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# Initial Client Interview Information Package

ACADEMY OF PREFERRED FINANCIAL ADVISORS

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# Evaluating Your Prospect Meeting Techniques

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| **1** | Did you have a clear mental picture of what you wanted to accomplish, step-by-step, before you proceeded with the meeting? | **Yes** **No** |
| **2** | Did you break the ice and establish some rapport at the beginning of your meeting? Did you set the tone and take control by stating exactly what you intended to accomplish at the meeting? | **Yes** **No** |
| **3** | Did you ask enough questions to determine the "hot buttons", goals, needs and objective of the prospects? Did you take enough time to allow them to answer fully and did you listen to their answers?<br><br>Did you do too much talking? During the meeting, did you continue to keep the conscious focus of the prospect on the goals you set for the meeting in order to steer away from tangents or answering questions "out of order"? | **Yes** **No** |
| **4** | Did you clearly communicate at the end of the meeting exactly what steps you recommended to take?<br><br>Did you leave enough time after your recommendations to answer any questions or objections? | **Yes** **No** |
| **5** | Did you establish a date and time for the next step to be completed?<br><br>For example, if you were then going to do an analysis before the second or closing meeting, did you schedule that next meeting with the prospects before they left? If you were marking the prospects to be followed up on, did you agree with them what would be a good date and time to do that and placed it on your calendar? | **Yes** **No** |

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# Initial Client Interview

## Critical Parts

Below are the major goals of the Initial Client Interview:

- Opening the Door
- Building Trust
- Gathering the Data
- Making a Second Appointment
- Never Sell Anything Except the Second Appointment!
- What You Do at the Initial Meeting Will Affect the Closing Meeting
- Time allowed 1 ½ hours

## Establish Credibility Immediately

One saying that seems to always hold true is, "You only have one chance to make a first impression!" Prospects can be very judgmental and your goal is to connect with them. An easy way to do this is to establish credibility immediately.

Having a professional-looking lobby and looking professional yourself are both very important. This may sound obvious, but many planners wear short sleeved shirts, jeans, etc., because they think they'll look more "low-key" and therefore bond with prospects. You need to look professional! That means that you have to wear business attire. Believe it or not, it is best to wear very professional clothing that stresses conservatism. Your clients can influence how you dress. For example, if your clients are primarily seniors, you want to dress and act as much like a banker as possible. Since they respect banks, this is certainly something that you want to emulate in your office. If you wear a loud tie this might create an illusion that you deal with higher risk investments, rather than traditional conservative investments. Remember – perception is key to your success!

Next, arrange your personal office to look neat, organized and professional at all times. Obviously, your overall office space is very important. Part of your business plan is to determine how much space you need. Make sure that you have enough room for your reception area, meeting rooms, your other wealth managers, all operational team members.

When meeting with a prospect, one of the first things to do is to explain to them that as a Registered Investment Advisor, you are a fiduciary, and must place the interests of your client first. If they do not want to do any business with you, then that is okay. However, as a fiduciary, you must tell them what in a court of law a prudent person should do.

Most people are shocked when you tell them this. Although this is the law, most people expect to be taken advantage of and many times their defenses are way up. By doing this early in your Initial Client Interview, it really helps break down your prospect's defenses. This enables you to talk with them without having them feel a lot of pressure.

Please remember that technically, in order to call yourself a financial planner or say that you do financial planning, you must be registered as an investment advisor or a representative of a registered investment advisory firm.

For many advisors, if you do advertise under your own RIA, you appear to be more objective.

Another reason you want to use your own RIA is to maintain your actual independence. This can help illustrate that they will be dealing with you, rather than your broker/dealer from the standpoint of getting advice. This can help you appear to be much more objective and remember – perception is the key to success!

Another issue you should address is that your particular state may also require certain licenses, or other compliance issues, in order to be registered in your particular state. Please see your compliance department to find out specifically what you need to do in order to comply with their rules.

You always want to offer the best and most objective advice. Therefore, it is important to communicate this to all prospects. Always ask your prospects if it is okay if you can tell them things "the way they are." Of course, they should always say yes. By doing this, you are explaining to them that you are not a "Yes" person and that you are trying to be as objective as possible. You're also now reducing their barriers to you and now they are going to be more open to you and your recommendations.

Your goal is to help people, therefore you need to understand their circumstances. Explain to prospects that you cannot give them advice unless you have the proper information from them. "Garbage in – garbage out!" You should not meet with any prospect unless they bring all of the information you need. This typically is their last year's tax return and copies of their investment statements. After you have these documents you can establish what they have and therefore ask intelligent questions. You can also see what tax bracket they are in, etc.

One of the other issues you should immediately talk about with prospects is your experience, education, and things in common. Try to be informal at first, but immediately explain to them your background and how you can be of service. If you specialize primarily in retirement planning, immediately bring this up. For example, you could say, "over 90% of my clients are either retired or about to retire". This explains to them that this is your area of expertise. Explain to them that if they were in their twenties, they just got married and they were looking to buy a new home, etc., you would then tell them, "Please give me a call in about 30 years!" This makes them laugh, but also emphasizes the fact that your specialty is retirement and that they have come to the right place! Indicate that you are very familiar with each and every aspect of the parameters of retirement and if they have any questions on any of these areas, it is okay for them to give you a call.

With regard to how long you have been in the business, it is important that they realize how long you have been in the financial industry. Most people like it when you are not new and have been in the industry for a long period of time. Be sure to emphasize your brownie points, such as education, credentials, etc., especially if you haven't been in the business a long time.

Share with your prospects that you want to have a long-term relationship and you want to make sure that you can assist them with anything that they want to do. This is a key phrase because most people actually want a long-term relationship! They want to be able to find an advisor that is going to help them for a long period of time. Remember, many of these people are very weary of advisors and think that some advisors do not do an adequate job. Many prospects feel that advisors will merely sell them a product and then go away. "I want to be the last financial advisor you ever have." By stressing your intentions up front, many people will open up much more easily and actually feel much more comfortable doing business with you. Be sure to emphasize your "team approach" constantly so that they can see your sincerity and that you are trying to do what is best for them. Again, this is probably one of your biggest secrets to success and we feel this is imperative with any client relationship.

Bonding with your prospect will assist you in being able to recommend investments or other things to your prospects without their heavy objections.

Another key point to share is that you are not on a pedestal looking down on them. You are an advisor and you are trying to help them. Inform them that you have gone through this hundreds of times and that this could be their first time going through this. Stress to them that there is no such thing as a stupid question, only a stupid answer. Tell your prospects you have an "open door" policy and that it is okay for them to call you and to talk about anything if it is important to them. It makes the prospect feel very good inside and usually is the best thing for your relationship.

You should also mention to your prospects, "Remember – you can lead a horse to water, but you can't make him drink." By doing this, you could significantly reduce the stress level of the prospect and enable them to do much more business with you. You will be sharing a lot of advice with people so please mention to your prospects the following: "If I do not bring up something to you, I do not want you coming back three years from now and saying, 'How come you didn't bring this up to me?'" It is important to give the prospect meat and potatoes advice and get to the bottom line, rather than tap dancing around their questions. They want advice, and as long as it is spelled out to them specifically, they usually will follow it.

Stress your firm's uniqueness, whatever positive attributes you have going for you. For example, your firm could have the following characteristics:

1. We are the largest independent financial planning firm in Southern Oregon.

2. We are independent and do not represent any one company or product. In fact, we represent over 5,000 different companies. We are sure you have heard the expression – "shop and compare." That is what we do for our clients. Most of our clients prefer this, as compared to going to a company that only represents one product or one service.

3. By offering all of these services, we can review your overall situation and give you the best service and the best quality that you could expect anywhere.

4. We manage over $100,000,000 of investments, which is significantly more than the average independent financial planning firm manages.

5. Our firm has relationships with CPAs and estate planning attorneys.

6. We specialize in retirement planning; over 90% of our clients are either retired or just about to retire. This enables us to service you better, since this is what we do all day long.

7. We specialize in large IRA rollovers/transfers and handle hundreds every year.

8. We present many workshops each year and we are available to speak in front of many organizations and many corporate employers.

Whatever you do, it is okay to share your credentials, your achievements, and educational background. Remember – your competition is flaunting it, and so should you! The prospect actually wants to do business with you. Show them the reasons why they should!

Always try to "defuse" pressure right up front near the beginning of the interview. Explain to prospects that you do not like pressure. "We go as fast as you want to go. If you want to go slower that's fine; just tell us and we will put on the brakes. However, we do not want to be accused of dragging our feet and taking too long to do something." Explain to them that you are a very thorough person and prefer to dot the 'i's and cross the 't's.

Even though these clients do not like pressure, most of these people also get frustrated with advisors who take too long to do something. For example, if a prospect has an advisor who attempted to get them a living trust and it took them over three months, explain to them that you will do things efficiently and that this living trust should only take a couple of weeks. By doing a very prompt and prudent job, this will also assist you significantly with being successful and keeping those clients for a long period of time.

Explain that you want to be very thorough with your client's overall finances. Ask them, "If we find something unusual do you want me to bring it up to you?" Also ask them, "We would like to review your tax returns. If we find some way to help reduce your taxes, is it okay to bring this up to you?" What person would not say, "Of course!" to each of these questions? That is why you should explain to them that you are not trying to rock the boat. However, you are trying to do your job and if you find anything that looks unusual, you want to let them know.

Most prospects are very comfortable with this and really feel that you are trying to help them out. Obviously, that's what you like to do because you explain to them that you would like to have a long-term relationship. Let them know you are not here to just recommend an investment and then say good-bye. You would like to be with that client a long period of time. It obviously takes time to really understand and get to know your clients. Most of your clients realize that you know more about their finances than they do. Therefore, most of your clients want you! You can save many of your clients so much money in terms of taxes, investments or other areas, that they do not want to even talk to another financial planner. That is what you want to do! When people feel very comfortable with you, they will be giving you all their money and referrals!

## Sample Script for Starting the Initial Client Interview

"Mr. & Mrs. Prospect, we have a very unique relationship with our clients. We have to place the interest of you first. We have to tell you what in the court of law a prudent person would do. This is a *fiduciary* relationship. If you choose not to do what we recommend, then that is fine with me. Remember – it's your money, not mine! I'm only the advisor. However, we have the same liability to you as your doctor, your attorney, or your CPA. We have to call it the way that it is. If it is good news, I'll tell you it's good news; if it's bad news, I am going to tell you it's bad news. Is that alright with you?"

Pause – Wait for response.

"I am not here to be rude, mean, or negative, but if I see something important, is it okay to bring it up to you?"

Pause – Wait for response.

"However, before we get started on all of your financial matters, it is important that you understand we do things the old-fashioned way. First, we gather the data, second, we analyze the information; and only then do we do step number three, which is to give advice. If we started making recommendations before we had the proper information and had the time to analyze it, then we could be out in left field somewhere – you know the old expression, 'garbage in, garbage out.' Does that make sense to you?"

"Therefore, did you bring the proper information with you, such as your tax return and copies of statements?"

## How to Compete with Larger Competitors

There are many ways to accomplish this. One of these is to show that you will certainly be able to give a much more personalized service than a large company that might not be as attentive to the prospect's needs.

Another issue is to stress that the relationship that the client has is only as good as the planner, rather than the institution. Remind the prospect endlessly that the relationship is with the planner and that the advice is only as good as the planner gives.

There is a very good likelihood that your broker/dealer is, in fact, a large institution. Be sure to have your broker/dealer's annual reports available to give to your prospective client so that they can understand that you are part of a much larger company. In addition to this, stress to the prospect that the insurance that you offer at your firm is most likely the same as the insurance coverage at the larger firm that they are with. For example, SIPC should be emphasized as a federal insurance that will cover up to $500,000 of a client's assets inside of a brokerage account in case that the firm should fail. Many times, a prospect is not aware of this and only looks at you as being a small outfit and they are concerned that you will run off with their money. By emphasizing this up front, the odds of them being concerned about this issue will be minimized.

## Discuss Your Compensation Up Front

An area to discuss up front is how you get compensated. Many successful advisors do this by saying, "We get compensated in three ways." Here is an example of what you could share with prospects:

**1. There is no fee charged for this initial consultation.**

One approach is to prepare a simple plan complimentary, with no obligation, and show the prospect your expertise. Usually by the end of the second session the prospect realizes your objectivity and expertise and feels that you are looking after their best interests. If you prepare extensive plans, explain that you do charge fees if you are doing an extensive plan. This is the same way they pay a fee for preparing a living trust or other legal documents or preparing an income tax return. Stress to the prospect that you will not charge a fee without notifying them in advance. Explain to them that the best way to lose a client is to give them a bill they did not expect.

**2. The second way you get compensated is through managing wealth.**

If appropriate, state that "Almost all of the investments we recommend have no commissions. In most cases, the mutual funds that we recommend are all no-load, no cost to buy – no cost to sell, and no holding period."

For example, explain to them that "I usually charge one quarter of a percent per quarter to manage your wealth. We only charge it on the investments under management, which does not include real estate and other investments that are not inside your account."

"However, our fee will not only cover your investment management, but it covers all the key areas of financial planning – income, estate planning, income tax planning, and risk management."

**3. The third way you get compensated is through referrals.**

If you do a good job for the client, then you expect them to refer other people over to you. A significant number of your clients should come from referrals. Explain to the prospect that one of the ways that they can help is to refer people. "If we do a good job and you are happy with our services, will you refer other people to me?" Get confirmation. Explain to them that if they bring a friend, or co-worker to one of your workshops you can help educate them as well. This offers a very non-threatening way to meet their best referrals.

## Quickly Evaluate the Quality Level Of The Prospect

As mentioned earlier, we suggest having the client bring their last year's income tax return and current investment statements to the meeting. It is important to know the amount or values of their investments. It is not necessary to have everything calculated to the penny. A good example of this is their residence. It is almost impossible to determine what the actual value of a piece of real estate is until it sells. Explain to the prospect that you are trying to get a generic overview of their finances at the first meeting. By doing this, you can weed out at the beginning of the meeting the smaller prospects and you can pass them off to other associates or decide not to take them on at all. Since they are already in front of you, it is important to ask if they have any inheritances coming soon, referrals, or other relatives, such as parents that may need much more assistance. Please be very careful about asking for referrals if they have no money. Remember – birds of a feather flock together. This goes on the other side of the coin too when you are dealing with people with more money. It is more likely for their other friends and associates to have funds and be in the same type of financial position.

## Find Out the Prospect's "Hot Buttons"

At the beginning of the initial interview, the prospect's defenses are up and they are constantly telling themselves not to make a mistake and buy something that they don't really need. Therefore, it is extremely important to try to break the ice and to hit their hot buttons that will really show them you are interested and that you do care. Especially when you deal with large clients; these people have been approached by many other advisors by this time. Therefore, it is important that you specifically address the following items:

1. Find out what their top three priorities are.

2. Find out if anyone else has attempted to address these issues.

3. Find out why they are not happy with the advice they have already been given in the past and determine what you can do in order to make yourself different so that you can address these current issues now and solve them.

One of the other major concerns that many older people have is the fear of who is going to be handling their finances once the person who has handle the finances passes away or is no longer able to manage the finances him/herself. A common scenario is that one family member usually takes care of the finances. One of the major concerns is when the person who handles the finances passes away first the financial responsibilities will then fall upon the survivor. Some advisors work with survivors and stress the importance of them being able to talk to an advisor that will be trustworthy and that there should be someone around to assist them should something happen.

Many times, one spouse feels that they know or can handle everything (never true!). However, by emphasizing the fact that there should be somebody else there in case something happens to that person, you stress the importance of these prospects using you even if it is only to get their feet wet so they will be comfortable to use you in the future.

Another issue that you can stress, especially with wealthy prospects, is the fact that your firm (and its affiliated firms) can handle all of the estate and trust administration, putting the assets into trusts, coordinating the preparation of all of the income tax returns and you can coordinate all of those services under one roof. Some advisors do not have the capacity or capability to do these things. It is important that you stress that you are the quarterback of the team and that you will coordinate all of these services in the event that one of the parties should pass away. This is a major issue that many advisors completely forget about yet is in the back of the mind of almost all of the prospects that have a large net worth.

Remember, in any and all cases, place the interests of the client first. By doing this you will certainly have an edge over all of your competition. Bring up things that other financial planners usually do not even address. Again, this is extremely important since you are trying to set yourself apart from your competitors. One example is protection. Looking at their umbrella policy and other issues we will describe later, is an extremely important thing to address and let the prospect know that you are much more interested in them than just selling them a product.

It can be beneficial, in some instances, to bring up the Webster definition of a client: "A person under the protection of another." There is a big difference between a client and a customer. A customer goes to the supermarket to buy groceries. A client goes to a professional to get advice and services. Most of our clients do not do anything without calling us first. Always stress to them that you are only concerned about what they would like to do. Your attitude is that you want your clients to tell you what they would like to do and your job is to accomplish that task with the least amount of expense. It is imperative for the client to inform you <u>before</u> they do something, rather than after. Try to avoid having your clients tell you, "This is what I just did. What do you think?" You would rather have the client call you before they do something rather than after. Once they realize that this is in their best interest, they have much better communication with you. This makes you much more invaluable and when you recommend something for them, they usually agree and move without hesitation. "It's easier to avoid a problem than it is to solve one!"

## Offer Solutions, Not Products!

<u>Establishing Trus</u>t – This is probably one of the most critical areas of the initial interview. <u>If the prospects do not trust you then they will not do business with you</u>! This is extremely important since everything is based on trust. Most high-level advisors rarely offer specific investments in the first meeting. You can always offer some suggestions or strategies but try to <u>keep the investment recommendations for the second or third meeting</u>.

In addition to this, do not sell products, sell solutions. Solutions are what they are coming to see you for. Now many times the solutions that you offer are the actual investments that they will be purchasing – but you don't offer specific investments until you first explain them "generically" as the solution. If they feel that you are only selling the investment without knowing what is best for them, then they are probably never going to be a client.

Offer an analogy, if possible, any time you are talking. A good example of this is that we try to <u>equate what we are doing to a doctor performing a medical exam and doing a diagnosis</u> of this data before recommending a prescription or remedy for the situation. If the doctor were to recommend a prescription without even knowing what your symptoms were, how much faith would you have in that particular doctor?

Tell them that you first gather the data, then you analyze the information, and finally you determine what the best alternatives are and then recommend a solution. Although this appears obvious, very few practitioners actually follow it.

Any time a prospect asks you the age-old question, "What is the best investment?" your answer should always be, "That depends!" It depends on the client's particular situation, their goals, needs and objectives, tax brackets, etc. You would open yourselves to a potential lawsuit if you were to recommend anything specific at that time. Again, try to be as objective as possible and explain to the prospect that you want to place the interest of them first and that you would like a <u>long-term relationship</u> with them! Remember – many times the prospect is merely testing you and wants to know what your answers are, as compared to other advisors' answers, and are also comparing these to what various consumer handbooks suggest. If your answer is incorrect or inappropriate for that particular situation, then you may never hear from them again. We would rather you lose a prospect for failure on their part to act prudently rather than having to lose a prospect because we did not do what was proper for them. Remember, please make sure that you always gather the information first before you recommend any investments.

Providing solutions requires <u>empathy and caring</u>. These are an absolute must. You must really show the prospect that you are caring about their particular situation and that you really feel for what they are going through. If you can also explain to them and give them other examples of clients that you have assisted in areas that are similar to theirs, this will also bring you much closer to the actual close. When people feel that you really care about them, then they will care about you as well. Not only will you have more clients and less reluctance from these clients, but this will obviously generate more referrals and better client relationships.

## Review the Prospect's Data Thoroughly

### (Find Their Problems That Need Solutions)

Explain to the prospect that you would like to <u>gather all their pertinent data</u> and make sure that have all the facts <u>correct</u>. This actually amazes some people sometimes. Most advisors start giving advice <u>without</u> gathering information.

Try to use a financial planning questionnaire. Some advisors send a questionnaire and request the prospect to complete it before coming in. In the event that the prospect do not fill it out, the advisor will attempt to fill this out for them during the interview. Remember – you want to get a very good general overview of what they have at this time. It will also allow you to ask probing questions during the interview as well.

Also ask what company the prospect works for and how long they have worked at that company. Enter that corporation's name in your database and use that for future reference as well for purposes of marketing to that particular company.

Cash flow is king when it comes to retirement planning! Outliving their income is usually their number one concern. This is extremely important, since if they do not have enough money to live comfortably, they will have a major problem during retirement. Therefore, strongly let the prospect know that you look at cash flow first. Remember, you are not just concerned about cash flow now, you are concerned about cash flow 10-20 years from now. The reason this is very important is that most of these prospects will be retiring and many times they will not be able to keep pace with inflation. In addition to this, they normally do not want to spend their principal.

The next issue to look at is how much money they should have liquid in the bank. Most prospects are very surprised at how much of an emergency fund advisors recommend. This is done from experience and we have found that if you tell them to keep enough in the bank liquid, their defenses will go down and you will be able to capture the rest of their wealth a little easier. Please note to ask them about weddings, mortgages, other loans, buying a new car, repairs to the house, trips, etc. Please make sure that you allocate enough for the emergency fund.

Now is the time to make sure you cover all the important financial planning issues. Remember that there are five keys to a client's financial success:

1. Protection.
2. Estate Planning.
3. Retirement.
4. Taxes.
5. Investments.

It is imperative that you attempt to cover each of these financial keys. However, in your first meeting, you would like to get quickly to the most important issues, which are usually retirement and investments. Let us give you an overview of how a successful interview usually proceeds.

## Problem Area #1: Protection

One of the first things you should discuss is their insurance coverage. In most cases prospects have adequate medical insurance. Their life insurance is usually already adequate. For example, if the client is retiring, we usually recommend that they review their life insurance policies or reduce their life insurance coverage, since the need for life insurance can be significantly less during retirement. It is interesting to look at the expressions on their faces, since this is probably one of the first times that they have ever heard of a financial advisor not recommending purchasing more life insurance. This again helps to establish your credibility with them, because they really feel that you are doing what is right for them. In most cases they also do not need disability insurance during retirement.

The next area of insurance to cover is protection for their assets. Ask them if they have reviewed their homeowners' and automobile policies in the last three years with their carriers. In most cases they have not. Ask them what companies they deal with and as long as the company is a solvent company, then do not rock the boat. However, if the insurance company is one that we have never heard of before or we know that they are having financial problems, then we want to make our clients aware of this. Many times, we will look up the insurance company's A.M. Best rating and give them a copy of the most current report. One of our philosophies is, "Never outlive your insurance company!" Another philosophy is, "Never provide an incentive for someone to put arsenic in your drink!" Assuming that the insurance carrier is solvent, then recommend that they meet with their carriers at least to make sure that their policies are up to date. For most advisors, it is difficult to make any money giving advice on these areas. Therefore, you might want to bring it to the client's attention and then revert back to the areas that we can assist them the most in. If the prospect starts asking a number of questions on this, then stress that they meet with their agent to get these questions answered. However, the fact that you recommend that they meet with their agent indicates your independence and concern for the prospect.

There are usually three other areas of protection that you should consider covering with prospects, since many times they do not have adequate coverage in these areas.

1. Personal umbrella policy – it is important to explain to the prospect that they have a greater likelihood of being sued since they have more money. We are unfortunately in a sue-happy society and it is necessary to protect yourself from potential lawsuits. Again, recommend that they talk to their agent about this.

2. Earthquake and flood insurance – it is important to stress to the prospect that they look into this additional coverage. If your clients are retired, they have a greater likelihood of having the house paid off and if their house is paid off, this usually represents a significant portion of their estate. Therefore, earthquake and flood insurance is even more important than if they had an 80% loan on the property.

3. Long-term care insurance. – This is a matter of personal preference. Since most prospects can be in an excellent financial position, they should be able to afford making the payments to a nursing home if they had to go into one. However, this is also an area many prospects are concerned about and we usually recommend that they at least look into it.

It is important to cover these areas, since if you do not cover them, this could cause a major liability problem down the road, since you are practicing as a financial planner. However, the time it takes to cover these insurance areas is usually less than five minutes during their interview. Again, you do not want to spend a lot of time on this area, just bring it to your prospect's attention. The only area that you might go back to in the subsequent interview is the long-term care. Since many advisors primarily sell only life and health insurance and not property-casualty insurance, do not dwell on areas that are not profitable for you. Again, just make sure that you bring these issues up to a prospect so that they are aware of what their protection needs actually are.

Also, offer them a review of their actual policies to determine whether or not any of their life insurance policies could be converted over to a new policy that may have lower mortality costs.

## Problem Area #2: Estate Planning

The next area is estate planning. Since you can recommend someone that actually prepares estate plans, first ask if they have a living trust along with all of the other documents such as durable powers of attorney, community property agreement, etc. Do not recommend to the prospect that they meet with your estate planning attorney just yet to go over any questions that they might have. In the event that they already have a living trust, you can have this reviewed by an estate planning attorney. The estate planning area of their financial planning usually only takes a few minutes. In the event that they ask a number of questions on this area, again, you will eventually recommend that they talk with an estate planning attorney at a later date. You do not want to go into all of these details at this time, but we want to bring these issues to your prospect's attention.

Another service that you can provide is post-mortem planning. In the event that someone passes away, and estate administration is necessary, inform the prospect you also assist with this. Very few financial advisors provide these services. This can be another major source of revenue, since you often have influence over the client's assets when someone passes away. In many cases, the beneficiaries will also be notified in advance that you were the one assisting them. In addition to this, many times it is the husband who passes away first and the surviving spouse and other beneficiaries are often not familiar with money matters. She will usually be coming to you for this advice. Be sure to stress this service to your clients, since this gives you a significant edge over your competition.

## Problem Areas #3-5: Retirement Planning, Income Tax Planning, & Investments

All of these three areas go hand in hand. They are all interconnected - if you can help reduce their taxes this will help them invest more, which in turn will help them retire earlier. Another way to look at this is that if they invest properly, you can reduce their taxes, which again will increase their retirement income. These are the three areas you should look at the most and are usually the areas that your clients are the most interested in as well.

Most advisors lack the proper training to provide tax advice. As a result, most advisors are usually missing a golden opportunity to provide an extremely valuable service to clients.

The first area to talk about is the tax return. This is an extremely important area, since we have never met a prospect who does not want to reduce their taxes. It is obvious that most people are very interested in having their taxes reduced and are actually surprised that you would even look at their tax return. It is important for you to stress to them that you do not do tax preparation; this review is not an exercise in tax preparation! However, always ask them the question, "If I find an additional way to help you reduce your taxes would you like me to point it out to you?" What do you think their answer is? "Of course!"

Stress to them that you are not trying to pick apart their tax return and that you are not trying to second guess their tax preparer. However, stress that most tax preparers are referred to in the industry as "score-keepers". If your prospect is puzzled by this comment, explain to them that a tax preparer usually meets with them once a year and says, "Here's how much tax you owe, here's my bill, and see you next year!" In our opinion, score-keeping is a very easy thing to do. The main issue is how to plan on reducing your taxes. "I don't care who prepares your taxes; I just want to reduce your taxes." You would rather tell them what to do today to help reduce their taxes for tomorrow. "I want to be pro-active, not reactive." Many times, bringing up a suggestion to the prospect will cause them to say, "Why didn't my tax preparer tell me about that?" And then you respond back, "That's a good question. Why don't we ask him?" This really makes the prospect realize that maybe this tax preparer isn't all they thought he was. Again, this is extremely important because you want to explain to the prospect that you are here to help them do planning. Tell them that most tax preparers do no advanced investment and tax planning at all and that it is important that you have someone who will help assist with planning.

Tell them that you work with tax preparers and would be happy to answer any questions that their tax preparer has as well. That way it puts you and the tax preparer on the same level and many times the prospect will actually ask you more questions than he will ask the tax preparer. Be sure to be very diplomatic about this since you would like this tax preparer to be your ally. In fact, by doing this, this could also open up another door of referrals from the tax preparer to you for his other clients. It is extremely important to be diplomatic because you do not want to bruise any egos and make the tax preparer look like a fool.

**The tax return is a wealth of knowledge.** We call the tax return your bible. By looking at the prospect's tax return, you are able to realize many different things about the prospect, even before the prospect tells you any investment information. In fact, we recommend that you should not even conduct a financial overview with a prospect unless you see their tax return. It tells you various important facts that you need.

**Please watch our module**

***"How to Read a Tax Return to Optimize Financial Planning Ideas and Solutions"***

**in the "Core Training" section of our Client Portal.**

**The next area to review is retirement.** This is a very large area, depending on whether the prospect is currently retired or whether the prospect will be retiring in the near future. In the event the prospect is not yet retired, it is extremely important to gather all the information on their retirement plan so that you can give adequate advice as to what their options are. With regard to their pension, profit sharing, 401(k), and other retirement plans at work, obviously one of the main issues here is to get a distribution request form and to make sure that the client and you have enough information in order to do a direct rollover into an IRA. In addition to this, it will give you the ability to do the five-year averaging versus ordinary income tax calculation. We find this to be a very simple, yet effective way to show them some numbers and to illustrate why they should go and do an IRA transfer rather than paying the taxes. It also gives them a hard copy to look at, even though they probably will never read the report.

Another issue of retirement is cash flow. Again, refer back to the tax return to determine how much money they are currently making versus how much they are currently spending. In many cases the client is not keeping very good records of what their expenses are. This is a very critical issue, a key factor in helping them make a retirement decision. It could be that they may be forced to go back to work. It is best to bring it up early on, rather than later on in life; remember – you do not want a lawsuit. Therefore, we usually recommend that they fill out a cash flow analysis, also known as a budget, in the event they do not know how much they are spending.

A good rule of thumb is that most single individuals need approximately $3,000 - $5,000 per month after taxes assuming their mortgage is paid off, assuming no other additional expenses, such as children's education, and assuming no major medical problems. In the event that the prospect is a couple, then this usually is in the $6,000 - $8,000 per month range. In the event that the prospect's numbers are significantly higher or lower than these ranges, it is best to investigate and determine whether or not these are actual numbers or the prospects are just guessing. Therefore, please consider using our cash flow analysis forms. We urge prospects to make sure that they fill this out using monthly expenses, rather than annual expenses. Again, in order to keep the appointment going smoothly, you can always use the above numbers as an estimate. This is very helpful - do not get bogged down with certain details which are not important. You must be able to control the conversation to your advantage so that you can assist the prospect and guide the prospect through this maze of financial problems.

Remember – cash flow is critical! If they do not have enough income coming in to make ends meet, their financial plan is not going to work. If they are spending their principal now or are having to take a 5-year period certain or other early retirement incentive options now on which to get by, it is only going to get worse in the future. Remember – if the prospect is retiring at a young age, such as fifty-five, then they are going to have fifteen more years of uncertainty than the person that retires at age seventy. We are very concerned about someone who spends all of their income and all of their investment savings early on in life; it is only going to get worse in the future due to inflation or other uncertainties. Be sure to call it the way it is; do not be a "yes" person in order to just get them to retire early and transfer their funds over. It is not worth the risk nor the liability.

If they are not retiring for a few years, this is an excellent time to get them "on track" and to let them know what they can do now in order to help them to retire later. This is an extremely important area, since you are now building a relationship with this prospect; we doubt they will be letting anyone else assist with their lump sum distribution in the next couple of years.

**Discuss how a Roth IRA works.** Obviously, this is a very hot topic, and we recommend bringing this up. If you do not, your competitor will. Make sure you are aware of all the details of how the Roth IRA works and the various alternatives the prospect has to use this unique item.

**Next up is investments.** Always get copies of the prospect's statements of their mutual funds and brokerage accounts. After the Initial Interview, take copies of the MorningStar Reports/Value Line Reports/ additional independent information in order to show to the prospect at the closing meeting. Stress to them that "If it ain't broke, don't fix it." The key here is also to show your objectivity through using independent third-party information to show them how their investments have done. Then you can compare your recommendations and the respective third-party reports. We find this extremely helpful, since now you can compare your returns with the returns which the client has achieved. Usually this sells itself. This is one of the most important closing techniques that successful advisors currently use.

It is important to make sure not to openly criticize the prospect's investments. Many times, the prospects have picked these investments themselves or have given their blessing to a broker's recommendations. Therefore, please be very diplomatic about your comments about these investments and make sure that the prospect does not take this personally. You are here as an independent advisor trying to give them an independent review of their investments and see how these investments have done compared to others. Many times these other investments may have been appropriate at the time that they purchased them; however, due to changing circumstances, these investments might not be appropriate at this time.

Explain to them how beta works and show them the different betas between your investments and their investments. Stress to your clients, "I do not want to get you the highest return on your investments. I am interested in achieving the highest return with the least amount of risk." This explains to the client that you do not want to take extreme risks and that you would rather go and utilize safer techniques to help them achieve their goals. Most of our clients really like this since they do not want to take extreme amounts of risk.

Also, discuss their risk tolerance. You could say, "It is obvious that no one likes to lose money. However, if you were thirty years younger, one could argue that if you did lose your money, at least you would have thirty years to make up this money. However, you are retired. The last thing that you want to hear after five years of retirement is, 'Everything is going to be A-Okay – just go back to work!'"

This obviously emphasizes to them that you do not want to take a significant amount of risk and most of your prospects will agree with you. In fact, this is now getting to one of the major techniques of interviewing and closing. Have the client repeatedly agree with you. Make statements that you know the client will agree with, like the following:

"I am assuming that you do not want to take a significant amount of risk."

"I am assuming that you would like to keep pace with inflation."

"I am assuming you do not want to have to go back to work. If you do go back to work, then I want to consider that income gravy".

"I want to do what you want to do. For example, if you want to move, then I want you to move. If you do not want to move, then I do not want you to move."

"All I want you to be able to do is to be happy. You must enjoy life. The one thing you cannot buy is your health. You can have all the money in the world, but if you don't have your health to enjoy it, then that is not good."

Also, please emphasize total return, rather than yield. Explain this to your prospects since many times they only relate to the income generated, not the total return. This is a very important concept, since if a prospect comes in and wants to get an 8% return on their money and that they need a monthly check from this, it is very imperative that you go over this with them carefully. Be sure to explain to them that a 30-year treasury bond is currently now less than 3%; it is very difficult to generate dividends greater than 3-4% while limiting risk.

With regard to other investments, please look to see what the cash flow is. Remember – if they are retired, they usually have more of a requirement for income rather than just growth. Therefore, you really want to emphasize that they have enough income. It used to be that before they retired that growth investments may have been more appropriate; however, income investments may be more appropriate at this time.

Many times, a prospect will ask – "What direction is the market going?" Explain to them that if you knew exactly what the market was going to do tomorrow, than you wouldn't be here today helping them. Also stress that there is no way to know for sure exactly what the market is going to do. That is why you want to diversify. Explain to the prospect that even when you feel the market is going to go up or down or in some direction, you still could be wrong. That is the reason that you do not place all your eggs in one basket and feel it is essential to diversify. As we all know, this is called asset allocation. Consider saying, "Remember – we are firm believers in Murphy's Law – if something can go wrong, it will, and at the worst possible time!"

Another question that advisors hear often is, "What investments do you recommend for my IRA rollover/transfer?" Stress to them that it is important to fill out the paperwork properly now; "You are not going to be getting your funds from your retirement distribution for at least another couple of weeks. By then, the market could be significantly different, and we will discuss the specifics at that time. The check will be made payable directly to the IRA and will be deposited into the money market account; once the funds get in, we can go over the specifics."

Then mention to the prospect the various mistakes that many other advisors make with regard to making these transfers. If necessary, share a few horror stories about the importance of making sure that this paperwork is filled out properly. Emphasize then that investments are important; however, income taxes are even more important at this time, because if they are not careful, there will be a mandatory 20% withholding and that it is important to work with an advisor who is familiar with each of these laws. "We will go over the details of each of the specific investments at a later point in time. Let us make sure that we fill out the paperwork properly now to avoid unnecessary taxes."

This is very important, since many times prospects are shopping advisors as to what they are recommending for the investments. Many times, it is best to offer generic recommendations, but always stress to them that these suggestions may vary, depending on the market conditions at that particular point in time. Most prospects actually like this, since they realize that you will actually vary your recommendations, depending on the circumstances at that moment. The Bottom Line – get the paperwork filled out properly so that the money will now go into your account, not your competitor's.

Another area to look at is real estate. It could be that the client has a rental property that is only generating a low net income. It may be wise to make some changes to these which include the following options:

1. Sell and pay the capital gains tax.
2. Sell and do a 1031 exchange on this property (unless this law changes) into another rental property or even into possibly another investment.
3. Sell it through a Charitable Remainder Trust.
4. Sell it through an installment sale (we usually do not like this option for various reasons).
5. Look into an Opportunity Zone.

Another issue that we often address is the sale of their residence. This can be complicated. You can take many prospects from other financial advisors, due to the fact that this is a very important aspect of their life and that this is one of their hot buttons. This will certainly give you an edge over your competitors if you are familiar in these areas.

One of the things to always look at is what the basis is of each investment. It is extremely important to determine if there has been an inheritance or if the client has been widowed. Remember the step-up in basis rule and explain to them how important this is from the standpoint of determining depreciation and also capital gains. Remember that even many tax preparers do not understand these rules. Please be sure that you review this carefully since this could make you a hero. We have reviewed this on many occasions, and have found that this has been one of the best ways to generate a significant amount of money (a sale can be done tax-free after basis step-up) and make clients extremely happy.

Please be careful to make sure you know what the basis is on each investment before it is sold in order to determine whether there will be any capital gains involved.

If the prospect owns any annuity contracts, it is also important for the client to bring in all copies of their annuity statements in order to determine what surrender charges, if any, will apply. It could be a few years until there are no surrender charges. However, put this on your "action pending" to call them in a couple of years regarding this. If there are no surrender charges, consider a 1035 exchange. In addition to this, however, be sure that the insurance company is rated at least A or better. Most times it is better to pay a small surrender penalty, rather than having the money tied up in a bankruptcy for a long period of time.

Another area of investments to look at is to ask if they are expecting any inheritances. This is again extremely important since this not only affects their amount of money available to invest, but this would also affect their retirement and estate planning. Also determine whether or not they are on any title of any other person's property. Explain to them that this is not the best way to go and that they probably should not be on title to their parent's investments in most circumstances. This also enables you to discuss this with the prospect and possibly get their parents and other family members as clients as well.

Please make sure that you get all of the information on certificates of deposit, notes receivable or other bonuses that will be maturing in the near future. Be sure to put on your calendar to follow up with your client and tell them that you will be meeting with them right before it matures. Then put on your calendar to call them a week before it matures in order to schedule that appointment. This is extremely important, since they feel that you will go and call them if you are interested. If you don't call them, they will probably go elsewhere.

Another issue to discuss is the interest rate. Remember – "It is not what you earn – it is what you keep." Explain this to the prospect and show them how you have to subtract the income taxes and then the inflation rate to arrive at your real rate of return. Then illustrate to them that most of the total returns after inflation and taxes are a negative. That is why we call CDs – "Certificates of Depreciation". We also use the phrase, "How to go broke safely." Most prospects realize this. Therefore, stress to them that it is important to realize that a 1% rate of return at the bank is not going to go very far in the long run. Most of our clients understand this; however, they need someone to tell them this. Many of them do not realize that at this point in time the average interest rate on a one-year Certificate of Deposit is less than 1%. When they finally realize this, they usually make some changes. Be sure to show them how these changes will reduce their income taxes as well.

## Other Interview Tips:

It is important for you to take notice of the physical actions of the prospect, such as crossing their arms over their chest. This can indicate that their mind is already made up. It is important to have the ability to ask the prospect what they are thinking about at any given moment. You may even pause your own conversation to ask them if there is something you have overlooked. Remember, there is always the possibility that you have been misunderstood. Sometimes misunderstandings can lead to different conclusions than what you tried to convey. It is extremely important to be able to notice this, since if they have already made up their mind on something at the beginning of the meeting, it could be a waste of your time (and that of the client's) to continue further.

### ***Be a Good Listener***

Even though it is important for you to control the conversation, it is also important for you to know what the prospect's specific issues are and be able to adjust your talk to be as compatible as possible with the prospect. This can be very difficult, especially if the prospect starts asking questions on certain areas that really are not relevant to the current situation.

## HOW TO TRANSITION FROM THE FIRST MEETING TO THE SECOND MEETING

One of the biggest mistakes that most people make during the initial interview is to give answers. Therefore, let us share with you one of the biggest rules you should follow – **NEVER GIVE ANSWERS DURING THE FIRST MEETING**. Instead, inform the prospect that you will be putting together some recommendations and ideas to give to them at the next meeting. By doing this, it will keep their interest and increase the odds of having them come back to the next meeting. They will be anxious to receive this information.

**Always remember- the purpose of the first meeting is to make the next appointment!**

Let us now explain the transition between the first meeting and the second meeting.

"Mr. and Mrs. Prospect, I'm glad that you have come here today. I have enough information and have learned the issues that are the most important to you. Therefore, I would like to formulate a plan that will help you achieve your goals. Let me restate these goals and make sure that I understand the main things that you are concerned about."

Now review with the prospect the specific goals and objectives they mentioned to you during the meeting and make sure that you are on the same page.

"I would now like to set up a subsequent meeting with you in the next couple of weeks. Remember – this meeting will also be complimentary and I will be able to present specific recommendations as to what you should consider in order to achieve your goals and objectives. I will need enough time to evaluate your situation and find the best path to reach your goals. Remember – I am looking for a <u>long-term relationship</u> with my clients. I don't mind doing this research and giving you some ideas because I feel that this is important for me to show you my expertise. Is that okay with you?"

Prospect: "That is fine with me."

"Great! Then let me introduce you to my assistant (name) in order to schedule your next appointment and I will see you in a couple of weeks."

Please note that the reason for this second meeting is that if you give the prospect your specific recommendations at the first meeting, then they might think it is much too easy and they may not trust in how hard you have worked to learn this information. Therefore, please abstain from giving out the suggestions at the initial interview. Inform them that you will be able to give them all of their answers at the next meeting!

## *Get a commitment BEFORE you do any work!*

If you think the prospect is not serious or has another advisor, get a commitment at this time:

"If I put together a list of recommendations, and you agreed to these recommendations, will you implement these through me?" If the prospect balks or responds no, then do not schedule the second appointment and find out why he came in the first place: "Then, how can I help you?" Find out if he is only curious about you or whether or not you overlooked something. Do not do any additional work or spend any additional time unless you get a commitment.

If a prospect balks at setting up a second meeting, there is a good chance they feel it is going to cost them money. Please restate to them that the second meeting is still complimentary (if it is) because you have not done any of your homework yet. Explain to them that now you have received all their information, you can ideas assess their situation and subsequently give them your assessment and suggestions at the second meeting. Because you have not given them any solutions yet, there should not be any charge.

**Don't let the client leave your office without setting up the next meeting!**

Once you've made your next appointment, you have successfully succeeded your initial client interview!