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Mitch Anthony on Why ROI Is a Dead End and How to Explain *Your Value Proposition*

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WHO: Mitch Anthony

WHAT: Author, speaker, and founder and president of Advisor Insights and the Financial Life Planning Institute

WHAT'S ON HIS MIND: "For the vast majority, traditional retirement is a really bad idea. So we have an entire industry built around helping people fund their way toward a really bad idea."

If Mitch Anthony could bring one important observation to the collective financial planning profession, it would be that current discovery processes are not up to par—they need to evolve in order for financial planning to be most effective.

The discovery process needs to be fluid and ongoing; it's not a one-time event, according to Anthony. Situations change; life is kind of messy. And as Anthony says, "It's better to prepare than it is to repair." Planners need to know what changes are coming for their clients, because most of the mistakes people make with their money happen during a big life transition.

To that end, Anthony is working on a new tool to track those life events. He's also working on the Return on Life Index, designed to help clients answer the question: am I getting my money's worth out of my life? And, he's partnering with Steve Sandusku to roll out a new training program call ROL Planning in the next six months.

The Journal recently spoke to Anthony to learn more about his thoughts on return on life, value propositions, and the key to effective client communication.

1. *You are the founder of the Financial Life Planning Institute and a leading pioneer in the life planning movement. How do you define "financial life planning"?*

Knowing the story before doing the math is probably the simplest way to put it. I look at financial planning, as far as the numbers side, as gathering a story of numbers, but preceding that is a biographical task, which is gathering a number of stories. If I was going to juxtapose the two sides, it's a left brain/right brain equation.

What struck me in my first exposure to financial planning functions—and this goes back about 16 or 17 years—was the lack of context in terms of the story that was gathered before doing the math, because all those numbers have a story to tell.

I remember meeting an accountant at an FPA meeting who told me that he would take a 1040 and sit down with a client and point to any number on the 1040 and say, "tell me the story behind that number," which I thought was really, really rich.

Ultimately, this is about people's lives, right? In the early days, there were a lot of people who just wanted to isolate themselves in the numbers function without really, truly understanding the context of what they were addressing. I remember guys coming up to me after FPA meetings and saying, "Hey, I'm a numbers guy. I don't need all this stuff." I think those people are becoming dinosaurs.

I was just really examining what this industry called discovery processes, and I found out that they were wanting. The ultimate question that needs to get answered is: what is the money for? For some people, the answer's too soft. I've been saying for years that the soft stuff is the hard stuff. Having a skillset where you can draw out what it is people really want from their money is going to take into account the people they love, the places they love, and the things they love to do. If you're not comfortable with that conversation, then you better have someone on your team who is.

2. *You've been working with some of the leading financial planning schools in the country to ensure that the next generation of planners learn a life-centered approach to planning. Can you tell us about these efforts so far and what's planned for the future?*

I can't speak to what each school is using or doing, but I can speak to what I've made available to schools. It all started with Texas Tech years ago. Deena [Katz] and Harold [Evensky] have been friends of mine for a long time, and I gave the school the financial life planning software I've developed, and some of the professors there utilize that software in training students in this more holistic discovery process.

Our relationship with Texas Tech goes a little bit deeper in that we give a scholarship each year called the Gene Lawrence Big Heart Award for a student who demonstrates concern for the community and helping others, and that scholarship helps pay for the CFP® exam. Gene Lawrence was my original architect of the financial life planning software. He was the first person who came to me and said, "For this to really be entrenched in the financial planning industry, you're going to need a web-based software." Gene passed away 10 years ago at a really young age, so we established that scholarship in his name.

Then we offered [the software] to the University of Georgia, Utah Valley State, and I know a professor at William Paterson was teaching it there. We've got a number of schools in Canada that are utilizing various aspects of the software, and some of my books work as texts for some of these courses. So, we make our software available to financial planning schools. It's a long-standing offer, and it's still open to any financial planning school that wants to help their students along these lines. We'll give them the resources they need to do it.

3. *In your experience working with planners, what do you find is the one thing they could do to improve the effectiveness of their communication with clients?*

I can't give you a silver bullet, but I can say this: I think it's incredibly important to stay in touch with the changes that are happening and the nuances that are happening in clients' lives on sometimes a monthly, quarterly, or yearly basis.

It's a myth to believe that discovery's an upfront process. Things change, and so often planners assume that life is static. If you ask them if life is static, they'll say no, but their process assumes that it is.

Something's always changing; that's why for years I've been pushing this process called the life transition profile. I'm in the process of creating a brand-new tool called the Financial Lifeline, where we'll be able to populate a client's lifeline with all the changes coming to their situation and track that as part of our yearly review.

So, I guess the answer to the question is, treat discovery as a dynamic process, not a static one, and stay current with all the changes in your clients' lives, and have a process for doing that. And I'll be quite frank here, 90-something percent of the firms [I consult with] don't have a process for doing that.

4. *What do you tell planners who are seeking a more effective discovery process?*

Here's something that has always blown me away: everybody in the business wants to ask [clients] about their goals, and do you know what you get half the time when you ask that question? You get a deer-in-the-headlights look, because people don't always know what their goals are, and sometimes they don't want to verbally commit to them because then it feels like, what if it doesn't happen?

I don't even like the word "goals." I'd rather use the word "possibilities." What are the possibilities? Now you're not committing anything, you're just telling me what could happen. But before you talk to people about their goals, you need to talk to them about their current situation because they know that.

I teach a really basic protocol for discovery. It's past, present, future. The biggest mistake people make is talking to people about their goals before they know their past. Their past has more to tell than anything, and there's no awkwardness. If I say, where were you born? What was it like growing up there? Where did you go to school? Tell me about your family. There's no awkwardness; that's just natural, organic discovery.

5. *Your book, The New Retirementality, explores the concept of "return on life" or ROL. Why should planners replace the concept of ROI with ROL?*

I have to talk about ROI first because it's a part of nearly every planner's process. And it's a dead end, because the business you win on the basis of ROI is the business you're going to lose on the basis of ROI. Where's your money? How's it doing? I can do better. But how long does that promise [to do better] last?

The thing that drives me crazy about the ROI value proposition is that it's done on a comparative basis. It's relative investment performance. How did you do against this index? How did you do against these other funds? Comparison is the thing that fuels discontentment in people. I think we need to completely remove comparison from the financial planning dialogue and make it a personalized measure, not a comparative measure.

The personalized measure is: how are you doing with your situation with the potential you possess, with the assets you have, with the situation you're in?

How are you doing compared to your potential?

Now, return on life is getting the best life possible with the money I have; managing my money in a way that optimizes my life.

For example, you get a pay raise and go get a bigger mortgage. That's not a good return on life because you used your increase in income to increase your stress level. In the old model of return on investment, you could never have enough, right? What I'm saying is it's not enough just to have enough, it's how well is that money being allocated to help your life?

Consumer audiences automatically get what you mean by return on life. They want this kind of discussion, because nobody's building a pile of money just to have a pile of money. They want it to pay off in their life. There are a lot of really good financial planners out there who could help people do this; they just need to be trained in the language and in the process of it.

6. *You co-authored* Storyselling for Financial Advisors. *What is storyselling and why is it important for planners?*

I know the word "selling" raises the hair on the back of a lot of planners' necks. Storyselling is actually a title battle I lost. My original title for the book was The Intuitive Adviser, but I guess it has worked out because we're in the 16th year and it's still a bestseller in the industry.

The concept was, let's help planners and advisers learn to speak the language of the right side of the brain, because when you try to explain things just in numerical logic or in the language of finance, people don't get it, and if they don't get it, they don't take action to help themselves. So, use the analogy and the metaphor to help people understand.

I define the metaphor as using the language of the known to explain the unknown. Take the thing they understand and use that language to help them understand the thing they don't understand. So much of the jargon of financial services just goes right over peoples' heads. So, that's what storyselling is about.

It's about getting better at getting your clients' story, but it's also about using analogies and metaphors anyone can understand when you talk about asset allocation or risk management or diversification or whatever.

Because if you're trying to sound smart to the point that you're excluding me from understanding what you're talking about, you're not really helping me, and you're definitely not connecting with me, which is critically important in this relationship. We've got to forge a connection. When you learn to speak the language of the right brain, you get better at relating to people.

7. *What is the future of retirement planning?*

The New Retirementality is in its fourth edition now, and when I first wrote that book, people thought I was absolutely out of my mind, and now the whole world gets it. I didn't come up with this idea; I was just articulating what a lot of us suspected about retirement—that for the vast majority, traditional retirement is a really bad idea. So we have an entire industry built around helping people fund their way toward a really bad idea. That's kind of a problem.

What I'm trying to do is help planners broaden the conversation outside of the numbers. Knowing you have enough to retire isn't going to help you when you wake up on day 43 [of retirement] and have no reason to get out of bed. Having enough money does not provide purpose in your life. I put it this way to consumers: having money will help you fund a purpose, but it will not help you find a purpose. The purpose must pre-exist. So, I like to use the phrase that you need to have enough purpose to wake up in the morning and enough money to sleep at night.

So, the future of retirement planning, I believe, is going to include a retirement coaching process outside of the numbers first, where planners have prospective clients go through a retirement coaching process, then they do the math. This is an idea I'm starting to teach.

Planners need to start broadening their value proposition around retirement. The value proposition of the planning and advisory industry is under deep fire, and the robo-adviser is taking away the asset allocation and diminishing what that's worth. How are planners justifying 100 to 150 basis points for what they do today when Schwab will give you asset allocation for zero basis points and Vanguard will give you a financial plan for 30 [basis points]? What are you doing for the rest?

To me, one of the value propositions of the future is coaching people outside the numbers on these sorts of issues like retirement planning. We'll be talking more about that in the future here, but I'm beginning to put together curriculums for that, and we just had our first class of about 47 advisers that we trained to start doing preliminary retirement coaching with their clients. We're just starting to develop that piece right now.

8. Let's talk more about value propositions. How should a financial life planner best describe their value proposition?

People have to be more finite about what value they're bringing to their clients. Everyone thinks they sound unique, and they all sound the same.

Remember the phenomenon that was going on a few years ago about the elevator speech? Well, the irony of the elevator speech is that you're trying to make yourself sound unique and you're using a 40-word lexicon to do it. Well, how unique can you sound with that 40-word lexicon?

If you want to sound unique, start with, "What I do is kind of like..." Nobody else is starting that way. Then, talk about what fuels your passion for this industry, what motivates you as a human. Sound like yourself. Part of the value proposition is that we are trying to get people to choose us rather than someone else, so we better get better at describing what makes us unique. That's part of the value, isn't it?

In his book, *A Whole New Mind*, Daniel Pink said that the value propositions that are going to sell in the future are right-brain oriented; you can't place a number value on them.

For example, I've studied good planners and what they do, and I've come up with the six core values of a return on life planner. They include things like organization, objectivity, accountability, proactivity, these sorts of things. When you describe to the client how you're going to help bring this forward in their situation, it has incredible emotional value, but you can't place a number on it.

If I tell clients, "I'm going to help bring order to your financial situation, and we're going to keep it from ever entering chaos again," what's that worth to people? If I tell people, "I'm going to help you prepare ahead of every major life transition so you don't get caught by surprise and don't get sabotaged financially," what's that worth to people?

I don’t think there’s a bigger dilemma in the industry today than what is our value proposition, and why should people pay us this kind of money?

Whenever I’ve spoken at FPA meetings, I have asked this question: how many of you are frustrated by people who claim to do exactly what you do, but don’t do it nearly as well? Then I would turn it back on them and say, whose fault is that? I’d tell them, they’ve learned to sound like you without actually bringing the value, but you haven’t done a good enough job of sounding distinct and bringing value that they can’t replicate.

Planners need help articulating and demonstrating true value. The kind value that I talk to them about is incomparable value. If you sound like everybody else, then I’m just going to Google that term and see how much everyone else costs. So once you end up in the land of the comparable, it’s going to be a price battle. But if you describe value that is incomparable, value that nobody else really brings, then I can’t Google the term and I’m going to pay you and be happy to pay you, because I value your value proposition.

One of the values I mentioned earlier is objectivity. I pay my lawyer $400 an hour to tell me the truth, whether I want to hear it or not. Well, that’s a value I’d like from a financial planner as well. Another value I teach is accountability. Successful people are so busy doing what they do well that they have a laser focus and all this stuff on the periphery is not getting done, especially with their personal financial situations. So, I describe accountability as holding people’s feet to the fire, and successful people will pay you a handsome sum to do that.

The analogy I use is, I hired a personal trainer not because they could count to 12, but because they’re going to hold me accountable to show up and work hard. So, these are the types of words—organization, objectivity, accountability, proactivity—that planners need to learn to deliver and describe. And it’s more than just talking about it; you’ve got to deliver on it.

9. *What does the planning profession need to do to keep moving forward?*

We talk about financial literacy, and the jury’s still out on how much all these financial literacy efforts are really accomplishing. But I think we’ve got to start focusing on educating the emotional part of the brain. So something I did is I created three Seussian books supposedly for kids, but they’re really like a Pixar movie where the messages in the books are for the adults reading to the kids.

So that's an example of what we need to start thinking about in the financial planning profession—educating people at the emotional level, not just the intellectual level. I think that's what the whole behavioral finance thing is trying to shoot at, but the problem with behavioral finance is that there are two conclusions in all that. One, you're going to do stupid things with your money. And two, you're in denial over it. What planner wants to say that to their client?

10. *Many financial planners are planning for their own retirement. What advice do you have for those seeking a retirement that is intellectually and emotionally meaningful?*

I had this experience at a NAPFA meeting, where I had a sit-down talk with all these planners who just retired. They were all looking for something to do. What they should be thinking about, and what I think we're going to have 10 years from today, are retired planners who are coming in one or two mornings a week to do retirement coaching with maybe the firm they sold or maybe with another firm because they have all that experience under their belt.

Think about it; they spent 30 or 35 years helping people retire. They've got something to say. So I see a role for so-called retiring planners as retirement coaches down the road, in a way that they can continue their engagement at a pace that they're comfortable with.