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INSIDE INFORMATION

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Good Start, Great Start

Here's the most structured and effective initial client meeting format that we've ever seen.

by Bob Veres

Dick Vodra, who practices in McLean, VA, is one of those rare individuals who can never seem to leave well enough alone when there might be a better way of doing something. In the past, his book Enough Money turned a skeptical eye on all the retirement planning rules of thumb, and also on the idea that we can project a person's retirement 30 years in advance.

Recently, Vodra has turned his attention to the traditional initial client interview, the first formal sit-down meeting between planner and client. "If you look at the start of a professional relationship," he says, "you realize that there are four possible outcomes, and two of them are not good:"

1) you shouldn't have a working relationship with this client, and you discover this in the meeting.

2) You could have worked together, but it never quite clicked.

3) You are working together, but you really shouldn't be. Either you are not able to provide the kind of answers they're looking for, or they're not the right client for you.

4) Or you are working together and everybody is on the same page and productive.

The problem, he says, is that planners often, routinely find themselves in situations 2 or 3--with unhappy consequences for the client, creating business problems for the advisor.

The question, in Vodra's mind, became: how can you and the client reliably get to either Outcome 1 or Outcome 4 in the first client interview? Is there a process that will eliminate virtually all of the uncertainty about a relationship and build a solid foundation for moving forward?

"When I set this as a goal in my own practice," says Vodra, "I realized that there always eight questions that the advisor and the client have to answer before a relationship can happen. Until those questions are answered, you cannot have a good relationship."

Vodra lists the eight questions as follows:

First: *What are we going to talk about?* "They may come in and say, I need help with my 401(k) or I need some life insurance," says Vodra. "Or the engagement could be as broad as the whole life planning agenda. The important thing is that you need to know that before you proceed."

Second: *What is the process involved?* How many meetings are there going to be? What is the work product? What are you going to give them in written and oral form, that will answer the questions that they have? What are the outcomes that they can expect? "In the first meeting, they don't know what they're buying yet," says Vodra. "If you're dealing with an intangible like financial planning, then you need to communicate what it is you're actually giving them."

Third: *How are we going to make decisions?* "Are you a my-way-or-the-highway kind of person, or is this a collaborative process?" asks Vodra. "Are they going to delegate everything to you? Or do they just want a some advice so they can make better decisions?"

Fourth: *How much are the advisor and client committed to each other in this process?* How much of a time commitment will the advisor make, and what is the client's time commitment?"

Fifth: *How are we going to keep track?* "However you do business," Vodra cautions, "make sure the client knows what to expect. Because if they have an anxiety about not knowing the deliverables, then you might think you delivered what they wanted, but they didn't get what they thought they were going to get."

Sixth: *How frequently do we meet?* Is the advisor going to provide written statements, phones, e-mails.

Seventh: *How do we do business?* Who's paying for this process? Some corporate executives have the corporation pay for the plans. Meanwhile, is the advisor fee-mostly, or fee-only, or commission-only?

Eighth: *Who else is going to be involved?* "If I am the rainmaker in the office, are they ever going to see me again?" says Vodra. "Or am I going to hand them off to somebody else and drop by for the annual review meeting? On their side, do I have all the decision-makers in front of me? Do they want their spouse involved? Their children involved? Are there other advisors who are going to be part of this process? Attorneys? Accountants? Other financial planners?"

Of course, there are other, more specific questions on the advisor's and client's mind in that first meeting, which have to be addressed in passing. For the client, the questions include: *Do I have problems that this planner can help me address?* ("They need to define what kind of help and how much they need," says Vodra. "When they walk in, they may have a vague sense of this, but it isn't easy for them to define.") *Is this person competent and skilled in the areas that I care about? Is this person honest and trustworthy? Is this somebody I want to work with? Am I willing and ready to do the work required to make this a successful engagement? Am I willing and ready to* *accept advice from this person? Do I believe I am going to receive value for what I pay this financial advisor?*

The advisor, meanwhile, needs a few detailed answers: *Does this person have problems or needs that I can help with? Are they the kinds of problems that I want to work on? Is this somebody I want to work with? Will I be treated with respect? Do I like this person. Are this person's expectations reasonable? Is this client going to (or going to be able to) pay me well enough to make this a fiscally sound business relationship? Do I have the structure to deliver the kind of services they want at a price they can afford? Will this engagement move my practice in the right direction?* (In other words, if a dentist walks in the door, and this would be the only dentist you would be working with, does it make sense to try to learn about this profession's unique issues just for one client?)

I think there is value in stopping here and looking at the inventory of issues that need to be addressed in the first interview, and comparing this with the often-haphazard and intuitive way that most of these first meetings are conducted. Having these questions laid out clearly makes it possible to address them--and recognize that, for many advisors, there is room for improvement in how they avoid Outcomes 2 and 3.

Once he had outlined these (rather ambitious) goals for the initial meeting, Vodra began developing a process that would address them. The result was a series of tools that begins with a three-page letter, sent to clients in advance. The letter starts with an introduction which basically says that in the first meeting, we (the planning firm) need to learn about you and how to best serve your needs, and you (the prospective client) need to learn about us, so you can decide if we're the right financial advisor for you.

Two pages of this message collect basic biographical and financial information. But the first page also asks the clients to describe their primary financial concerns and why they are looking for a financial advisor (three spaces are provided, so that advisors can give three answers to this question), plus a two-line space for them to answer the next question: What are you looking for in an advisor? What would a good relationship look like?

This letter addresses the first of the eight questions (What are we going to talk about?) but it also communicates an answer to the second (What is the process involved?) "The pre-meeting letter teaches them that I HAVE a process," says Vodra. "They can see that I'm a systematic person who doesn't just wing it, but actually has a way of doing business. And it also," he says, "shows them that the process involves work on their part [Question 4]. If they're not willing to give me this information before they come in, the odds of them being a good client are not terribly good."

Vodra quickly discovered that having a client's basic information in advance makes the initial client meeting run much more productively. "How many times does the advisor spend a lot of time in that first meeting as a stenographer?" he asks rhetorically. "You're filling in forms with names and addresses and numbers and dates and jobs and all of this kind of stuff that isn't a useful use of your time. It is boring for the client, and it reduces the value-added you are providing."

Instead, Vodra can ask questions from the information already provided. "I can say: tell me about your kids; instead of, do you HAVE kids?" he says.

The next form that clients are asked to address, when they are sitting down in Vodra's conference room, is titled "Elements of Enough Money," named after Vodra's book of the same name. "The basic message," says Vodra, "is that nobody has enough money to do all of the things they WANT to do in life, everybody has enough money to do all the things they HAVE to do. Therefore financial success is not about the quantity of money you have; it is about the USE of the money you have. And that is a concept that they haven't heard from a financial planner very often."

The form lists 12 topics: life direction, cash flow, income/career/lifestyle, retirement plan, other savings goals, risk management, estate planning, charitable involvement, investments, decision-making, advisor support and monitoring progress. Clients are invited to rate their satisfaction level from a low of one to a high of 10, and then to rank all 12 in order of priority. "This is a great way to, again, frame the scope of the engagement," says Vodra, referring now to the fifth of his important questions. "Where are we going to start?" The form has also given clients a more complete answer to the second important question ("What is the process?") by communicating a more expansive definition of financial planning than the traditional six-step process. "Financial planning is not about retirement savings." says Vodra. "Financial planning is about many different aspects of their lives. They didn't know that when they walked into my office, but they do now. And they know how they FEEL about all those 12 things, that they didn't even know existed."

Next? Vodra's toolkit also includes a form on goals and dreams. Interestingly, he has found that it is easier to get clients to answer these highly-personal questions if, instead of simply asking them, he reads them off of a form that he brings into the meeting. "If I am just asking the questions, they perceive me as being intrusive," he says. "For some reason, I have more authority if I am reading questions off of a form. If I am reading them the questions, I am going through a process, and we get more legitimacy."

The actual questions are familiar to anyone who has been following the life planning movement:

What is important about money to you?

What money messages did you get growing up?

If you were to suddenly receive a lot of money, what would you change in your life?

If you learned that you had only five years to live, but you would be healthy in that time, what would you change in your life?

If you learned that you had only one more day to live, what would be your biggest regret?

In Vodra's mind, the first two questions demystify and depower money. "Instead of money being the goal," he says, "we say: what's important about money?--which must mean there is a different goal. It might be about achievement and security, it might be about fear and recreation; there are a lot of different things that money means to people. And the second question starts getting information about whether the family was rich or poor, there was scarcity or abundance, money was evil or important. The important thing," he adds, "is that now they're thinking about money in a different way."

Questions three, four and five are variations on George Kinder's work in the life planning field. Of the three, Vodra finds that the last one can be the most powerful and revealing. "You can get much more of the meaning of what is important to somebody, the things that we can try to make their money accomplish for them." he says. "If you want to change your life radically, then let's get started. If they are a corporate executive, and they hate being a corporate executive, then you say, okay, is there a way out? You don't have to keep doing this merely because it pays well. You do have other options with your life."

Under the questions, this form lists 19 different "values" that people have, and asks the clients to identify which five are the most important, and to rank them in order of importance. The list includes achievement, adventure, esthetics, authority, comfort, financial success, friendship, fun, health, independence, integrity, philanthropy, pleasure, recreation, security, service, spiritual growth, wisdom, work, and there are three "other" spaces. "I tell them, these are all fine values, but which ones are most important to you?" says Vodra. "It helps determine what we should be working on. When you get through this list, and you see that service is an important goal, you can say, tell me about what you're doing in service, or what you're doing about spiritual growth, or what are you doing to promote your health,? You can start helping them see the possibilities of living their lives differently, using their finances differently, to get to where they want to go."

At this point, says Vodra, the process has addressed the first, second, fourth and now the fifth of his important questions (the fifth involves the planner's deliverable and what clients will get from the engagement). By that time, clients are usually feeling like they've been doing all the talking. So this is where Vodra starts to address THEIR questions: providing the firm background, the firm brochure, his personal information, the disclosure document. "We explain that this is the way we do planning," he says. "We talk about what the next step is, how many meetings we have, how we charge.

One of the most interesting tools in Vodra's initial client meeting kit is the list of different things that financial planners might do for clients--the roles that they might play in a client's life. You can probably think of three or four off the top of your head; Vodra offers a list with 29 (!) of them. The list includes *money manager* (somebody who actually picks the securities and runs the portfolio); *organizer* ("I have clients come in, and my job is to make sense of the stuff they have been stashing in the shoebox or a shopping bag," says Vodra); and *advisor*.

Also: *paper processor* (somebody who takes care of the details of the transaction and makes it happen, who might fill out mortgage refinancing forms or offer a bill paying service); *document creator* (tax returns, wills, etc.); *validator* ("The client says, did I do this right?" says Vodra. "They want a second opinion that either says they didn't screw up, or if they did, will show them how to fix it.); the *definer or explicator* (who simplifies complex issues like the employee benefit programs or the estate planning documents sent over by the lawyers); *recordkeeper* or electronic vault (where client gives you copies of all important documents, tax returns, wills, trusts, insurance policy, so if they need a copy, they know where to find it); and *consultant*, which Vodra defines as somebody who takes on a fiduciary role with a company pension plan, evaluating investment options and third-party providers.

Other roles include the *strategist* (What do you want to do with your life? How can we make that happen?); the *leader* (who makes decisions or heads up a team); the *mentor* (helping a young small business owner succeed in the early years); *permission* *grantor* ("How many of you have been in a situation where the client says, can I afford this house?" asks Vodra. "Or: can I afford to take a vacation?"); *coach; counselor; trainer; spiritual guide; coordinator/facilitator; plan administrator; mediator* (working with family issues where there can be intense emotional conflict); *salesperson; concierge; confidante;* and Vodra's favorite: the *designated grown-up.* "It is my belief that in every relationship, there needs to be at least one grownup, and that usually us," he says. "I think we've all been in situations where everybody is acting irresponsibly, and it is sometimes necessary to restore some perspective and provide some wisdom and keep them focused. It sums up an awful lot of what financial planning is about."

The point here is to show the client which of these roles you are willing to play in a planner/client relationship, and which are not applicable to your practice--addressing Vodra's seventh important question ("How do you do business?").

Finally, the prospective clients are offered an engagement standards document which Vodra calls "An Invitation to a Successful Financial Planning Relationship." Planners who have worked with the engagement standards template will recognize the issues that this document covers: the mutuality of the relationship and obligations of the client, how the clients can contact the firm, where and how often they meet and anything else that helps the client get the most out of the planner's services. The document specifically addresses the third, seventh and eighth of the important questions.

If the documents are all covered, the questions asked, the description delivered and the engagement standards document signed by both parties, then Vodra has actually managed to achieve those ambitious goals laid out at the beginning of this article. "By the end of that first meeting," he says, "our clients know more about themselves and their situation than they ever did before they came in. The clients know you and how you operate and what is important to you, they know what you do, they understand the next steps, and you have enough information to know whether this is an engagement that you want."

From a practice management standpoint, it is hard to think of a more important issue than getting the absolute most out of the first client meeting. Compared to this process, and the documentation that has been created for it, many advisors will see that their own initial meeting is a little less efficient than it could be. Vodra has offered the profession a way to greatly reduce the unfortunate Outcomes 2 and 3, and to lay a solid foundation for each client relationship at the same time.