Sun Life | Consulting

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Industry Insights

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INDUSTRY INSIGHTS

Make debt part of the conversation

Include debt management in your conversations with clients for a more holistic approach

Helping clients reduce their interest costs means they can get out of debt faster. However, broaching the topic of debt isn't always easy. Here are four strategies to start conversations with clients on debt and cash flow issues:

1. Take inventory of the client's assets, so they can see their financial position in writing.
2. Ask the client basic questions. For example, "who do you owe money to?" Or "how much do you owe?" And "what is the interest rate on each debt?"
3. Prepare a budget based on the client's monthly income.
4. Instead of using the word budget, use cash-flow to help clients see where they're spending money. Make it clear that it's not a "budgeting exercise" and instead a guideline to help clients achieve financial goals.

Source: [Investment Executive]

Takeaway: Having open conversations with clients about their debt can help minimize serious financial problems in the future.

Create thought leadership through podcasts

Clients want to listen to what advisors have to say, so why not do that through a podcast?

Takeaway: Podcasting is a popular way to help reach clients where they are showing up. Each episode can showcase you and your business while providing entertainment and education, all packaged together.

You can develop thought leadership and become the go-to advisor in your community (and beyond) by using podcasting as a pull marketing strategy.

Considering podcasting for your business? Consider these five areas:

1. **Topics** – Starting points could be pieces of advice you're sharing with the audience. Adding personal stories can bring a podcast to life.
2. **Format** – Having two advisor hosts can create a more dynamic experience for the listeners. Interview-style is a popular format because it has dual benefits. It's entertaining for the listener and helps advisors build connections in the community.
3. **Equipment** – You'll need a high-end podcast microphone and a set of headphones. Remember to test some recordings and ask for feedback from peers.
4. **Editing** – Most podcasts have catchy intros and outros. You need to have each episode edited and transcribed before launching.
5. **Distribution** – There are many platforms to host a podcast (i.e. Apple, Spotify, Google, etc.). Whatever platform you choose can provide analytics to measure performance.

Source: Oechsli

Can client indecision prevent you from settling a case?

Advisors are more likely to lose a case to "no decision" rather than to the competition.

According to research, a psychological effect called the omission bias drives client indecision. It's a human bias where you avoid taking action that might result in failure.

The biggest factors of client indecision are:

- **Valuation problems** – When they struggle with what to choose.
- **Lack of information** – Not enough research.
- **Outcome uncertainty** – Fear of not receiving the outcome they expect from the purchase.

Takeaway: Too much information and too many options can cause indecision. Helping clients overcome indecision is an opportunity to grow your business.

The JOLT Method can help overcome client indecision

To help overcome client indecision and settle the case, use these four behaviours:

1. **Judgement** – Check the level of client indecision. During early interactions, assess the client's "ability to decide" not just the "ability to buy."
2. **Recommendation** – Tie your recommendations to examples from their areas of expertise. If you can make your recommendations as clear as possible, settle rates increase.
3. **Limiting exploration** – When you can showcase your expertise and credibility, clients are less likely to shop elsewhere.
4. **Minimizing risk** – Clients want to feel like they have certainty of success. Offer creative safety net options to help clients feel supported.

Source: Harvard Business Review

Logical reasons why your friends aren't your clients

Plus 8 ways to address concerns and earn your friends' business

There are good reasons why your friends have been hesitant about becoming clients yet. But there are easy ways to address their concerns and turn them into clients.

1. **They worry about confidentiality.**
   Can you keep their secrets? This is your opportunity to remind them that you must maintain client confidentiality. You can use your history together to prove that you have never discussed clients before.

2. **They don't understand what you do.**
   Overcome this objection by spending some time increasing their awareness of how you help clients.

3. **They feel like it would damage your friendship.**
   Reassure them that they can end your business relationship at any time, and it won't affect your friendship.

4. **They don't want to impose.**
   They might think the firm assigns clients to you. They might also assume that you're busy. You can share anonymous stories of the referrals. And explain that you always have time to help your friends.

5. **They don't know where they fit.**
   Do they know your account minimum threshold? Thresholds are exclusive. Ranges are inclusive. Let them know of the range within your book of clientele.

6. **The time isn't right.**
   Do they have money now? They might be selling real estate or waiting for an estate to settle. Let them know you would like to talk about business once the time is right.

7. **They don't want to be a guinea pig.**
   If you're new to the business, they may be afraid you need to "practice" more before you get the necessary skills. Speak to the licensing and level of education required for the role of advisor. This may help ease their concerns with your longevity in the business.

8. **They already have an advisor.**
   Help them understand that research shows successful people generally work with multiple advisors.

Source: [ThinkAdvisor]

Takeaway: There are logical reasons why friends aren't clients yet. Take the time to understand, communicate and address these reasons to partner with your friends on a professional level.

Why blend in when you can stand out?

How to differentiate your practice

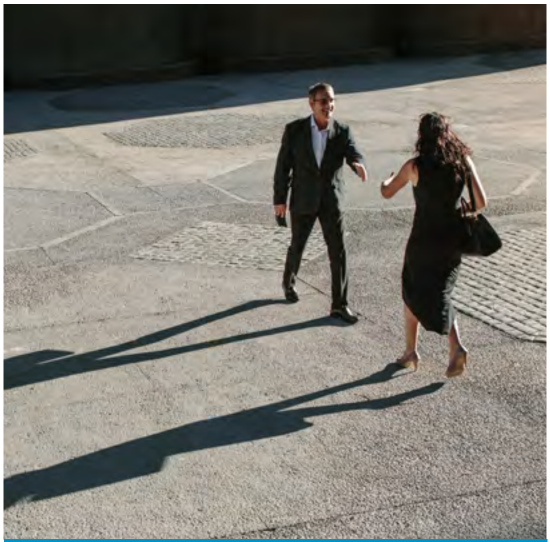
According to Oechsli, a practice's differentiator(s) must meet three criteria. It must be:

1. legitimate,
2. of high value, and
3. quantifiable.

There are infinite ways to differentiate your practice. Here are some differentiators that can get you thinking about your own:

- Specializing in a specific niche or demographic
- Specializing in a major company by knowing the ins and outs of the retirement and benefit options for the executives
- Unique personality traits
- Solving a specific type of financial challenge
- Highly credentialed team members
- Specific geographic footprint
- Working with a very exclusive group of clients
- Unique service offering
- Big-time success stories
- Unique service charge structure
- Unique wealth management process
- Team members are recognized as thought leaders

Source: [Oechsli]



Takeaway: As an advisor you need to provide unique offerings. You can do this by having differentiators to stand out amongst the crowd. Once you establish what sets you apart, be clear when articulating this to clients and prospects.

How understanding DE&I biases can help build trust and connection

The need for diversity, equity, and inclusion (DE&I) practices

This year FP Canada published the first Imagine 2030 Benchmark Report. This report focused on the financial wellbeing and ability to reach the underserved Canadian demographics. Data revealed that Indigenous people, women, LGBTQ+, and those with disabilities have a lack of trust in the industry. This lack of trust impacts their willingness to comfortably access services.

From those surveyed:

- **49%** believe they can afford financial services
- **46%** think they know what questions to ask
- **27%** feel their financial professional looks like them
- **39%** find it intimidating to work with a financial professional

These results show that we need to take purposeful steps to raise the level of trust in the industry.

Source: Investment Executive

Takeaway: Being aware of these biases can help you strengthen your connection with clients and become a more trusted advisor.

How clients can reach goals while liquifying assets

Changing the way clients save

Clients are changing careers earlier and favoring early retirement. These changes are challenging as clients need to have liquid assets. There is a need to explore non-traditional saving strategies to allow clients to both access and save money.

For example, a couple in their mid-50s decided to retire early. The original plan was to use their mutual fund portfolio and pension to fund their retirement. However, early retirement made it essential to adjust the strategy. After conversations with the clients, the advisor presented a plan in line with their goals. The plan included:

- the couple working part-time,
- downsizing their home and
- investing in a portfolio reflecting a pension-style mandate.

When a client decides on a change, the first step is meeting with them

Talking with clients will strengthen your relationship and help you tailor your approach to their specific needs.

1. When helping clients adjust their financial plan, talk about all potential scenarios and protection strategies. You can discuss:
   - potential changes in rates of return,
   - increases in inflation,
   - market volatility,
   - investment options, and
   - asset mixes.
2. Next, share different plans that could work to meet their needs. While discussing the options, keep an open mind as it will help you tailor your approach even further. By supporting clients in these life changes, it will help you become their most trusted advisor.

Source: Investment Executive

Takeaway: Think outside the box to help clients achieve their financial goals – even when plans change.

Exceed client expectations with these 3 strategies

Winning value of being personal

Takeaway: Show what makes your firm different by creating unique custom experiences for each client.

Clients expect a more personalized experience when working with you. As more advisors adopt strategies to personalize their services, it's important to show what differentiates your firm.

The 2022 T3 Advisor Conference spoke about 3 key techniques:

1. **Communications and marketing** – Segment clients, to show that you know them. Through strategic grouping, you can send groups of clients' relevant communications, based on goals or life stages. Clients appreciate it when these include personal details that reflect you and your values. An engaging way to personalize these communications is through video. Include a personalized video to explain the main message.

2. **Client portals** – Using one platform for a client portal will help strengthen the user experience. To provide an exceptional experience, find a platform that personalizes both yours and your clients' needs. Make sure the platform reflects your brand and is easy to navigate from start to finish.

3. **Portfolios** – Create client portfolios that reflect their values. To add another level of personalization, relate to the broader values when you are discussing performance.

Source: Wealth Management

Are crypto assets worth all the hype?

Bitcoin may not be such a strong equity hedge after all

Crypto assets have had a strong cult-like following since their creation 30 years ago. With the introduction of Bitcoin (created in 2009), they entered the mainstream. Enthusiasts have touted its ability to act as a hedge to equities, thanks to its allegedly low correlation. Gold has traditionally been the popular bear market hedge, due to its low:

- correlation to both equities and fixed income assets, and
- historical volatility, even during market downturns.

But can crypto really make the same claim? Is it digital gold or just fool's gold?

A study by the CFA Institute found that crypto may not be such a strong hedge. Especially when it really matters during a market downturn. In fact, the correlation between gold and equities decreased during bear markets over the past five years. (Which is exactly what you'd want from a hedge). Whereas crypto assets did exactly the opposite.

Outside of major downturns, the correlation between gold and S&P500 US equity index was pretty much nil. (It was a slightly positive 0.06; measured on a scale of -1 to +1). When the S&P 500 plunged by 7.5% or more, the correlation between the two assets also declined. (It was a slightly negative -0.134).

The fact is:

- Gold acts as a hedge when you need it most.
- Crypto (which they measured in this study using Bitcoin values) saw its correlation to the S&P500 increase from a slightly positive 0.129 (outside of market downturns) to an even more positive 0.258 during periods when equities plunged.

Interestingly, in good times or bad, the correlation between Bitcoin and gold has remained close to zero. So perhaps Bitcoin could act as a hedge for your gold hedge. But when it comes to equities, it seems that Bitcoin is the anti-hedge.

Source: [CFA Institute]

Takeaway: Caution clients about the risks of holding crypto assets in their portfolio. It's best to purchase only what they're willing and able to lose.

Does the hunt for dividends really pay dividends?

It depends when and how a company returns capital to its shareholders

What happens when a company generates excess cash from its business? It can choose to do either, or a combination, of these options:

1. **Retain the money**
    - To reinvest into the business
    - To fund an outside acquisition

This could be helpful for an investor. That is, if the company can achieve a high rate of return through value-generating projects and acquisitions. Many variable factors may impact this, including the economy and the regulatory and competitive environment. However, caution should be applied where some companies may choose outside acquisitions simply for their short-term balance sheet-boosting properties.

2. **Distribute the money**
    - By declaring a dividend to shareholders, or
    - Funding a share buyback

By distributing the money, a company admits they won't make a sufficient rate of return if they reinvested into the business. However, this may make the most sense if:

- the company is in a slow growth industry,
- economic factors warrant it, or
- the company's excess income regularly allows for the pass-through to shareholders.

The latter, however, can often become a self-imposed millstone around the neck of firms. One that builds a shareholder base that expect:

- continuing dividends to fund their investment growth in the company and
- consistent, stable returns.

Share buybacks have grown in popularity over the last decade. The popularity is likely due to many firms (especially tech) becoming flush with excess cash. That's thanks largely to economic drivers as opposed to underlying corporate success. A company may choose to buy back its shares if they believe the market price per share is:

- less than its economic value, or
- less than what it may be tomorrow.

Company management are often in the best position to decide because of their access to insider corporate information. When the stock is selling at a discount, the result could be accretive in the value to shareholders. The opposite is true if the stock is selling at a premium.

Determining which option will lead to better value for a shareholder depends on many factors.

Source: CFA Institute

Takeaway: The underlying reasons for retaining or distributing excess income can differ between companies and therefore not one-size-fits all. Dividends can offer consistent returns for investors that need stable income and growth. But share buybacks offer much less certainty. Lack of distributions, however, can sometimes mean greater promise for a long-term investor.

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