Following the steps outlined will enable an FA to create a logical, repeatable plan that delivers a satisfied engagement to each client and the transition to a holistic advisory model.

AB **ADVISOR INSTITUTE**®



Ken Haman
Managing Director



**“THE WAY WE’VE ALWAYS DONE IT”
NO LONGER APPLIES. IT’S TIME TO FIND
A NEW WAY TO GROW A BUSINESS.**

HOW WE GOT WHERE WE ARE TODAY

A retrospective look at the industry is necessary to help us understand the changes in our culture and our economic environment and how those changes influenced our industry.

For 40 years, the Baby Boomer generation has represented an important and formative influence on the financial-services industry that has affected how FAs have designed and managed their businesses. Understanding the Baby Boomers' experience with financial services over these years gives insights for constructing more effective outreach messaging that will help attract new clients to a practice.

Let's start by observing the trajectory of growth and plateaus of our industry over the years. In 1981, 5.7% of households in the US had a mutual fund investment—a relatively low penetration rate.¹ In this case, we're using ownership of mutual funds as a representation of the public's engagement with the financial markets. Mutual funds have been available since the 1930s, but until 1981, only a small percentage of the population was invested. Suddenly and explosively, the culture embraced mutual fund ownership. Ownership maxed out at 46% of households by the mid-2000s and then leveled off.

The financial-services industry expanded along a similar trajectory, from 243,700 advisors in 1980 to more than 670,000 Registered Representatives in 2000.² What caused this explosion of growth?

Demographically, the oldest Baby Boomer turned 35 in 1981, followed by 78 million others (approximately 4 million a year for 20 years). When we look at the statistics together, it seems likely that aging Americans began purchasing mutual funds and that the industry grew to accommodate the demand.

As millions of Americans began to own mutual funds, the interest in the benefits of investing grew and became magnified in the culture (a virtuous cycle). The industry naturally grew as quickly as possible to accommodate the need.

EXPLOSIVE GROWTH LEVELED OFF

The growth was explosive for the first 20 years, but then leveled off. This helps to explain why growth rates of individual FA businesses have been far less robust in recent years. This also helps us understand some patterns of behavior in well-established FAs. For FAs who experienced the "golden age" of expansion, the past decade has been very challenging. "The way we've always done it" no longer applies, and the business-management and client-management requirements for building a successful business have increased dramatically.

¹ Investment Company Institute, *2021 Investment Company Fact Book*, as of December 31, 2020

² Financial Industry Regulatory Authority and US Bureau of Labor Statistics, as of December 2020

LEVELING THE PLAYING FIELD

The FA who is intent on success must anticipate and respond to trends and disruptions in the marketplace.

In addition to the leveling of growth rates, other trends should be considered to understand what has happened and to clarify what is likely to happen next. However, it should already be clear that the forces and trends that built our industry have shifted dramatically in recent years. These are trends that should concern any FA who intends to manage and grow a successful advisory practice. When an industry is being disrupted and things are changing, the playing field tends to be leveled. Depending on how an advisor anticipates and responds to these disruptions, such times can be exciting as new, unexpected opportunities often emerge—for those who are looking for them.

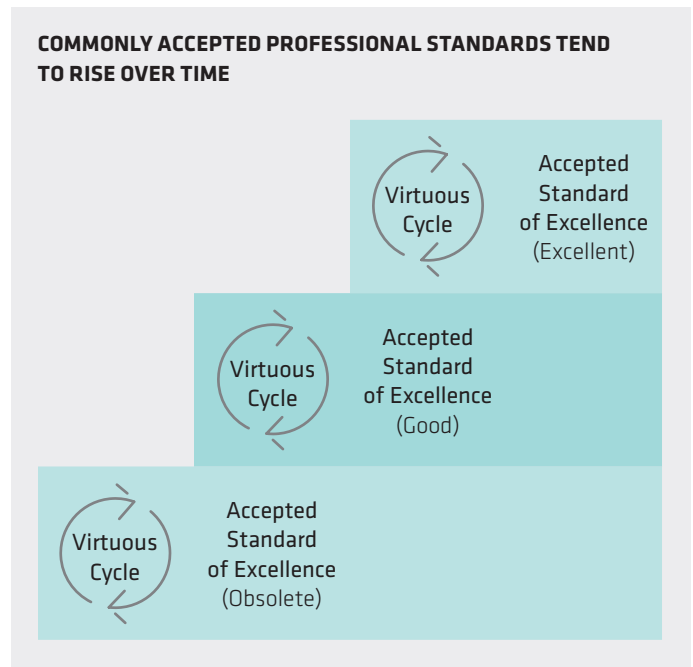
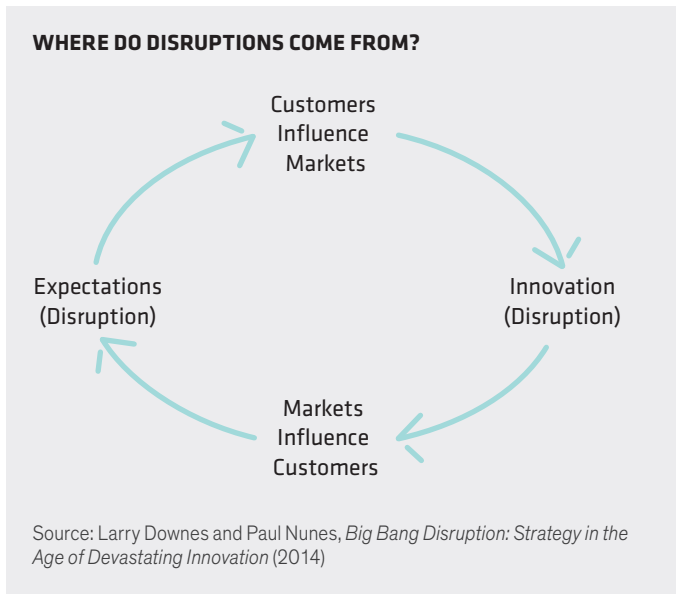
WHY DISRUPTIONS ARE INEVITABLE

In order to see opportunities in a disrupted environment, it's helpful to understand how disruptions happen and why they are inevitable. While the specific forces that drive innovations and disruptions make it difficult to predict exactly in what way and at what speed disruptions will happen, there are some general observations of the relationship between innovation and disruption that can help us understand our particular situation in financial services.

Innovations create a virtuous cycle within every industry; this is a built-in feature of our free-market economy. Companies compete for market share, and a big part of effective competition is innovating: developing the new features and benefits needed to attract customers. When one company innovates effectively, others follow in order to remain competitive. Over time, even companies with huge advantages become obsolete if they don't stay current.

INNOVATIONS + EXPECTATIONS = RISING STANDARDS

In addition, the constant evolution of innovations increases customer expectations over time. For example, do you expect more from your cell phone today than you did five years ago? Do you expect that tool to improve over the next five years? Customer sophistication and expectations rise as innovations proliferate. This creates a virtuous cycle that eventually becomes self-sustaining. Customers demand more and companies work hard to stay ahead of their competition by delivering more. On a large scale, this tends to work very well for customers and presents a significant challenge to companies trying to stay relevant and competitive.



Over time this virtuous cycle of rising demands and frequent innovations causes customer expectations to evolve. This means that something first seen as innovative becomes the recognized standard in an industry. Once upon a time, FedEx redefined expectations about package delivery and became a dominant player in its industry. Now overnight delivery is an expected standard, not a unique value proposition.

The key insight here is that customer expectations move upward over time, even those of clients of financial services. Clients have gone through several market cycles and have learned a lot about how the financial-services industry works. Especially in the high-net-worth space, expectations are shifting and the accepted standard of excellence is moving upward. Innovations are still emerging and an industry-wide standard has not yet fully developed. This presents a particular challenge to established FAs who want to stay competitive and grow their market share.

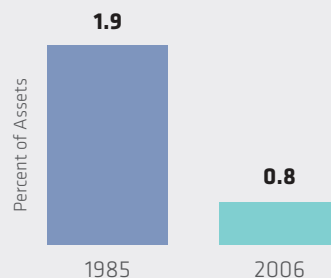
A closer look at the history of the financial-services industry reveals the impact of the maturation process: the profitability of current business models has been declining steadily for years. Using Merrill Lynch as a proxy for the financial-services industry, we saw return on assets (RoA) drop by almost half from 1985 to 2006, reflecting the peak of the rapid growth stage in the 1980s and 1990s and the leveling off of expansion in the early 2000s. As time has passed, clients have become better educated, more experienced and more sophisticated, and as the number of providers has remained high (relative to the opportunity), pressure on margins has continued steadily downward.

PriceMetrix monitors industry-wide RoA each year and has been reporting a steady decline in RoA since 2015. This is to be expected, as organic growth has slowed while the number of providers remains high. Given these trends, maintaining “the way we’ve always done it” cannot be sustainable for long. We’ve already seen a significant erosion of pricing over the past several decades during various stages of this maturation process.

These trends are important evidence of a disruption affecting the financial-services industry as a whole. Fortunately, even gradual disruptions force strategically minded advisors to think differently about their business model and can serve to open the door to new opportunities for innovation and creative thinking that can lead to a competitive advantage.

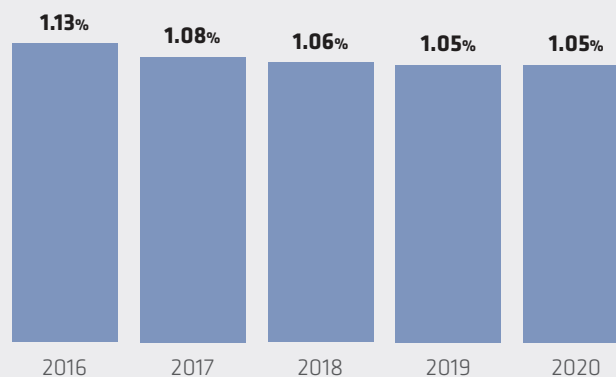
In fact, many external forces influence the development of successful practice designs. For example, price compression is driven by too many competitors chasing a limited number of potential clients.

MERRILL LYNCH RETAIL REVENUES



As of December 31, 2019
Source: Merrill Lynch

FEE RATES FOR HOUSEHOLDS WITH MANAGED ASSETS OF \$1 MIL.–\$1.5 MIL.



As of December 31, 2020
Source: Kieran Bol et al., “The Value of Personal Advice: Wealth Management Through the Pandemic,” McKinsey.com (May 25, 2021)

Inevitably, it’s easier to compete on the basis of reducing price rather than improving or expanding services. This has driven prices downward over time. Innovation also drives prices downward, as some competitors offer novel services in an attempt to gain market share. As we will discuss later, technological innovation from outside the industry is poised to further disrupt effective practice design.

Business models will need to adapt to all of these forces in order to remain commercially successful.

WHY DISRUPTIONS ARE CHALLENGING

The challenge comes from the need to determine where to invest time and energy on innovation. Industries don't evolve slowly and predictably; innovations create disruptions that appear suddenly and impact industries widely. In and of itself, change isn't bad. The problem is that no one can know for sure which innovation will be the big winner and which will miss the mark. An FA cannot know exactly which innovation will need to be embraced and which will be a momentary idea that never fully catches on. This means that adopting a new idea and reengineering a practice represent risk; as a result, many advisors prefer to wait and see which innovations stick and which can be safely ignored.

In financial services, the most significant disruption that has impacted pricing is the arrival of robo-advisors: web-based services that provide access to investments, portfolio management, and other forms of banking and financial advice. These services are built on three features that combine to create an attractive, competitive advantage for many investors: very low prices for portfolio-management services; 24-7 convenience of access; and full transparency of costs.

Traditional, full-service client-facing FAs have been slow to make sense of exactly how the robo-advisor will be most disruptive. Robo-advisors attract clients with mostly smaller pools of assets to invest than the typical full-service client. Importantly, many traditional clients will probably never migrate to a robo-advisor because they prefer a human intermediary.

FEES CHARGED BY FIRMS

The Robo-Advisor Adds Substantial New Pressure to Pricing

Axos Invest
Charles Schwab
MarketRiders

0.00%–0.15%

SigFig
Vanguard
Wealthfront

0.16%–0.30%

AssetBuilder
Betterment

0.31%–0.45%

FutureAdvisor
Rebalance
Personal Capital

0.46% and Higher

As of June 17, 2021

For illustrative purposes only

Annual fees based on \$100,000 deposit; services with flat fees calculated based on fees for \$100,000 deposit

Source: Company reports

The robo-advisor isn't likely to disrupt relationships where the client appreciates the human element; instead, the robo-advisor will disrupt the traditional advisor's ability to price his asset-management services. Investors who have been uniquely successful and are now living complex financial lives will continue to value advice from their advisors. As financial services has matured and investors have become more sophisticated, they have also become better able to appreciate the expertise of their human advisor. That doesn't mean that full-service pricing will be unaffected: once portfolios are available at a radical new price point, those new pricing levels will pull consumer expectations even lower across the industry. Essentially, robo-advisors will not steal most advisors' clients; instead, they will steal the consumers' expectations of what portfolio management should cost. And advisors are already reporting pressure on their fees from consumers questioning the value of the service they've been paying the same price to receive—in some cases for years.

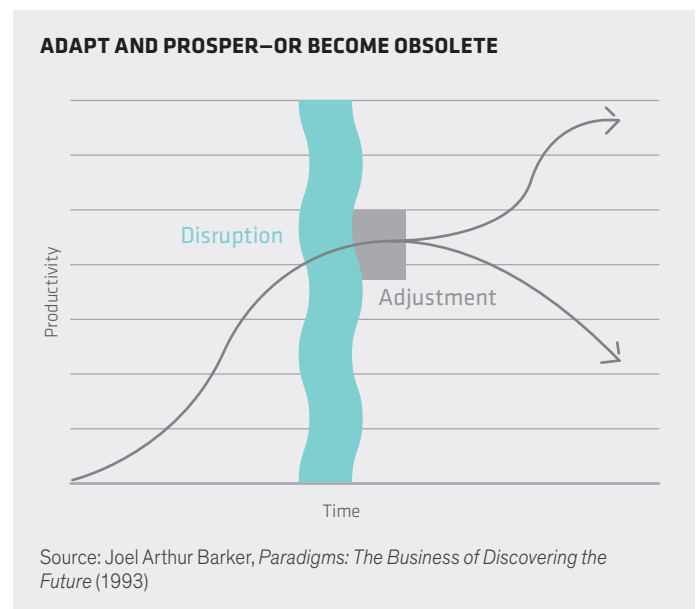
To get a sense of the challenge that this idea of disruptive innovation represents, think back to when you started conducting virtual client meetings. Being forced to learn a new way of doing something—even when it's a better, more efficient or more effective system—is time-consuming and frustrating.

But adjustments must be made in order to stay relevant. This creates a dynamic tension: On one hand, disruptions require adaptations to stay competitive. On the other hand, it's hard to know when an innovation will stick and drive a new standard of accepted excellence.

FAs who are just starting out find innovations attractive because these advisors have no preconceived ideas. The established advisors who are busy running a big, successful practice are more likely to resist adopting an unfamiliar idea *even when it begins to gain traction and*

validation in their discipline. In his book *Paradigms*, Joel Barker points out that in business, the big winners who adopted an earlier innovation are rarely the big winners when the next innovation disrupts their industry. Most adults prefer to learn “how it's done” and then continue to be rewarded for doing what they know how to do well. As Everett Rogers observes in his book *Diffusion of Innovations*, a relatively small number of people are natural “early adopters” of new ideas.

This means that most advisors prefer to wait and see rather than jump on new ideas when they emerge. This protects the FAs' time and helps them avoid adopting new ideas that won't last. They don't want to look foolish to clients and colleagues.



FRAGMENTED SERVICES VERSUS HOLISTIC PROVIDER

Historically, financial services was a fragmented industry, but today's clients are demanding a synthesis of engagement models.

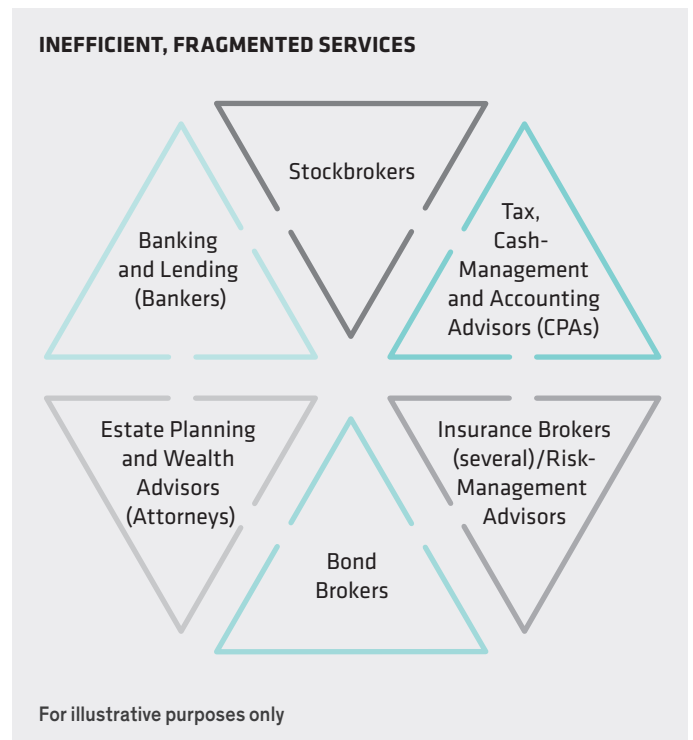
Let's make some observations about our industry to help clarify which ideas are worth seriously considering as guiding principles for evolving a more successful business. One of the basic principles is that the market will not tolerate inefficiencies. Inevitably, creative players in the marketplace will innovate, and customers will respond favorably if that innovation represents an improvement. One such innovation capitalizes on the fragmented nature of the financial-services industry.

FRAGMENTED SERVICES

Historically, the financial needs of high-net-worth families were spread out over different providers rather than aggregated under one or two key providers. This happened as an artifact of the industry's concept of brokering services. Stock, bond and insurance brokers made their services available to customers, and the responsibility was on the consumer. Today, there is still some lingering confusion about *who is in charge*: the investor or the advisor.

HOLISTIC PROVIDER

Over time and through years of experience, clients have become frustrated with the old model and are demanding a new model that solves for these inefficiencies. Nowadays, clients want one or two providers to do it all: protect against potential risks, prepare for a secure retirement, position assets in tax-advantaged structures and prepare for the transfer of assets. As services have expanded and strategies have proliferated, it has become harder for clients to know how to pull together the right set of solutions for their particular situation. This has made our industry ripe for disruption by innovation.



Because of their experiences with the inefficiencies of the old paradigm, our most sophisticated clients have established a new set of expectations. These expectations have driven a new wave of innovations, which has led to a “big new idea”: the FA as holistic provider.

Why should today's FA embrace the holistic model of service delivery? For the same reason that FedEx revolutionized shipping: sophisticated consumers have come to expect it, which means every consumer will eventually demand it.

That's what the concept of "accepted standard of excellence" means. Some consumers will always be willing to settle for less, because they have either limited needs or a limited experience

with service providers. Sophisticated consumers don't settle for halfway; as they gain more experience and familiarity with providers, their expectations align with the most satisfying model.

CLIENTS VALUE ADVICE

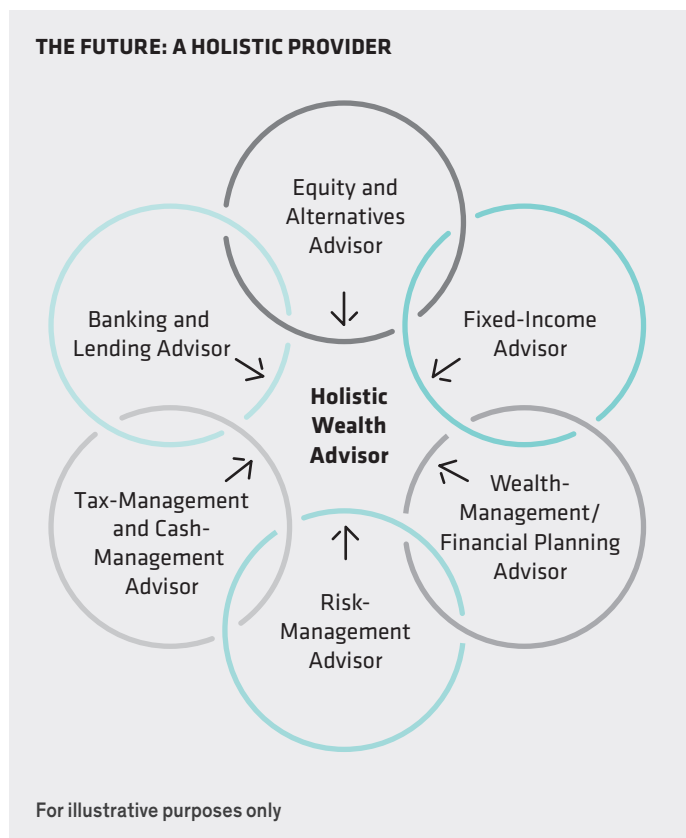
For high-net-worth families, this model has become the single trusted advisor who is able to guide them as they navigate the complex decisions required to successfully manage wealth. They take the label "Financial Advisor" seriously, and look for a professional who can be trusted to combine an understanding of the capital markets with an awareness of their unique situation in life and to bring to the relationship a sophisticated ability to anticipate their needs as they move from one stage of life to another. Rather than looking for a broker who provides access to products and services, they seek an advisor who looks at the big picture, the world and the resources available from her platform to deliver what they need when they need it.

As time passes and more consumers discover that there are providers who do this, the holistic model will in all likelihood become the accepted standard of excellence in the financial-services industry. How can we be sure? Because it works better for the consumer, and the marketplace can't tolerate inefficiencies.

CLIENT NEEDS EVOLVE WITH TIME AND WEALTH

There are two observations about successful individuals and families that are important to highlight: human beings evolve over time, and increased wealth adds complexity. Both of these factors affect what a client needs from his advisor.

But how does an advisor manage the diverse needs of a full book of clients who have differing needs? How does he deliver a satisfied engagement to each client? Creating and personalizing a high-touch business is the key to satisfied clients, but it's challenging to deliver more touches more frequently and manage a wide range of services.



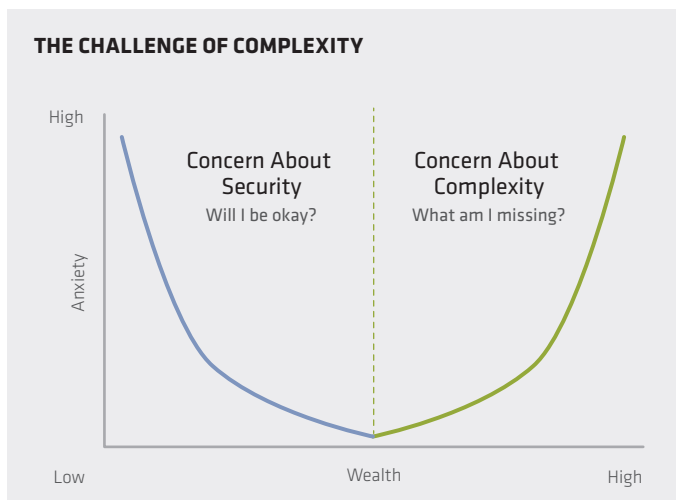
THE CHALLENGE OF COMPLEXITY

It's helpful to think about wealth as it relates to anxiety or distress and how this informs the work of the advisor. At the most basic level, pain is the primary motivator of human behavior. Research into behavioral finance shows that pain is nearly three times more motivating than pleasure, which means that motivation is more galvanized by reducing or avoiding pain than by achieving pleasure. This insight provides important guidance to understand how to deliver to clients at their point of need.

Before a client has achieved financial security, her primary pain or anxiety is focused on answering the question "Will I be okay?" This anxiety is a fundamental part of the client's life, especially when it comes to understanding the value of the FA: "I will pay you this fee in order to have greater confidence that I will eventually be okay."

Over time, wealth accumulates and the client gains relief from the anxiety about her financial security. Of course, this anxiety is always present to some degree, but it can be reduced to a very low level with the accumulation of enough resources.

As these resources increase, a new anxiety begins to take over the client's mind: "What am I missing that could hurt me—or take away my security?" As wealth increases, the client becomes more dependent on that wealth to ensure her well-being, so the threat of loss looms larger. As a result, the meaningful work of the advisor shifts from creating financial security to creating security for the financial structure of the client's life. The threat to the client's peace of mind shifts from not having enough resources to having those resources threatened by legal action, tax consequences or mismanagement.



In this way, the FA's work on the client's behalf shifts from investment management to a larger scope: risk-management, tax-management and wealth-transfer strategies and documentation management. The original concerns about financial security and portfolio performance never go away completely, but are balanced by a much greater concern about how to know what dangers must be avoided and what protections need to be in place. Ultimately, the design of the FA's business model will be to provide meaningful evidence to the client that all of these issues are being effectively addressed.

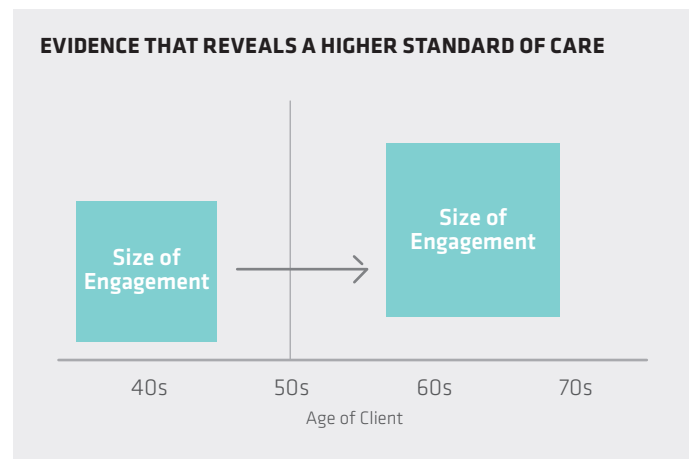
ENLARGING THE SCOPE OF ENGAGEMENT

There is a big challenge for providers in financial services. Advisors need to have frequent contact with clients in order to preserve their satisfaction with services, and there is always an opportunity to serve an expanding set of needs for each client over time. Most advisors opt to build and manage a narrowly defined business model in an attempt to simplify this challenge. Narrowly defined businesses worked well when the only providers available were brokers of various services. This is what originally led to the fragmented industry we discussed earlier and the inefficiencies that the marketplace is in the process of disrupting.

Today, one way in which this disruption is obvious is in the pattern of clients transitioning from their midlife “grow my money” advisor to their “I need a plan for retirement” advisor. In the high-net-worth space, this also shows up in a pattern of clients changing to a new advisor after a significant monetization event. In both cases, the client becomes aware of a new set of needs and goes looking for an advisor who can meet them.

Observations of these dynamics over time have revealed an important pattern. At some point in midlife, successful people accumulate enough wealth (and enough of a need for advice) that they find their first advisor. A relationship is built on the basis of those needs, and the engagement moves forward in time. Importantly, the engagement tends to solidify around the original set of needs until a precipitating event raises the awareness of the client that she needs something more.

Say a client needs to acquire appropriate umbrella liability insurance before he accumulates the wealth and risk exposures that require it. Unfortunately, in many cases the discussion of liability protection does not enter the conversation with his advisor until long after it is needed—and many times doesn't happen at all. As clients become more sophisticated, this kind of tactical oversight becomes less acceptable. But how does an advisor manage the diverse needs of all her clients? The answer is by reengineering a more robust and expanded business model. The first step is developing a Standard of Care.



REDUCING RESISTANCE AND IMPROVING OUTCOMES

Working with a Standard of Care expands revenue and reduces client resistance.

For most advisors, the concept of developing a Standard of Care represents a significant change to the way they run their business. We discussed earlier that even small changes are hard, so large changes may seem daunting. Fortunately, while it's challenging, it doesn't have to be overwhelming.

OVERCOMING RESISTANCE TO A NEW MODEL

A great benefit of establishing a robust Standard of Care is that it requires you to think through all of the potential services and benefits you're able to provide to clients at different stages of life and wealth. It also eliminates the issue of resistance and the power struggle that accompanies many traditional brokerage relationships.

With a Standard of Care in place, you have an external point of reference—a separate “authority” to which you can refer when discussing your recommendations with a client or prospect. Rather than saying, “It is my opinion,” you are in a position to say, “Our Standard of Care has established this as our recommendation for clients in your situation.”

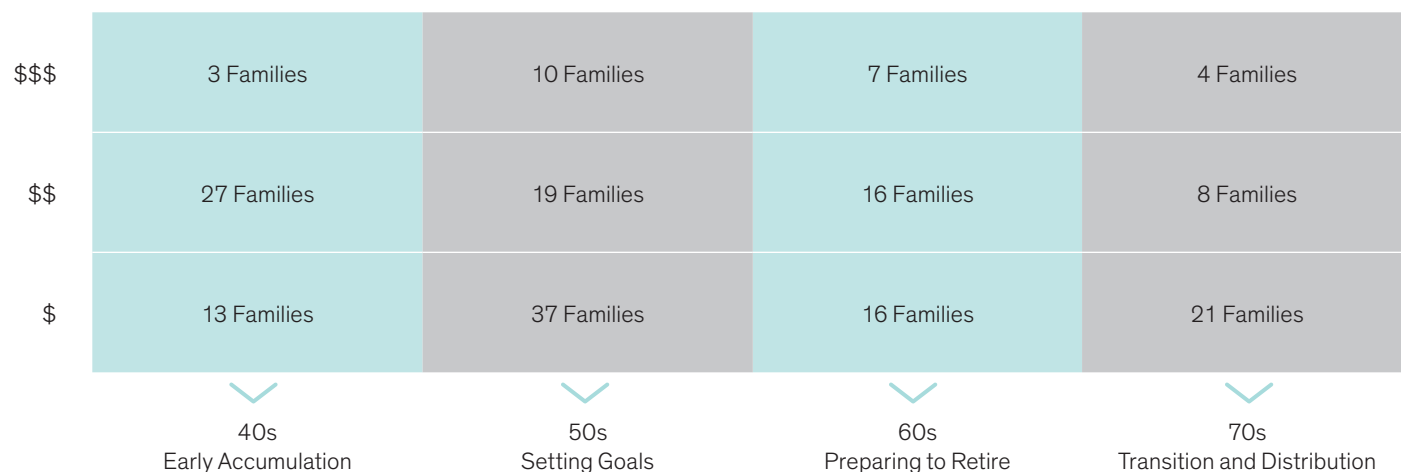
Think about when your doctor recommended a treatment. He didn't say, “In my opinion, you would benefit from a colonoscopy.” Rather,

he said, “The standard for people over 50 is that they get a baseline colonoscopy.” The doctor spoke with authority because he had no doubt that this was the right thing to do, and you trusted that you would benefit from the recommendation. Your Standard of Care will provide the same quality of confidence to you and your clients in your consultations, and it isn't that challenging to build.

DEFINING YOUR STANDARD OF CARE FRAMEWORK

To create your Standard of Care, start by examining your previous experiences from a new point of view. Instead of thinking about individual clients, build a grid that embraces the largest array of clients you are currently working with and/or you may work with in the future. The easiest way to do this is to consider two primary defining characteristics: age and level of wealth.

Plot a range of ages across an x-axis and three levels of wealth on the y-axis: mass-affluent (less than \$1 million), wealthy (\$1 million–\$5 million) and uniquely successful (more than \$5 million). On the resulting grid, you can plot the majority of your current and potential clients. Instead of encountering each client based on his assumptions about the engagement and previous preferences, you can establish your vision of what a client like this needs.



Of course, the ultimate engagement you define will evolve from this starting point. It will reflect the uniqueness of each person, but the power of this grid is that it allows you to develop a clear, professional point of view about what you believe clients need: your Standard of Care. It will ensure that you've expanded your thinking as much as possible for each person you meet with. This will help you overcome your tendency to narrow-frame your business engagements within your comfort zone. And it will give you a starting place for educating new clients (and, ultimately, existing ones) about the full value of your business.

Once you've established this basic grid, the next step is to populate each section with the engagement model you believe is the appropriate Standard of Care. We've designed three exercises to help you build your own Standard of Care.

DEVELOPING YOUR OWN STANDARD OF CARE

Three levels of inquiry provide a starting point for expanding your thinking about what you should be offering your clients. From this point, you can build a more robust and fully personalized Standard of Care: your professional point of view.

You can find the value of these exercises in the term *standard*. You're not operating by personal preference or the constraint that each client is familiar with. Instead, the grid and these considerations allow you to externalize and formally authorize a Standard of Care for your entire business. This external model informs your internal decisions, helps you avoid the consequences of narrow framing that will limit the productivity of your business, and allows you to build confidence and conviction in your practice expertise.

Start with a consideration that applies to every client, and engage the three levels of questions shown below within each of the 12 grid locations.

LEVEL ONE

1. What degree of financial plan should this type of client receive? From a simple set of investment goals all the way to a comprehensive, holistic financial plan, what is your point of view for each age and wealth segment? These answers will inform the type of discovery interview you complete, the content of your client reviews, and the breadth of products and services you ultimately offer.

2. What's your asset-management process for this type of client? Your process may be customized to different age and wealth segments, or it may be standard across all the clients you engage.
3. What's your communication model for this type of client? It can go far beyond a simple A, B, C segmenting/servicing model, allowing you to describe the various processes of communication and engagement you plan to provide.
4. What are your budget and balance-sheet considerations for this type of client?

LEVEL TWO

This second set of questions should be considered for most clients; that is, the majority of client segments in the grid should be engaged with these questions. The answers depend on specific clients' life stages, wealth and needs.

1. What are the life insurance, health insurance, disability insurance, umbrella liability insurance and long-term care insurance needs?
2. How current is the client's estate planning? For instance, does the will need to be updated? When were the most recent beneficiary review and document review (power of attorney, living will, etc.)?
3. What are the plans for engaging Social Security benefits? What are the retirement income needs? Is there a retirement income plan?
4. What are the guarantees around income and funding future health needs?
5. What are the general banking and lending needs?
6. Have you considered eldercare standards?
7. What are the credit card strategies?

As you encounter situations that are currently beyond your expertise, requiring you to climb a learning curve, work to master the material and feel comfortable offering these services. Seek coaching from your firm and the asset-management/servicing partners you work with. Stretching into areas you've neglected is often the best way to expand your value proposition.

LEVEL THREE

The final set of questions represents strategies that apply only to some clients, usually sorted out by limits due to age and level of wealth.

1. Have you considered 529 strategies for college funding versus 529 strategies as a wealth-transfer vehicle?
2. Is there a trust strategy, family mission statement, family wealth education, wealth-transfer plan or gifting capacity analysis?

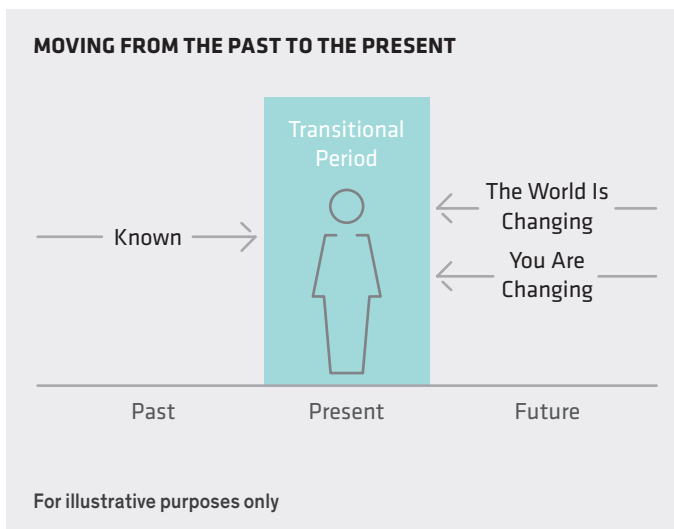
Start with these questions, and then add your own considerations based on your professional convictions: What should certain types of clients consider as a basic standard for fully engaging the value proposition of your business? You may have one, two or even several more considerations to apply to your practice model.

WORKING WITH EXISTING CLIENTS

Start by educating new clients about your value proposition and how your engagement with them will evolve over time. Doing this during client intake is relatively straightforward once you've designed your model. Determining what to do with existing clients is a bigger challenge. Some FAs resist the idea of introducing a broader range of services to existing clients because they fear that suggesting a change of engagement will stir frustrations or anger. In actuality, it's unlikely a client will become upset if you suggest a better way of doing things or you propose an expanded engagement because the client has grown older or increased his wealth. But the fear of change can prompt very strong feelings.

We've developed a conversation model to make the idea of transitioning to a Standard of Care less daunting and to help you feel more confident about overcoming these potential hurdles. The underlying premise is that all human beings live through time: from the past through the present and to the future. In this way, the present is always a transition from the past to the future.

Because we've experienced the past, it has a quality of being fixed and familiar. Humans can have lots of feelings about the past—anger,



regret, sadness, joy and others—but *we can't feel anxious about the past*. Anxiety is reserved for the future. This is an important insight. Most humans are anxious about the future because we haven't experienced the consequences of the decisions being made today. But if you frame a new idea as being necessary because of changes in clients' lives or changes in the world around them, a new idea will most likely make sense.

SCRIPTING THE CONVERSATION

Step One: Start by framing the reason for the new idea. Two patterns of change are predictable: First, markets change over time, and volatility, taxes, interest rates, and inflation are all likely to change. It shouldn't surprise anyone when you suggest a change in engagement because of these variables.

Second, life changes. Clients get older, start families, grow assets and retire. Clients know that their needs change as they age. You can use this as a catalyst for changing your engagement.

Step Two: Propose the new idea as a remedy for the change you presented. Explain that you and the client need to make some changes because the world has changed—and so has the client.

Consider the following possible scripts:

“Because of increasing volatility and changes in market dynamics, I am recommending the following to my clients...”

“You’re about to experience [or you recently experienced] an important milestone in your life, [name the milestone]. When clients in my practice go through this life transition, I recommend some changes in the way we do business together, because...”

On rare occasions, you may suggest a new idea to an existing client who may resist the idea. As we have seen, it’s human nature to fight change. Some clients are slow to consider what could potentially be a better way. In these rare situations, we recommend using the following strategy to overcome the resistance enough to gain a fair hearing of your idea:

“You’re my client and I’m your advisor, and as such, I would *never* require you to do something that you are uncomfortable with. But I owe you my best thinking about what is in your best interests. So this is what I’d like to suggest: Let me walk you through my ideas, and let’s discuss them thoroughly. Then, once you’ve had a chance to digest what I’m saying, we can discuss how you want to adapt what I’m suggesting so that you can feel more comfortable with it.”

Having achieved a window in which to be heard, you can then work with the client to decide how much of the new idea to engage. Of course, you should use our suggestions in line with your firm’s policies and procedures.

MAKING IT HAPPEN

Review and practice the conversation with several imaginary clients. It will meaningfully help you feel more confident to master the conversation first in your imagination. Then practice on a friend.

Once you are comfortable, select a few “easy” clients from any group for your first conversation. These are people you know will respond favorably to most of your recommendations. Schedule the appointments and prepare for the meetings by determining how you’re going to frame the reason for change. Also take some time to think about each specific client situation and review the information you have. Once you begin a meeting and you’re face-to-face with the client, frame the need to change. Introduce and explain the holistic advisory relationship and how you want to manage the relationship going forward.

With your Standard of Care in place and your analysis of the way clients are distributed within your practice, you can now design a long-term plan to follow when transitioning your business. We suggest making a one-year commitment, setting aside four hours per week to work on your business and make the transition. It’s ideal if you can set aside the same four hours each week; this will instill a systematic nature to the process. By doing so, you will be able to accelerate the transition. Over time, as efficiencies take hold and the rewards increase your self-assurance and enthusiasm, you’ll be confident that the holistic advisory model is an idea whose time has come.

CONCLUSION

Changing the way we do business is difficult. Factors in the world around us constantly change, and innovations are made daily. To stay successful in today’s market, FAs must move from a fragmented approach of delivering financial services to a holistic business model. Those who do so are likely to be the winners in the next evolution of financial services.

As an advisor, your ultimate goal is to build better outcomes for your clients. At AllianceBernstein, we share your commitment. We've put our research to work for our clients around the world:

- + Exploring the opportunities and risks of the world's capital markets and the innovations that can reshape them
- + Helping investors overcome their emotions and keep their portfolios on track
- + Defining the importance of investment planning and portfolio construction in determining investment success
- + Providing tools to help advisors build deeper relationships that benefit their clients and their practices

Our research insights are a foundation to help you serve your clients. Speak to your AB relationship team to find out how we can help you.



LEARN MORE

(800) 227 4618 | ALLIANCEBERNSTEIN.COM

This material was created for informational purposes only. It is important to note that not all Financial Advisors are consultants or investment managers; consulting and investment management are advisory activities, not brokerage activities, and are governed by different securities laws and also by different firm procedures and guidelines. For some clients, only brokerage functions can be performed for a client, unless the client utilizes one or more advisory products. Further, Financial Advisors must follow their firm's internal policies and procedures with respect to certain activities (e.g., advisory, financial planning) or when dealing with certain types of clients (e.g., trusts, foundations). In addition, it is important to remember that any outside business activity including referral networks be conducted in accordance with your firm's policies and procedures. Contact your branch manager and/or compliance department with any questions regarding your business practices, creating a value proposition or any other activities (including referral networks).

It is important to remember that (i) all planning services must be completed in accordance with your firm's internal policies and procedures; (ii) you may only use approved tools, software and forms in the performance of planning services; and (iii) only Financial Advisors who are properly licensed may engage in financial planning.

The views and opinions expressed are not necessarily those of the broker/dealer; or any affiliates. Nothing discussed or suggested should be construed as permission to supersede or circumvent any broker/dealer policies, procedures, rules, and guidelines.

Note to Readers in Canada: This publication has been provided by AllianceBernstein Canada, Inc. or Sanford C. Bernstein & Co., LLC and is for general information purposes only. It should not be construed as advice as to the investing in or the buying or selling of securities, or as an activity in furtherance of a trade in securities. Neither AllianceBernstein Institutional Investments nor AllianceBernstein L.P. provides investment advice or deals in securities in Canada.

For financial representative use only. Not for inspection by, distribution or quotation to, the general public.

The [A/B] logo is a registered service mark of AllianceBernstein and AllianceBernstein® is a registered service mark used by permission of the owner, AllianceBernstein L.P.

© 2021 AllianceBernstein L.P.

