

The State of Client Understanding

BUILDING BLOCKS TO BEST PRACTICE

research partners





Report Roadmap

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Map of the **Client Understanding** activity areas we explored



No matter the business model (e.g., RIA, broker-dealer, licensee, fee-only planner) – your ability to understand clients is foundational to success in today's environment. This research focuses on mapping out the most important activity areas for Client Understanding and then identifying what the 'building blocks to best practice' look like.

MAIN RESEARCH QUESTIONS

Client Profiling Tools & Methods

What are the best tools and methods for profiling and understanding a client's goals, priorities, preferences, and current financial situation?

Relationship Perspective

How do advisors facilitate mutual understanding and collaborative, value-creating relationships with clients and their families?

Workflow Perspective

How should client understanding be integrated with the advice and planning process and underlying information management systems?

Business Perspective

How do the best advisors use client understanding in managing overall client base profitability, segmentation, and experience quality?



Client Understanding Activity Areas we Explored

Client Goals & Priorities

Client Planning Preferences

Client Financial Situation

Advisor-Client Engagement Scope

Client Relationship Management

Family Dynamics

Integration with Advice & Planning

Integration with Information Management

Integration with Client Base Management

Integration with Experience Management

Research Overview: Developing the Building Blocks to Best Practice

1 WE CREATED A MAP OF CLIENT UNDERSTANDING ACTIVITY AREAS

We interviewed dozens of advisors and industry/academic thought leaders to build out the “map” of client understanding activities across ten key areas.

Map Of Client Understanding Activities



2 WE COLLECTED BENCHMARK DATA

Based on the map, we built a survey that collects advisors’ performance ratings for different client understanding activities and their “client metrics” (e.g., net new clients, referrals, client willingness to recommend).

Advisor’s Activity Performance Rating Benchmarks



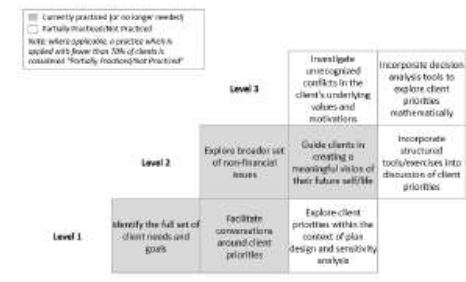
Advisor’s Client Metric Benchmarks

- Net new clients
- Prospects and conversion rates
- Client referrals
- Client relationship quality

3 WE DEFINED AND PROFILED BUILDING BLOCKS TO BEST PRACTICE

Combining our qualitative insight and benchmark data, we identified and validated best practices and plotted out the “building blocks” for getting there.

Building Blocks to Best Practice Benchmarks



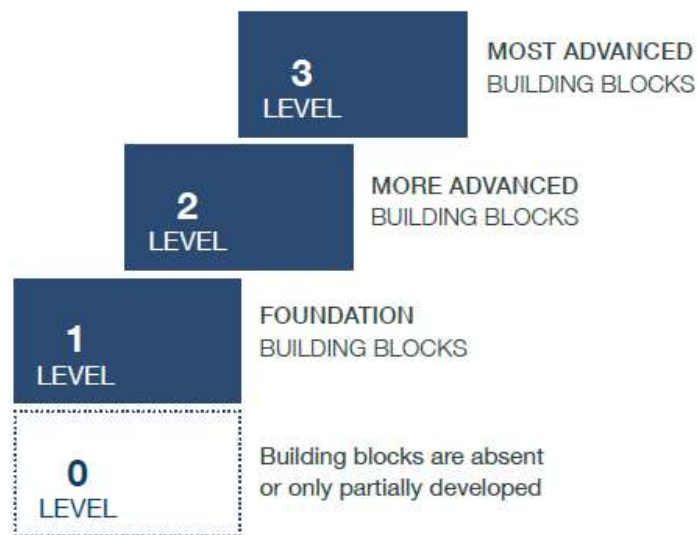
Building Blocks to Best Practice Case Studies and Resources

[Resource Center](#)

The Building Blocks to Best Practice *(and why they matter)*

 For each of the key Client Understanding activity areas, we've identified the activities we consider "building blocks to best practice" and organized them into 3 levels (higher levels = more advanced activities). Achieving higher levels of building blocks correlates with higher levels of performance on key client metrics.

BUILDING BLOCKS LEVELS



In general, the lower building block levels (e.g., Level 1) support development of building blocks at higher levels (e.g., Level 2).

CLIENT METRICS

HIGHER LEVEL SCORE = BETTER METRICS

Client Metrics (for Level 3)

Client willingness to recommend Advisor	73.3% of clients
Client willingness to commit to Advisor	80.5% of clients
Client relationships are fulfilling to Advisor	74.0% of clients
Net client growth rate	14.4%

Achieving higher building block 'levels' correlates with better Client Metrics




Client Metrics (for Level 0)


Client willingness to recommend Advisor	47.3% of clients
Client willingness to commit to Advisor	61.5% of clients
Client relationships are fulfilling to Advisor	48.1% of clients
Net client growth rate	8.0%

Snapshot: Here Are Your Overall “Level” Scores Relative to Peers

Here is a snapshot of the benchmark data for all the activity areas. All the shaded boxes are YOUR building block “level” scores. The percentages represent how many of your peers scored into each of the other levels.

Shaded cells are your current “Level” Scores 

Category	Activity Area	Level 0	Level 1	Level 2	Level 3
Profile & Understand Client Characteristics	Client Goals & Priorities	0.3%	28.0%	56.6%	15.1%
	Client Planning Preferences	2.6%	38.9%	55.3%	3.2%
	Client Financial Situation	16.7%	44.4%	38.3%	0.6%
Develop the Client Relationship	Client-Advisor Engagement Scope	10.9%	47.3%	30.9%	10.9%
	Client Relationship Management	8.7%	39.9%	45.7%	5.8%
	Family Dynamics	6.4%	35.0%	48.9%	9.6%
Manage Advice & Planning Process	Integration with Information Management	15.8%	24.4%	53.7%	6.1%
	Integration with Advice & Planning	2.0%	39.5%	52.3%	6.2%
Run a Client-Centric Business	Integration with Client Base Management	4.2%	60.3%	21.3%	14.2%
	Integration with Experience Management	38.3%	39.2%	16.4%	6.1%

The percentages represent how many participants (from the global data set) fall into each of the levels 

Snapshot: Here are Your Client Metrics Relative to Peers

Here are your personal benchmarks for a range of client metrics (based on the data you provided in the survey) along with the median benchmarks for the global data set and specific peer groups.

Client Metrics Benchmarks: Growth & Relationship Quality

	You	Global Median	Country	Business Model	Number of Clients	Comp Structure	Solo/Team
			Australia	Does not Manufacture Product*	70 to 129	Other	Team
Number of Clients	75	92.5	100.0	100.0	90.0	160.0	100.0
Lost Clients (past 12 months)	1	1.0	2.0	1.0	2.0	1.5	1.0
New Clients (past 12 months)	15	8.0	10.0	9.0	10.0	15.5	10.0
Net Client Growth Rate	18.7%	6.3%	5.8%	6.7%	7.9%	5.3%	6.9%
Prospects (past 12 months)	20	14.0	15.0	15.0	15.0	22.5	18.0
Prospect Conversion Rate	75%	63%	61%	65%	63%	64%	65%
Referrals (past 12 months)	10	5.0	6.0	5.0	7.0	10.0	10.0
Referrals per client	0.13	0.06	0.07	0.06	0.08	0.07	0.08
Client Willingness to Recommend	70%	70%	70%	75%	70%	65%	70%
Client Willingness to Commit	50%	75%	80%	80%	75%	85%	80%
Client Relationships Fulfilling to You	80%	70%	70%	75%	70%	80%	75%
	<i>Sample Size:</i>	310	133	119	45	12	64

* Based on Yes/No answer to the question: 'Is the ultimate owner of the entity that authorizes you to give advice involved in the manufacture of financial products?'



Report Roadmap



EXECUTIVE SUMMARY

Overview of Benchmarks and Key Findings



BENCHMARKS

Detailed *Building Blocks to Best Practice* Benchmark Results

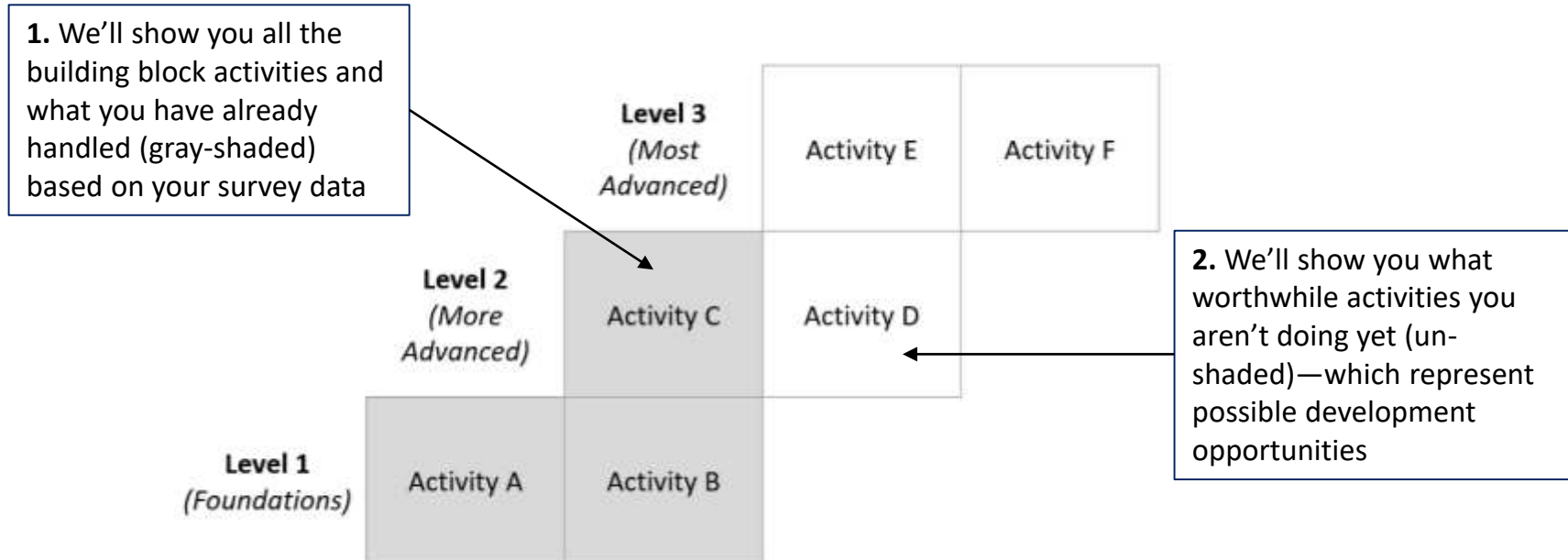
APPENDIX

Definitions and Additional Data

Here's what the *Building Blocks to Best Practice* look like

Now we're going to show you what the actual building blocks are for each activity area and how to interpret the graphics.

Overview of "Building Blocks"



3. Then after each building block, we'll show you what your overall average level* is (compared to your peers) and some pointers for how to think about prioritizing your development opportunities.

Note: detailed benchmark data for how other advisors performed for each activity is also available in the appendix.

*If you do not have any gray-shaded building blocks, we would consider you to be at "Level 0" for this activity area

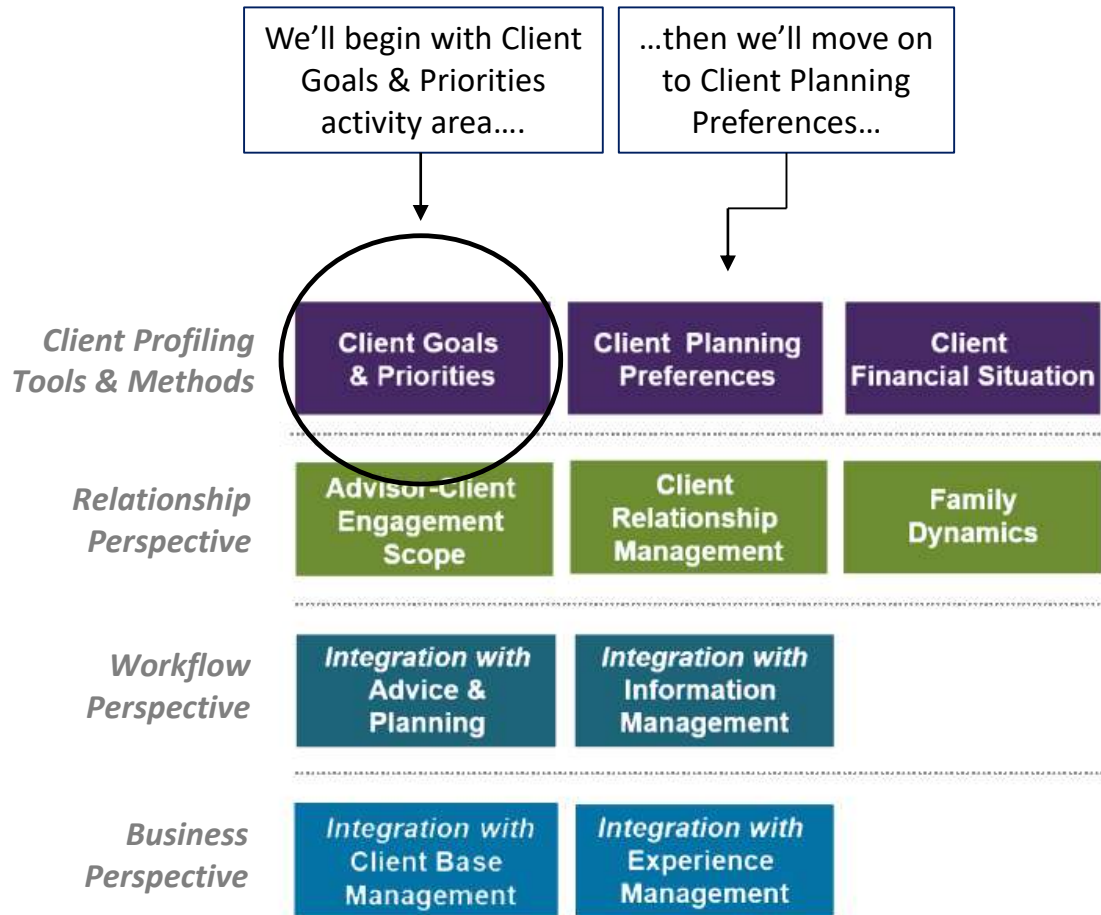
Important Note on Limitations: It's a Diverse Industry...

Important Note on Research & Benchmark Limitations

The findings presented in this report are intended to provide general and directional guidance on how to improve at client understanding based on an aggregate view of the industry.

As your circumstances and client base are unique, we acknowledge that these findings are limited. We rely on your judgment to find what is most meaningful and actionable for you from these findings.

Let's Dive In...



Client Goals & Priorities

Definition: How advisors identify, validate, and prioritize the full range of client values and goals

<p>■ Currently practiced (or no longer needed) □ Partially Practiced/Not Practiced</p> <p><i>Note: where applicable, a practice which is applied with fewer than 70% of clients is considered "Partially Practiced/Not Practiced"</i></p>		Level 3	
Level 2		<p>Investigates the client's underlying values, motivations, and potential internal conflicts (3A)</p>	<p>Uses decision analysis tools to explore client priorities mathematically (3B)</p>
Level 1		<p>Explores broader non-financial issues with the client (2A)</p>	<p>Helps clients develop a meaningful vision of their future self/life (2B)</p> <p>Uses structured tools/exercises (e.g., card sorting) to help explore and identify client priorities (2C)</p>
<p>Identifies a comprehensive set of financial needs and goals for the client (1A)</p>	<p>Facilitates discussions with the client about prioritizing goals and making trade-offs (1B)</p>	<p>Uses financial planning software to facilitate goal prioritization discussions (1C)</p>	

"What does that mean?"

- **non-financial issues:** important personal life issues not immediately tied to finances (e.g., relationship issues, emotional wellness, health/aging concerns)
- **structured tools/exercises:** any tool or exercise (physical or virtual) that provides structure and aids facilitation of exploratory conversations with clients (e.g., questionnaire, card sorting exercises, guided visualization exercise)
- **decision analysis tools:** a client-facing tool that presents the user with forced trade-off decisions and analyzes the user's choices mathematically to reveal their decision-making preferences

Client Goals & Priorities

Peer Comparison:

Based on your data, your maturity score for Client Goals & Priorities is:

Level 1

Outlined below are the maturity levels determined within the aggregate benchmark set and within your chosen peer group set.

	Level 0	Level 1	Level 2	Level 3
Global	0.3%	28.0%	56.6%	15.1%
Country: Australia	0.0%	26.9%	53.0%	20.1%
Business Model: Does not Manufacture Product	0.0%	21.0%	58.8%	20.2%
Comp Structure: Other	0.0%	25.0%	33.3%	41.7%
Number of Accounts Served: 70 to 129	0.0%	35.6%	44.4%	20.0%
Team	0.0%	14.1%	62.5%	23.4%

Note: If you'd like to see more detailed benchmark data for how other advisors performed for each of the activity building blocks on the previous page, see the Appendix.

Thoughts when considering next steps:

- **Solid foundation in goals-based planning?** Level 1 is basically about having a foundation in goals-based planning; if you aren't doing any of the Level 1 activities yet—that's probably where you should start
- **Truly focused on the right goals with clients?** Level 2 and 3 ideally build on the foundational goals-orientation of Level 1 (so make sure you have a solid Level 1 before proceeding); the aim at the higher levels is to make discovery a deeper and more profound process for clients and shed light on underlying values and motivations essential to defining the “right” goals. Consider these questions:
 - How often do you feel your clients truly understand what they want in life? If they didn't—how would you know?
 - Do your clients often show inconsistency in aligning their behavior with their stated goals?

Resource Center: landing.trueprofile/CGP

Visit the resource center to access case studies, tools, additional benchmarks, and curated resources to help you improve.

Client Planning Preferences

Definition: How advisors identify a client's preferences relevant for financial planning and management

<p>■ Currently practiced (or no longer needed) □ Partially Practiced/Not Practiced</p> <p><i>Note: where applicable, a practice which is applied with fewer than 70% of clients is considered "Partially Practiced/Not Practiced"</i></p>		Level 3		<p>Uses decision analysis tools to explore client preferences mathematically (3A)</p>	<p>Investigates discrepancies between a client's stated and revealed preferences (i.e., via decision analysis) (3B)</p>	<p>Formally updates client preferences at data least once per year (3C)</p>
		Level 2		<p>Uses structured tools/exercises (e.g., questionnaire) to understand the client's time and social preferences (2A)</p>	<p>Formally updates client preferences data at least every 2 years (2B)</p>	
Level 1		<p>Explores the client's history and experience with investing (1A)</p>	<p>Facilitates conversations that explore all three types of planning preferences (1B)</p>	<p>Uses structured tools/exercises (e.g., questionnaire) to understand client risk preferences (1C)</p>	<p>Formally updates client preferences data at least every 3 years (1D)</p>	

"What does that mean?"

- **Client planning preferences:** A client's preferences related to risk, time, and social considerations
 - **risk preferences:** An individual's preferences related to engaging in risky behavior for a reward where possible outcomes can be negative
 - **time preferences:** An individual's preferences related to receiving a reward at an earlier date compared with receiving a reward at a later date
 - **social preferences:** An individual's preferences related to allocating rewards to others and "the greater good" relative to rewarding themselves
- **revealed preferences:** a mathematical approach to deriving a client's preferences from the decisions they make (in contrast to what a client "self-reports")

Client Planning Preferences

Peer Comparison:

Based on your data, your maturity score for Client Planning Preferences is:

Level 2

Outlined below are the maturity levels determined within the aggregate benchmark set and within your chosen peer group set.

	Level 0	Level 1	Level 2	Level 3
Global	2.6%	38.9%	55.3%	3.2%
Country: Australia	0.7%	40.3%	54.5%	4.5%
Business Model: Does not Manufacture Product	3.4%	42.0%	50.4%	4.2%
Comp Structure: Other	0.0%	16.7%	83.3%	0.0%
Number of Accounts Served: 70 to 129	0.0%	42.2%	51.1%	6.7%
Team	1.6%	35.9%	57.8%	4.7%

Note: If you'd like to see more detailed benchmark data for how other advisors performed for each of the activity building blocks on the previous page, see the Appendix.

Thoughts when considering next steps:

- **Using a mix of tools?** Tools help and, in fact, the data show that using a variety of tools—and looking at client preferences from multiple angles—is the highest impact approach
- **Getting complete coverage of client preferences?** Keep in mind that profiling a client's risk preferences is not the end of the story; the best-fit plan for any client should also take into account their time preferences and social preferences
- **Relying on client self-report?** As a general rule—it's important to keep in mind that [people struggle to directly state what their true preferences are](#); so, in addition to using multiple tools/approaching things from multiple angles, it is particularly valuable to have a “revealed preferences” method (along the lines of [TrueProfile](#)) in your toolkit that derives client preferences statistically from the decisions they make, rather than solely relying on client self-report

Resource Center: landing.trueprofile.com/CPP

Visit the resource center to access case studies, tools, additional benchmarks, and curated resources to help you improve.

Client Financial Situation

Definition: How advisors assemble a holistic and accurate picture of the client’s financial situation

<p> <input checked="" type="checkbox"/> Currently practiced (or no longer needed) <input type="checkbox"/> Partially Practiced/Not Practiced <i>Note: where applicable, a practice which is applied with fewer than 70% of clients is considered “Partially Practiced/Not Practiced”</i> </p>	<p>Level 3</p>	<p>Has transparency into client spending behavior data (where appropriate/useful) (3A)</p>	<p>Explores discrepancies between clients’ self-perceived and actual spending/savings behavior (3B)</p>	<p>Evaluates the client’s human capital and career-related assets & liabilities (e.g., skills, knowledge, reputation) (3C)</p>
<p>Level 2</p>	<p>Maintains a real-time view of financial data (e.g., client data aggregated via a digital portal) (2A)</p>	<p>Explores the client’s personal relationship with and attitudes/beliefs around money (2B)</p>		
<p>Level 1</p>	<p>Assembles/maintains a complete picture of the client’s overall financial situation (1A)</p>			

“What does that mean?”

- **“career assets and liabilities”:** all human capital considerations for a client’s financial situation, including such factors as the client’s range of knowledge and skills, career/business trajectory, health of client’s career/business-relevant industry, and social/reputation capital.

Client Financial Situation

Peer Comparison:

Based on your data, your maturity score for Client Financial Situation is:

Level 2

Outlined below are the maturity levels determined within the aggregate benchmark set and within your chosen peer group set.

	Level 0	Level 1	Level 2	Level 3
Global	16.7%	44.4%	38.3%	0.6%
Country: Australia	13.4%	44.0%	41.0%	1.5%
Business Model: Does not Manufacture Product	14.3%	42.9%	41.2%	1.7%
Comp Structure: Other	16.7%	41.7%	33.3%	8.3%
Number of Accounts Served: 70 to 129	17.8%	31.1%	51.1%	0.0%
Team	6.3%	43.8%	48.4%	1.6%

Note: If you'd like to see more detailed benchmark data for how other advisors performed for each of the activity building blocks on the previous page, see the Appendix.

Thoughts when considering next steps:

- **To build a plan toward client goals, you must know where they're starting from:** Level 1 is foundational—a complete, holistic view of the client's finances and the client's current realities are essential inputs for helping the client plan for and achieve a desired future reality; if this box isn't shaded, take a closer look at why
- **How dynamic and behaviorally-informed is your view?** Level 2 and 3 are about getting deeper and more dynamic views of the client's financial situation and behaviors; Level 2 activities are probably easier to start with after Level 1 is fulfilled
- **Are you keeping pace with the technology shift?** Of the many technologies available to advisors nowadays, Client Portals stand out as among the most valuable; we recommend seriously considering setting up a client portal if you do not yet have one; similarly, if you have low-adoption of your current portal, we'd recommend focusing effort on boosting adoption (e.g., sharpening the value proposition for clients, reducing onboarding friction)

Resource Center: landing.trueprofile/CFS

Visit the resource center to access case studies, tools, additional benchmarks, and curated resources to help you improve.

How to take action on this information

We hope the report helps you identify your development opportunities around Client Understanding. After that—we invite you review our content library full of tools, case studies, and other implementation resources to help you further prioritize and support your development efforts.

Prioritize

Determine where to prioritize improvement efforts

Narrow down the development opportunities identified in your “building blocks” benchmark analysis: use our prioritization tool to help you track and clarify what next steps you want to focus on.

Plan

Visualize and outline your development path

Our content library will showcase important ideas and approaches other practitioners have had success with in client understanding—to help you think through and map out your own development path.

Execute

Manage implementation and refinements

In addition to case studies, you will find a range of tools, additional benchmarks, and other resources to support your development along the way.



[Click here for Resource Center](#)



Report Roadmap



EXECUTIVE SUMMARY

Overview of Benchmarks and Key Findings

BENCHMARKS

Detailed *Building Blocks to Best Practice* Benchmark Results



APPENDIX

Definitions and Additional Data





Definitions of Activity Areas

1. Client Goals & Priorities	<i>How advisors identify, validate, and prioritize the full range of client values and goals</i>
2. Client Planning Preferences	<i>How advisors identify a client's preferences relevant for financial planning and management</i>
3. Client Financial Situation	<i>How advisors assemble a holistic and accurate picture of the client's financial situation</i>
4. Advisor-Client Engagement Scope	<i>How advisors frame the value clients can expect from the relationship and the nature of the advisor's and client's roles</i>
5. Client Relationship Management	<i>How advisors understand and work with clients to facilitate relationship-building</i>
6. Family Dynamics	<i>How advisors understand and work with the client's broader family dynamics</i>
7. Integration with Information Management	<i>How advisors aggregate and organize relevant and useful personal information about clients</i>
8. Integration with Advice & Planning	<i>How advisors integrate client understanding throughout the design and ongoing monitoring and management of the financial plan</i>
9. Integration with Client Base Management	<i>How client understanding informs and is influenced by analysis and segmentation of the client base as a whole</i>
10. Integration with Experience Management	<i>How overall client experience quality and design is assessed and monitored</i>

Benchmarks: Client Goals & Priorities

For each Building Block Activity, we've displayed the percentage of respondents who "Currently Perform" that activity according to our scoring algorithm (i.e., they received gray shading for that building block)

		Peer Group Benchmarks						
Level	Building Block Activity	Global	Country:	Business Model:	Number of Clients:	Comp. Structure:	Solo/Team Structure:	
			Australia	Does not Manufacture	70 to 129	Other	Team	
1a	Identifies a comprehensive set of financial needs and goals for the client	83%	87%	89%	87%	92%	94%	
1b	Facilitates discussions with the client about prioritizing goals and making trade-offs	96%	96%	95%	93%	92%	94%	
1c	Uses financial planning software to facilitate goal prioritization discussions	32%	13%	20%	11%	17%	16%	
2a	Explores broader non-financial issues with the client	71%	75%	80%	67%	83%	83%	
2b	Helps clients develop a meaningful vision of their future self/life	64%	67%	69%	62%	58%	78%	
2c	Uses structured tools/exercises (e.g., card sorting) to help explore and identify client priorities	27%	34%	35%	31%	50%	34%	
3a	Investigates the client's underlying values, motivations, and potential internal conflicts	55%	57%	64%	56%	58%	64%	
3b	Uses decision analysis tools to explore client priorities mathematically	7%	8%	9%	7%	17%	11%	
		<i>Sample Size:</i>	311	134	119	45	12	64

* Based on Yes/No answer to the question: 'Is the ultimate owner of the entity that authorizes you to give advice involved in the manufacture of financial products?'

Prioritization Tool: Keep Track of Your Development Priorities

Activity Area <i>Review the benchmark results for each activity area</i>	Development Opportunities <i>Enter the level & letter (e.g., 2B) and a note for 3 opportunities within each activity area</i>	Top 10 Overall Priorities <i>Place an X near your 10 highest priority items</i>	Top 3 “Next Step” Priorities <i>Rank order the top 3 items you want to act on next</i>
Client Goals & Priorities			
Client Planning Preferences			
Client Financial Situation			
Client-Advisor Engagement Scope			
Client Relationship Management			
Family Dynamics			
Integration with Information Management			
Integration with Advice & Planning			
Integration with Client Base Management			
Integration with Experience Management			

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