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AllianceBernstein

Building It Better

Key Steps for Managing the Transition to Advisory

EXECUTION GUIDE

- The question "Am I paid for what I do, or am I retained for what I know?" is important, as those who are retained for knowledge generate almost twice the revenue as those who are paid for doing.
- This guide helps advisors who wish to migrate from a broker-type relationship to an Advisory practice. It provides strategies for transitioning to and building an effective Advisory practice.
- The guide begins with an explanation of how new ideas diffuse into our culture. It offers exercises for designing a superior "standard of practice" and ends by showing how to comfortably and efficiently transition an existing business to the Advisory model.
- The scripts and exercises in the guide will help you introduce the new model to existing clients in a positive manner and thereby grow your business.

Introduction

How Clients Experience Value

Financial Advisors should assess the value proposition of their businesses and understand how clients experience value. They should question, "Am I paid for what I do, or am I retained for what I know?"

What You Do Versus What You Know

When seeking to grow a profitable business, there is one fundamental question that each Financial Advisor (FA) must answer for himself and for each client: "What is the value proposition of my business?" Clients are looking for more than just a value proposition; they want a meaningful **experience of value**. To this end, some FAs offer a traditional engagement model in which they provide services and recommendations to clients in return for commissions. Similar to the traditional broker role, these advisors are **paid for what they do**, and are usually judged by the **performance** they generate over short periods of time and the **price** they charge to deliver it.

This model is still the most common among Financial Advisors and is well understood by many clients. As a result, in order to secure relationships with clients and avoid being replaced by a competitor, these advisors constantly feel pressured to do more and charge less. Unfortunately, because this model is "graded" by a single performance number on the bottom of a piece of paper, it's very difficult to know what more can be done to inspire appreciation by clients.

Some FAs redefine their relationship with their clients, seeking instead to become trusted advisors who are **retained for what they know**. They typically work on a more holistic, extensive and comprehensive scale, and are seen as significant and trusted professionals whose wisdom and technical input is valued. As such, these advisors rarely feel pressure to reduce prices. In fact, they may be in a position to increase fees when services are expanded or the quality of service is refined. It's this heightened appreciation of value that makes the "Advisory" business model attractive. We define an Advisory model as a retainer relationship in which the advisor's value expands from "What have you done for me lately?" to include the value of her knowledge in the past, today and in the future.

Advisory: An Idea Whose Time Has Come

Transitioning to Advisory is a classic exercise in change management. This guide provides strategies for building an effective "value experience" and models how to transition into an Advisory structure.

Advisory Practices Demonstrate Significant Advantages

Research has shown that Financial Advisors who are retained for what they know generate almost twice the revenue from their clients as those who are paid for what they do. This disparity is a direct result of two forces: how well **clients see and appreciate** the value the FA delivers and how **confident** the advisor is that clients appreciate what is being done for them. These forces are critical issues for practice management. In this highly competitive industry, an advisor cannot charge a sustainable price unless she knows two things are true: that the client fully appreciates her superior value (compared to others) and that she is confident of that appreciation.

Interestingly, the fee-based model (being retained) tends to drive a higher return on assets because it forces FAs to improve, expand, define and clarify the value proposition they deliver over time. Clients in this model tend to be more conscious of—and more appreciative of—the FA's value, and the advisor tends to be more confident in the value she is delivering. This confidence is revealed clearly in the level of fees that the advisor is able to charge over time.

As we shall see, there are specific actions an advisor can take to reengineer the value proposition and pursue these outcomes. Our intention is to provide strategies for building an effective Advisory practice and guidance on how to transition into an Advisory structure.

In important ways, transitioning to Advisory is a classic exercise in change management. There's plenty of evidence in the financial-services industry that the Advisory model is highly productive, more manageable for the advisor and more appreciated by clients—it's an idea whose time has come. However, there are significant personal and logistical challenges facing the advisor who is considering making this change.

Four Forces That Fight Change

Very few adults like to make major changes in the patterns of their life. In fact, four forces work against any potential change. Many people think they can learn a successful business model, practice it effectively and receive the rewards that accrue from strong performance. Once successful, a sort of **emotional inertia** sets in, and we defend our patterns against change. Even when a new idea has obvious benefits, most of us will resist changing our behaviors.

Emotional inertia is one of the forces that are hard-wired within us that cause resistance to new ideas. When an idea is **complex** and requires a long learning curve and many behavioral changes, it will be less warmly received. If **compensation** favors the existing model, or at least continues to reward old behaviors, a new idea will feel less attractive. And if the **culture** in which we work (either locally or broadly) is ambivalent about the new idea, it will also struggle to spread through the group. These forces have effectively limited the spread of the Advisory model through the financial-services industry.

"Change before you have to."
—Jack Welch

Nine Forces That Accelerate Adoption Rates

The Advisory model is spreading and will eventually become the dominant business model in financial services, in the same way the smartphone created a new, dominant idea in the cellular telephone industry. In his book *Diffusion of Innovations*, Everett Rogers points out nine forces that accelerate the adoption of change in human organizations. He also explains that when an idea fulfills five "advantage drivers" and the organization in which the performer works supports the change, the future widespread adoption of the idea is virtually guaranteed.[1]

As a way to apply these insights to the financial-services industry and the emergence of the Advisory business model as the dominant model in the future, consider whether or not Advisory fulfills the five advantage drivers:

1. Does the Advisory model give the advisor and clients an advantage over the traditional model?
2. Are there immediate benefits available to the advisor and clients in the model?
3. Can the benefits of the model be observed by the advisor considering adopting it?
4. Can the model be tested?
5. Is the model widespread enough that it's familiar in the industry?

For the Advisory business model, we believe all five of the advantage drivers are present.

We should also consider whether or not the organizations in which advisors work are creating the four conditions that will expand engagement:

1. Are advisors networked tightly in their offices so that they can see how other practitioners are running their businesses?
2. Do advisors have the freedom to act on the new idea?
3. Are there threats to the old model that make the new model more attractive (such as competition)?
4. Are there incentives that make the pain of change less daunting?

Again, the conditions that support the Advisory business model are present in most financial-services organizations.

Forces and Drivers That Accelerate Change

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Source: Everett M. Rogers, Diffusion of Innovations *(2003): 281*

1. Everett M. Rogers, *Diffusion of Innovations* (2003)

Adoption Rates: A Bell-Shaped Curve

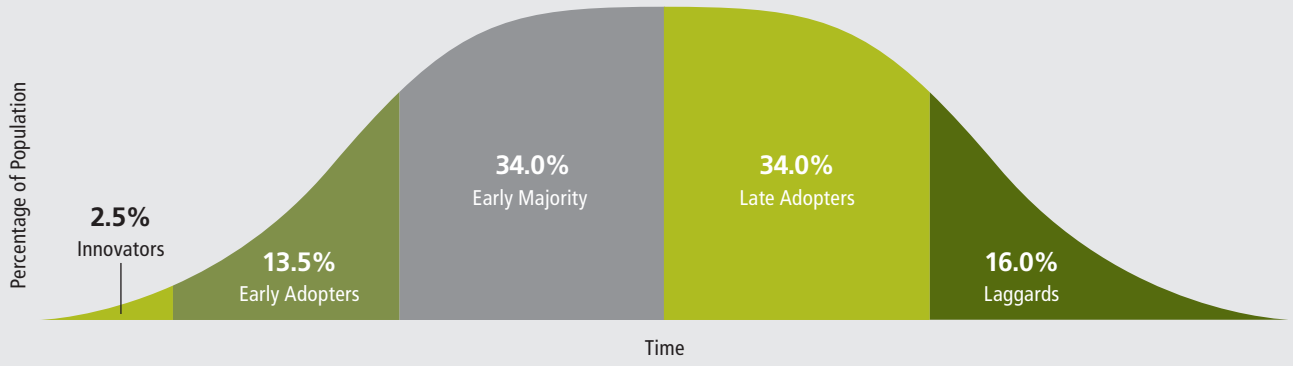
Typically there is a pattern to the way an idea enters an organization or penetrates old industries. Understanding the pattern helps us see why the Advisory model is likely to become the dominant model in financial services, and why some advisors will embrace the approach sooner and others will transition their practices later. Like a smartphone, the Advisory model has so many advantages for both the client and the advisor that, even though it is more challenging to build and run, its appeal will drive continued adoption.

In his research, Rogers observed a bell-shaped distribution in human response toward new ideas. Intuitively we know this from our everyday lives. Think back to the time before e-mail, cell phones and wireless computer connections. Most of us have seen how new ideas have "diffused" into the culture or our business. In some cases, when the idea was simple and easy to learn and the rewards were immediate (think cell phone or e-mail), most of us gravitated to the idea quickly—most, but not all of us. Think of people you know, maybe yourself, who waited a long time before making the change, even when it was obvious that the new idea was great.

Rogers quantified how different people react to new ideas. Some people are new-idea junkies; they gravitate to innovations just for the sake of the newness. These are the people who line up overnight at the Apple store to get the latest and greatest iPhone knowing they could wait a couple of weeks and buy it when the crowds thin out. Rogers labeled these people "Innovators" and discovered they make up about 2.5% of the population.

The next group tends to wait a bit for a new idea to take hold. These people like new things and tend to make changes quickly and easily, but they also need to think about the change to ensure that the new idea is sound. Rogers called these people "Early Adopters" and found that they make up about 13.5% of the population.

Human Adoption of New Ideas



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Source: Everett M. Rogers, Diffusion of Innovations *(2003): 281*

In technology sales, it is widely understood that the Innovators and Early Adopters will gravitate toward a new "killer app" virtually automatically with very little need for marketing or advertising efforts. This isn't true for the rest of the population, who tend to resist new ideas and struggle with change.

The third group is much larger. Rogers called them the "Early Majority," and they make up about 34% of the population. Some are a bit more inclined toward new ideas, while others are more resistant. Overall, this group tends to wait for a "critical mass" of Innovators and Early Adopters to experiment with a new idea to make sure it is truly valuable before they plunge in and make the change themselves. This group can be considered the "confirmers" of new ideas, and they often need meaningful evidence that a new idea is worth the effort before they take action. In technology sales, these are the people that advertising efforts are first directed toward. For some, a little bit of evidence is all they need to jump on the bandwagon, while others need a lot more convincing.

In financial services, the Early Majority is the group that is wrestling with the transition to an Advisory model. The Innovators and Early Adopters have gravitated to the model and are reaping the rewards, and the major organizations are working hard to provide the information and evidence that the Early Majority needs to invest the time and energy in making the change.

Rogers named the next large group the "Late Adopters." These people represent another 34% of the population, and tend to wait until most people in a group or culture have embraced the new idea. They tend to be cautious and skeptical of innovations, and are often performers who have been very successful operating with the traditional model within their industry.[2]

In *Paradigms: The Business of Discovering the Future*,[3] Joel Barker points out that the big winners in the old system are often the last to adopt a new, disruptive idea **because they have been so well rewarded in the old system**. These people prefer that things stay the same, and even when there is compelling evidence for the advantages of the new idea, they secretly wish that things would revert back to "the way we've always done it."

This isn't to say that people in this group are highly resistant to new ideas. Rather, they simply need more time to digest the idea and evidence that it is truly an advantage, and then they can embrace the change. Interestingly, with more complicated ideas, such as the transition to an Advisory model, members of this group often have greater patience, tenacity and commitment to the new model than Innovators and Early Adopters. People who take their time to be convinced can become deeply committed to a new idea once they have conviction, where Innovators and Early Adopters can have their attention pulled toward the next new thing before they get the previous new one fully mastered.

The last group to engage an idea, the "Laggards" typically make up about 16% of the population. These people resist change long after everyone else has moved on. Some eventually come around and adopt the new idea reluctantly, while many of them refuse to budge. For members of this group, when an idea is truly transformative and when an industry is being disrupted by new ideas, competitive pressures and changing patterns in the culture, there is a danger that their commitment to old, familiar ideas may cause them to become irrelevant in the marketplace.

2. Everett M. Rogers, *Diffusion of Innovations* (2003)

3. Joel Arthur Barker, *Paradigms: The Business of Discovering the Future* (1993)

How Ideas Take Off

To more fully understand how innovations tend to diffuse into a group, it's helpful to think about these different types of personalities all working in the same office. First, "Thought Leaders" come up with an idea and the Innovators are eager to try it out. If the new idea has real advantages, the Innovators experience increased efficiencies or meaningful rewards or both. This attracts the Early Adopters, who see the evidence of success, respond quickly and make the change.

The idea takes off when the folks in the Early Majority embrace the idea and change their behavior. Eventually, as more and more people see the evidence of others' success, the idea becomes the dominant model within the industry—that is, until the next "killer app" shows up.

In a highly competitive environment, such as financial services, new ideas that provide a clear, competitive advantage are extremely valuable. Of course, each advisor has a different capacity to appreciate the advantage of a new idea.

Importantly, the financial-services industry has some built-in inhibitors to the adoption of new ideas. Many advisors have embraced an interesting investment idea only to find that it failed. This makes advisors reluctant to try new ideas again. In addition, complicated ideas can be challenging to learn and execute. Advisors are already juggling a multitude of tasks, and many simple don't have time to devote to learning something new.

These inhibitors must be overcome for the new idea or innovation to achieve critical mass. Rogers found that in most cases when an organization or industry achieved a 15% adoption rate, critical mass was reached, and the idea moved more rapidly into the organization through a natural process that he called "diffusion."

Rogers explained that the presence of the nine forces of change (discussed earlier), evidence that Early Adopters are experiencing positive results from executing the idea and the achievement of critical mass were the factors needed for the new idea to begin penetrating a culture. The advantages and support from the organization tip the balance, and people remove their instinctive resistances and start embracing the idea.

Practical Guidance for Transitioning to Advisory

For those FAs considering migrating to an Advisory business model, here's how. Follow these steps to simply and safely transition existing clients, design a superior "standard of practice," and deliver a highly satisfying experience of value to your clients.

Are You Ready to Make a Transition?

In financial services, there are risks that advisors face when adopting a new idea. Will this new idea be successful or fail like others have in the past? Is there time to learn something new? Which clients will be reluctant to embrace the new idea? These three factors make suggesting a new way of doing business to an existing client highly anxiety-generating or even intimidating.

To more deeply engage this training, take a moment to think about where you are when considering moving to the Advisory model; next, think about how important it is to you to make the transition.

- I'm not ready; I just want to learn more.
- I think I'm ready; I need to learn more.
- I'm ready; show me how.

Should, Could, Must

Even if you're ready, making the change can be hard. There are many activities that compete for your attention every day. Just because you know you **should** transition your practice, and even if you know you **could**, it doesn't mean you **will**.

Should doesn't work very well with independent-thinking adults. There are lots of things you know you **should** do but you certainly don't do. Motivation for this kind of change requires a drive that comes from all the way down in your bones. This means that you have decided that the transition to an Advisory practice is something you **must** do to have the kind of success that you want for your business. Until and unless you feel that this effort is absolutely necessary for your well-being, it will remain a good idea whose time has come—just not yet for you.

Timeline Exercise

Step 1: Imagine you have **decided that you must transition** to Advisory. Think forward in time five years; what do your life and the lives of those who matter most to you look like?

Step 2: Imagine you **keep doing what you've always done**. Think forward in time five years; what do your life and the lives of those who matter most to you look like?

The big questions that should be asked after completing the exercise are: When you compare your five-year future with the Advisory model to the quality of your life without the Advisory model, what do you see? Does this influence your feelings of "should do" or "must do"?

Timeline Exercise

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The Merits of an Advisory Model

As people age and grow wealthier, they need different services from their Financial Advisors. An Advisory model allows FAs to create the highly personalized service clients want.

Keeping Up with Clients

As clients grow older and wealthier, their needs change. It's easy to understand how managing the diverse needs of a full book of clients, who are many different ages and have achieved various levels of wealth, puts pressure on the Financial Advisor who is following a traditional model. How does he deliver a satisfied engagement to each client? Creating and personalizing a high-touch business is the key to satisfied clients, but a transactional model requires so much time and effort that it is very difficult to customize each engagement.

More importantly, the value being delivered is constrained to transactions, rather than to the delivery of a larger, consultative engagement across many different decisions, strategies and types of engagements. A successful Advisory model starts with a vision of expanding the service to each client to the maximum breadth possible on the platform that supports you, and then evolving each engagement to the largest dimension as the needs of the client evolve.

The Advantage of Advisory

The advantage of the Advisory model is not just increased efficiency and the stability of revenue. It's the value of creating a deeper, broader and more productive relationship with each client over time—a built-in vision of a dynamically evolving and valuable consultation.

This means educating new clients about your "value proposition" and how your engagement with them will evolve over time. We will call this your "standard of practice." Educating clients about the dynamic and expanding nature of the model early in the relationship makes it easier to suggest expanding the engagement as clients' needs change.

Educating new clients during intake is relatively straightforward once you've designed your model. The greater challenge is explaining the new model to existing clients. Some FAs resist the idea of introducing a broader range of services to existing clients, fearing that suggesting a change will stir frustrations or anger. It's unlikely that a client will become upset because you suggest a better way of doing things or propose an expanded engagement because the client has grown older or become wealthier. But fear of change prompts strong feelings, and some distress is possible with clients who are Late Adopters or Laggards.

To make the idea of transitioning to an Advisory practice less daunting and to help you feel more confident about overcoming these potential hurdles, we've developed scripts to help you introduce a new idea to existing clients safely and comfortably. Using this approach enables you to provide a broader frame for your clients to consider and offers a rationale for expanding your working relationship. This conversation is based on some simple but universal insights about human behavior and experience.

How to Frame the Conversation

Fortunately, the psychology of the conversation is simple. 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 have experienced the past and sorted out information from those experiences, the past has qualities of fixed and familiar. There are no uncertainties about the past because we've already experienced the consequences of decisions. Humans can have lots of feelings about the past—anger, regret, sadness, joy, etc.—**but we cannot feel anxious about the past**. Anxiety is reserved for the future. People are anxious about the future **because we have not yet experienced the consequences of the decisions we are making today**. Clients with substantial wealth, who have transferred their emotional dependency from their own competencies to the productivity of their money, feel anxious about the future.

This provides the foundation for your conversation: if you frame a new idea as being necessary because of **changes in the client's life** or **changes in the world**, the need to consider a new idea will most likely make sense.

Step 1: Start by framing the reason for the new idea.

Step 2: Propose the new idea as a remedy for new challenges presented.

Predictable Patterns of Change

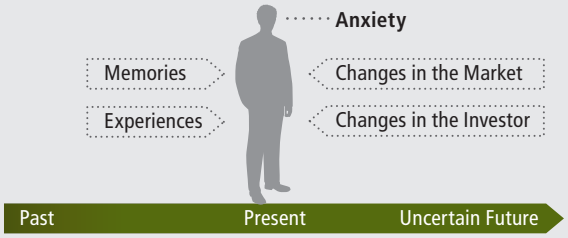
There are predictable patterns of change—those everyone has experienced:

Markets change over time: Everything in the world changes as time passes. This means that everyone understands the need for occasional changes. Volatility, taxes, interest rates and inflation are all likely to change. It shouldn't surprise anyone you are working with when you suggest a change in the way you engage with clients. "Mr. Jones, because of increasing volatility and changes in market dynamics, I'm recommending the following to my clients." Then describe the new idea or expanded range of services.

People's lives change: People get older, get married, have children and sometimes accumulate more money than they were expecting. You can use this as a catalyst for changing your engagement. "Ms. Jones, as you're moving into retirement, you've sold your business and now you're investing that money. We need to approach your situation a bit differently than before."

As illustrated above, the scripts for starting these dialogues are very basic. Identify a milestone, a new chapter in life or a change in the world, and then link that transition to the need for a different type of engagement. Both of these frames can work, so pick the one that works best for you. Use a development in the client's life or in the world that is distinct from the specific model of engagement you have been using to suggest a need for a change. This approach makes the discussion for change much more palatable to the client.

Anxiety About the Future



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"Any change, even a change for the better, is always accompanied by drawbacks and discomforts."
—Arnold Benett

Dealing with Resistance

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. 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. The following is a script you can use. Adapt it to fit your particular style, and use it in line with your firm's policies and procedures.

"Mr. Smith, you're my client and I am your advisor, and as such I would never require you to do something that you are uncomfortable with. But, as your advisor, I owe you my best thinking about what is in your best interest. 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."

Let's take a closer look at this idea of resistance. This is a constant theme when talking about managing clients, as many advisors find themselves in a struggle with clients about whose ideas will have the most influence in the relationship.

Interestingly, clients retain an advisor for his knowledge, experience and expertise, while investors pay a broker to provide access to and information about the markets. Traditional advisors, whose skills primarily deal with selling, struggle frequently over whose ideas are most influential. In short, brokers are not advisors.

An advisor, who is retained for her knowledge, has been given a great vote of confidence by the client who retains her. Nevertheless, unless the advisor establishes a clear vision of how she uses her expertise, there can still be times when the client thinks he knows better. While no one knows better than the client how he feels and thinks and the values that drive him, a Financial Advisor's responsibility is to be an expert in the financial-services industry and to be knowledgeable about which of her platform's resources can help the client achieve his goals.

This is, in fact, why clients hire an advisor—they're retaining you for what you know because **they believe you know more about what they need and how to meet those needs!** In order to take full advantage of this dynamic and to provide a more compelling and satisfying experience of value, you need to build an expansive standard of practice and publish it for your clients.

Create a Standard of Practice

One benefit of establishing a robust standard of practice for your business 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 their life and wealth. Another is that it eliminates the issue of resistance and the power struggle that accompanies many traditional broker-type relationships.

With a standard of practice in place, you have an external point of reference, a separate authority, to which you can appeal 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 practice has established this recommendation for clients in your situation."

A simple way of seeing the power of this is to think of the last time your doctor recommended a treatment to you. He didn't say, "In my opinion, you would benefit from a colonoscopy"; rather, the recommendation was delivered as, "The standard of practice for men over the age of 50 is that they get a baseline colonoscopy." The doctor speaks with authority and confidence because he has no doubt that this is the right thing to do for the patient and that the patient will

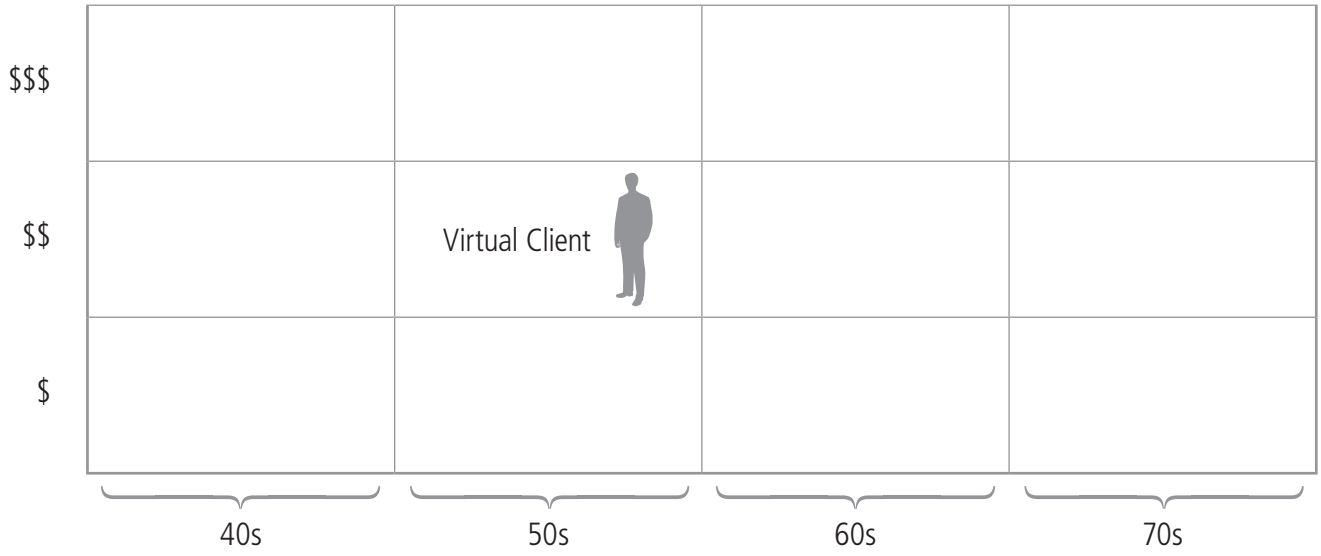
benefit from the recommendation. Your standard of practice will provide the same quality of confidence to you in your consultations, and it isn't hard to build.

Step 1: Start by looking at your previous experiences from a new point of view. Rather than thinking about individual clients, apply "broad framing"[4] and build a map that embraces a large array of current and potential clients. The easiest way to do this is to consider two primary defining characteristics of clients: age and level of wealth.

Step 2: Make a table and plot a set of age ranges across an x-axis. Then plot three levels of wealth on the y-axis. This forms a grid on which you can locate the majority of your current and potential clients. In this way, instead of encountering each client on his assumptions about the engagement, you can preestablish your vision of what a client like this needs to know about your business—that is, the full range of services you can offer a person in this situation.

Of course, the ultimate engagement you define will evolve from this starting point and will reflect the true uniqueness of each person, but this grid allows you to develop **a clear point of view about what you believe clients need**. We call this your "standard of practice," and it functions as a starting place to ensure you have expanded your thinking to the fullest extent for each person you meet with. In this way, you overcome your tendency to "narrow-frame" your business engagements within your comfort zone and you have a starting place for educating new clients (and, ultimately, existing clients) about the full value of your business.

Step 3: Once the basic grid is established, populate each section of the grid (each "virtual client") with the engagement model that you believe is the standard of engagement they should receive.



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4. Daniel Kahneman, *Thinking, Fast and Slow* (2011): 336–339

Build Your Standard of Practice

Here are three exercises to help you build the grid. These exercises provide a starting point from which you can build a more robust and full personalized standard for your practice.

These exercises represent only the most basic considerations. Their value is found in the term *standard*. Rather than operating by mere personal preference or by the constraint of what each client knows and is familiar with, the grid and these considerations allow you to **externalize** and then formally **authorize** a standard of care and engagement for your entire business. This external model informs your internal decisions and allows you to avoid the consequences of narrow framing that will limit the productivity of your business. This external model also allows you to inform the thinking of each client and his or her tendency to narrow the frame.

Exercise 1: Ask the Questions

For All Clients

Start with a consideration that applies to **every** client, and engage three questions within **each** of the 12 grid locations:

1. What degree of a financial plan should this 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? This will tend to inform the type of discovery interview you complete, the content of your client reviews, and the breadth of products and services that are ultimately offered. As a rule of thumb, younger clients with less wealth need a less holistic plan than older clients with more wealth; however, **what you decide as your engagement for each client should reflect your professional convictions above and beyond any general rules**.
2. What is your asset-management process for this type of client? Your process may be different for different age and wealth segments, or it may be standard with all clients you engage.
3. What is your communication model for this type of client? This can go far beyond a simple A, B, C segmenting/servicing model and allow you to describe the various processes of communication and engagement you plan to provide.

For All Clients			
Discovery	Investment Goals	Minimal Plan	Comprehensive Financial Plan (Plan Module)
Asset Management	No Platform	Platform Without Discretion	Platform with Discretion
Communication	Basic Reporting	Regular Review	Client Relationship Management Plan

For Most Clients

These questions should be considered for most clients. In other words, these questions are relevant for most segments in the grid. Review the questions and make a preliminary determination about which client groups the questions are relevant for. Then, define your standard of practice for each question for every segment that you believe should consider these engagements.

For Most Clients	
Insurance	Life
	Health
	Disability
	Long-Term Care
Strategies	Estate Plan/Will
	Retirement Cash-Flow Needs Analysis/Plan
	Guaranteed/Secure Income Strategy
Banking Needs	Credit Card
	Lending

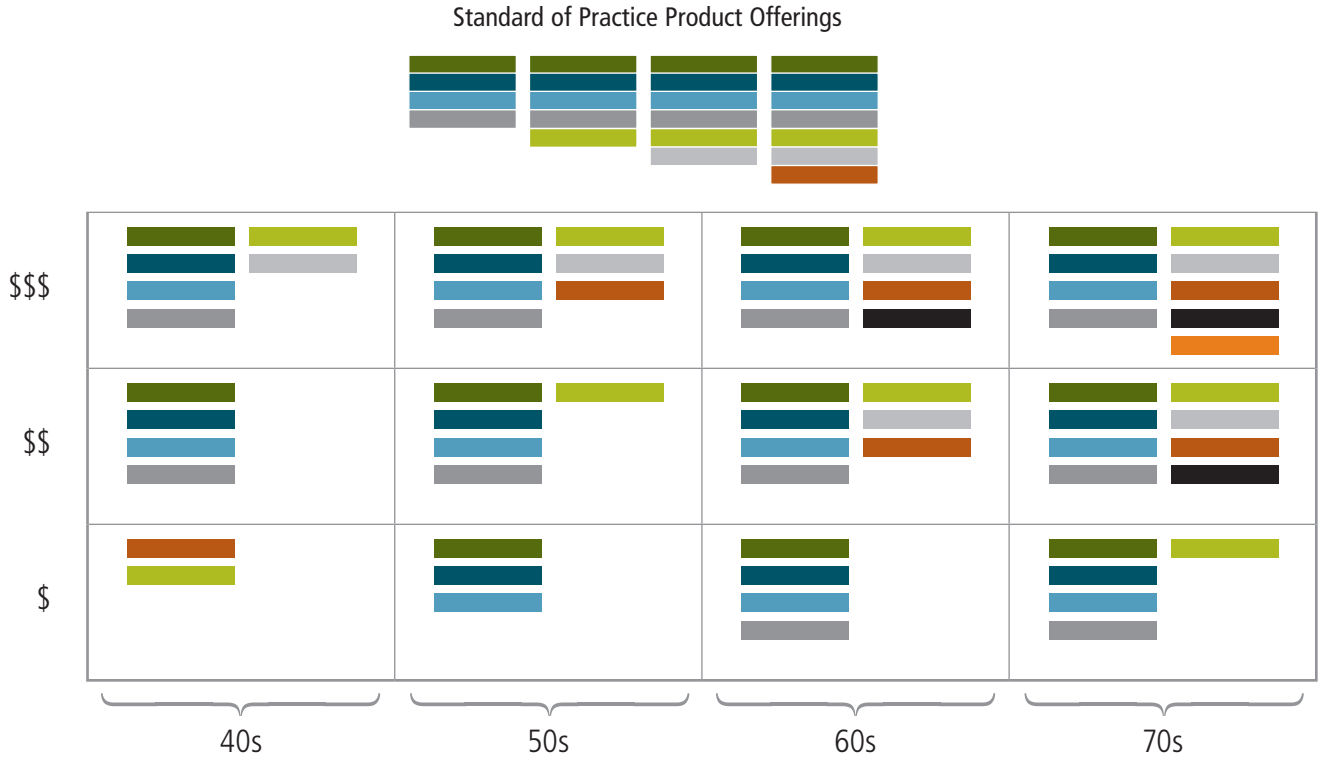
As you encounter strategies that are outside your expertise, seek coaching from your firm and from the asset-management and servicing partners that you work with. Stretching into areas that you've neglected because they were confusing, difficult to understand or complicated is often the best way to meaningfully expand your value proposition.

For Some Clients

The final set of questions represents strategies that apply only to some clients, usually sorted by limits due to age and level of wealth. Consider which clients should receive these strategies as part of your standard of engagement. These last questions represent a class of considerations that reflect very focused types of engagements. Start here but add your own considerations, based on your professional convictions, about what certain types of clients should consider as a standard for fully engaging the value proposition of your business.

For Some Clients	
General Strategies	College Funding
	Wealth Transfer
	Fixed Annuity
	Variable Annuity
Wealth Transfer	Trust Strategy
	Family Mission Statement
	Family Financial Education Strategy
	Philanthropic Strategy

Exercise 2: Establish the Standard by Age and Wealth



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In the second exercise, consider each section of the grid. Then use your questions to create a standard of practice to provide a starting point for your engagement with each client—both new and existing.

A helpful way to do this is to imagine an existing client that "fits" the section on the grid that you are in the process of defining. Imagine that this person, of a particular age and with a particular level of wealth, says to you, "Forget what we've done in the past. What do you think I should be considering at this stage of my life and with the kind of money I am asking you to manage?" This liberates you from the experiences of the past and your clients' narrow framing based on past experiences. It allows you to expand a little or a lot from your current practice model.

For each age and wealth level, create a clear, defined and defensible standard for how you will deliver services to clients with these needs. It's important to add a caveat to the standard of practice model: some of the strategies that you

can offer your clients may be unfamiliar to you or difficult to understand, or you may have strong feelings against offering them. The stronger your feelings about a particular strategy, the more likely it is that you should consider researching that strategy and becoming better educated about the merits of the offering and the various ways it can be used.

Exercise 3: Populate the Grid

With your standard of practice defined and in place, it is a simple matter to use the same grid to analyze the various client groups in your current business. Using the 12 categories of the grid, distribute clients into their appropriate group. This will allow you to see where the priorities of your practice are located and will support your roll-out plan.

	40s	50s	60s	70s
$$$	☐ ..... ☐ ..... ☐ ..... ☐	☐ ..... ☐ ..... ☐ ..... ☐	☐ ..... ☐ ..... ☐ ..... ☐	☐ ..... ☐ ..... ☐ ..... ☐ .....
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$	☐ ..... ☐ ..... ☐ ..... ☐	☐ ..... ☐ ..... ☐ ..... ☐	☐ ..... ☐ ..... ☐ ..... ☐	☐ ..... ☐ ..... ☐ ..... ☐ .....

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Getting Started

Practice the conversation with less significant relationships so that you can build your confidence and familiarity with the message and likely responses. Then work your way to the more substantial relationships in your business.

10 Steps to Manage the Conversation

Many advisors are anxious about having the "new way of doing business" conversation with their most important clients. It may be prudent to first have the conversation with less developed relationships or with younger, less wealthy clients. Once you are comfortable, you can transition to the more significant or complex relationships in your business.

Importantly, this simple analysis lets you see where the largest benefits will be when you have successfully transitioned clients to the new model. As soon as you feel comfortable, it's prudent to organize campaigns for the older and wealthier cadres within your business. In this way, you will start experiencing the rewards of the new model as your biggest and best clients make the transition to a new, more robust relationship with you.

With your standard of practice established, your priorities and campaigns designed, and the script in place for introducing the new model and handling any objections, it's appropriate to plan for the type of meeting you will use to integrate existing clients into this new type of relationship. As a starting point for designing the meeting structure that will work best for you, here are 10 steps to help you begin:

Step 1: Complete the timeline exercise on page 7 and determine whether or not the transition to Advisory is a "must do" priority for the next year.

Step 2: Using the grid exercise and the questions included in this guide, build your standard of practice. Expand it to include all of the services and solutions that you feel are important to offer different types of clients.

Step 3: Use the exercise and illustration to "grid" your book of clients: distribute your clients into each section of your grid. You have now created a series of campaigns for managing the transition over the next year.

Step 4: 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.

"Change your life today. Don't gamble on the future; act now, without delay."
—Simone de Beauvoir

Step 5: 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.

Step 6: 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.

Step 7: Once you begin a meeting and you're face-to-face with the client, frame the need to change. Introduce and explain the Advisory relationship and how you want to manage the relationship going forward.

Step 8: Transition to a review of your shared understanding of the client's goals. Revisit them, and take the opportunity to examine them more deeply. Talk about the big picture in the client's life and explore any changes or issues he or she is facing. Deepen the relationship. You might also locate other assets or investment opportunities that would be appropriate to engage in the Advisory relationship.

Step 9: Transition into a proposing stage, either in the first meeting or in a second meeting: "Here's what we're going to do, and here's how we're going to do it."

Step 10: Close with, "Here's how we need to get started." Confirm the plan of attack, secure the client's agreement, get all the necessary paperwork signed and then move forward.

With your standard of practice 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 confidence and enthusiasm, you'll be confident that Advisory is an idea whose time has come.

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:

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- 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

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