

# “I’m a Numbers Guy”

BY MITCH ANTHONY

**Financial advisors who  
put their faith in numbers  
don’t add up.**

**R**ECENTLY AFTER GIVING A SPEECH ON BRIDGING THE RELATIONAL gap between clients and advisors, a gentleman named Louie approached me and matter-of-factly informed me: “All this touchy-feely bit sounds great, but I have always been a number’s guy and that’s what I’ll always be. I got in the business because I liked working with the numbers and I’m good at it. That’s what clients really want.”

I walked away from this advisor knowing that he represents a significant segment of the advisor population who are more process-oriented than people-oriented — who are more comfortable with a calculator than they are with a conversation about their clients’ hopes and needs. His comments stirred within me a cocktail of frustration and introspection: frustration that people like this think they can mimic the algorithmic functions of a calculator and keep clients satisfied; and introspection as to how I could reach the limbic center of “Left-Brain Louie” and help him to see that what gives numbers their importance is that they are indelibly linked to the life of the client.

Late one night the answer came to me: The way to reach Left-Brain Louie is through numbers. Louie is right. This business *is* about numbers, but I am convinced Louie doesn’t understand *which* numbers he should be paying attention to. I believe there are three specific numbers that if advisors take heed, will cause them to thrive in the next 10 to 20 years in the marketplace.

## **9/11: The most important number for building successful client relationships**

Louie, this may be the most important number you ever discuss with your clients. You’ll have to take your eyes off your software for a moment, however, and look each client in the eye when you ask this question: “How did 9/11 impact your focus and your life?”

9/11 changed everything for almost everybody. Hardly a corner of our souls was left untouched. We began to think more in earnest about

our families: how precious they are to us and how quickly these kids grow up; and how we said ‘I do’ to our cherished spouses but have been living like we exchanged vows with our bosses. No longer do we want to miss out on these key events and years.

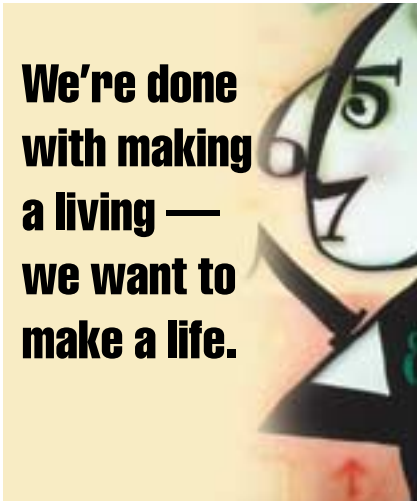
We want to live while we can and we want to bring some balance into our lives. We were forced to examine how much of a life we actually had. We looked into the mirror of mortality and realized that we don’t know if we’ll be around tomorrow, but we do know that we can’t continue relegating all of our wishes to a future that may never come. We’re done with making a living — we want to make a life.

Our priorities shifted like eternal gears on the inside of our hearts. We realized that our time was more important than our money, and that our relationships were more important than our results. We realized that our “results” had to be tied to a sense of meaning — demonstrating to us that we are somehow making a difference. Many realized that their paychecks were costing them more than they were receiving. Others realized how lucky they were to still be receiving a paycheck. We realized that we don’t want to reach the end and have to say as the poet once said, “The man I am greets with regret the man I might have been.”

9/11 is an important number, Louie. That number is the key that unlocks your clients’ priorities — what they want for their family and what they hope for in their lives.

### **77: The most important number in building a strategy for the future**

Unless you have been bunkered in a demographics cocoon, you’ve heard that there are lots of baby boomers — and they are headed toward retirement



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age like a runaway train. More specifically, Louie, there are 77 million of them. In 2005 baby boomers will begin turning 59 1/2 at the pace of one person every seven seconds *for the next 20 years*. The implications for your business moving forward are gargantuan. If you don’t start preparing yourself and your business strategy, this demographic train will run over and flatten you like a kid’s nickel laid on the track.

Authors who have been writing about this fat demographic of baby boomers as they move through their various life-stages have metaphorically characterized this demographic contingent of boomers as the “pig in the python.” This characterization fits because of the disruption these boomers have caused to every traditional juncture of their lives. The institutions affected by the boomers include: higher education (making it commonplace); no more “company man” — seven to eight different careers; the anti-aging revolution; and now the “new retirement.”

Don’t take this “pig in a python” analogy too far, however, and assume, as some marketers do, that there is some magic key to understanding and taking this pig off to market. If there is one word that defines the baby-boom

generation, it is individuality. Boomers will not be spoken to as a demographic contingent and will not suffer fools who bring cookie-cutter solutions. These 77 million people will not settle for anything less than an advisor who treats each one as the unique individual he or she is, and who is willing to take the time to find out how each individual plans to “self-actualize”— to borrow from Abraham Maslow. So individualized in their bent are these 77 million boomers that I prefer to refer to them as 77 million individual strips of bacon in a python.

The individual conversation you have with these people, Louie, will eventually work its way to the numbers, but will not begin there. The conversation they are interested in first and foremost is about the lifestyle they want to live and the dusty dreams they want to pull off the shelf. These 77 million don’t consider the age of 65 as old (so, forget your retirement spiel) and, as a whole, are not interested in living the rest of their lives playing shuffleboard, engaging in condo-association warfare and traveling full-time in their RVs staring at their growing navels (think Jack Nicholson in “About Schmidt”).

Boomers are interested in work — just less of it — and in doing work they enjoy (85 percent prefer to die with their boots on). They are interested in getting educated in new arenas and pursuing personal growth. They are interested in investing their talents, time and resources in activities they know will make a difference. Baby boomers are not interested in a life of total leisure and early-bird specials. They know a life of total ease is one step from a life of disease. Boomers want to plan a life where they are free to pursue what is on the inside of them

and is screaming to get out. If that conversation sounds too squishy to you, Louie, you may have to hire a person skilled at conversation so you can head to the back office to cuddle with your software.

On the numbers side, they are interested in how they can start taking income now or when they turn 59 1/2. Mark my words, after 2005 the age of 59 1/2 will become a national institution. Boomers want to use their money ASAP to jump-start their life-visions. You may have to abandon that rusty old accumulation script and get versed in an “income for life” dialogue if you want to be in business 10 years from today.

I’m getting the feeling, Louie, that I’m sending your right brain into tilt right now, so I’m going to cross back over to the quantitative hemisphere for one last set of numbers you may want to look at.

#### **40-100 : The most important numbers for increasing your income**

A question I have been posing to scores of financial service firms for the last two years is this, “What is the average percentage of clients’ assets entrusted to your average advisor?” I have heard answers ranging from abysmal single digits to a high of 40 percent. There are only two reasons I can think of for clients not bringing more assets to you, Louie: (1) You don’t have the products or services needed to assist clients with 100 percent of their assets; or (2) they don’t trust you with any more than 40 percent.

For the past three years I have studied advisors whose clients typically entrust 100 percent of their assets to their custody and management. I have noted major differences in how they

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conduct their business and in the foundation from which they conduct their client relationships. Here are a few of those differences:

These 100 percent-advisors conduct dialogues, not monologues. A monologue begins by asking a question you already know the answer to and using the anticipated answer as a launching pad to sell whatever it was you were going to sell before you ever asked the question. This question is used as a tool of manipulation. Do you think clients have missed the industry-scandal headlines of the last three years and don’t have their antennae tuned to sales tactics? Think again.

In contrast, a dialogue begins with a question that is designed to discover who the client is, and the specific needs and hopes of that client. You can only engage in a dialogue if you are comfortable entering a conversation where you don’t know what the client’s answers will be. You will need the lucidity and agility to go with the flow until you discover the client’s real needs and make a real connection. This requires some intuitive skill, Louie, and I’m afraid that word, “intuitive,” might be just enough to send you over the edge and running back to your desk to huddle up with your spreadsheets.

The reason 40 percent-advisors prefer monologues is because their businesses are centered on moving products. The reason 100 percent-advisors prefer dialogues is because their businesses are centered around helping clients make progress in their lives. They engage in financial life planning with life at the center of every dialogue. They understand the context that drives everything is what clients want to happen with their lives. It is the heart and soul of why this industry even exists.

#### **Invest in Relationships**

“Numbers” guys love to show clients how they can beat the S&P returns or the manager down the block. The pitfall is that their relationships with clients hinge on keeping promises that should never have been made in the first place. How much control does an advisor actually have over industry indices and the performance of competitors? None. Why build relationships on sinking sand or swelling waves that have the power to sink or wash away? Why not shift your effort to building quality relationships. Sounds like a no-brainer to me. Well, at least a right-brainer.

Dan is a broker for a major wirehouse in a small city in the upper Midwest. There are only two national firms represented in this town, so it didn’t take Dan long to figure out the competition. Dan is quick to inform you that he is a “relationships” guy. He invests time in getting to know his clients and knowing what is going on in their lives. His competitor is a quintessential “quant” or numbers guy.

Dan tells the story of meeting a young broker who had moved to town. He represented a third wirehouse and was attempting to steal

away clients from Dan and the other broker. The proselytizing broker came to Dan one day and asked in exasperation, "What is it with you and your clients?" Dan asked him what he meant. The broker explained, "As you may know I have been calling every person in town to get my business off the ground. When I call "Quant's" clients they talk my ear off and I've landed a number of his major accounts. When I call your clients they refuse to even have a conversation with me — and more than a few have just hung up the phone in my ear!"

Dan laughed (and breathed a sigh of relief.). Dan told the young broker that he worked hard at building relationships, which he suspected was the reason the broker wasn't getting through to his clients.

Dan succeeded in shrinking the dynamic distance between the clients' hopes and needs and his products and services by investing himself in the relationship-building side of the business. That dynamic distance had now contracted to the point that Dan's clients felt a sense of partnership with him, and they were offended when another party tried to interject his presence between them.

The epilogue to this story: Dan's new competitor was so impressed by Dan's relationship-building approach that he left his firm within the year and joined Dan's firm.

### **It's the client, stupid!**

Clients entrust all their assets to advisors who have made it crystal clear that their chief interest is in who the client is, and not what the client has. Look at most discovery forms used by major firms — less than 10 percent qualitative inquiry and 90 percent or more quantitative inquiry (or intrusion as

**A dialogue beings with a question that is designed to discover who the client is.**



the case may be). Clients feel like they are a safety deposit box; once they give their combinations — game over.

My friend and co-author, Scott West, whose intelligence is trumped only by his wit, satirically states, "The other day I heard a doctor talking about how pleased he was with the information he had gathered on his patient. 'I've got X-rays on about 40 percent of his body — from the hips on down — and feel like I can really do a good job of helping him.'"

Scott's wit cuts to the quick of just how much we can do for clients who have put 40 percent of their trust in us. It is not just their health on the line, but ours as well. Paradoxically, our clients will never invest 100 percent with us until we invest 100 percent of ourselves in understanding them and working in their best interests.

At conventions I often hear brokers describing clients in conversation: "I've got this \$2 million guy," or "I have this \$800,000 executive." I wonder how these clients (if invisibly present) would take to being characterized as a number. (In my opinion, being characterized as an amount of money is worse than being characterized as a number.) While most of us probably don't take offense to being classified with nine

digits by the Social Security Administration, our advisor referring to us by our account balance is another matter altogether in terms of offense. Such references to the client are symptomatic of the fact that, to the 40-percent advisor, money *is* the client. The 100-percent advisor knows the client is a "who" and not a "what," and accordingly forms a partnership with the person and not the account.

Louie, I've probably been a little long-winded on the numbers here and taken a bit more of your time than a left-brainer would care for (that loquaciousness is a downside to us "relationship" guys). My guess is that those in your crowd, Louie, can go on doing business the way you always have — engaging in the same conversations, doing the same analyses, and utilizing the same business strategies. But you had better be careful. There are plenty of relationship guys out there who have their eyes on your clients. And there are also many of those clients who are hungry to talk (not about numbers), discover and plan a life — and *then* figure out a way to pay for it. They may want an advisor who will invest some time in them.

Louie, you can keep doing what you've always done, but I've got a sneaking suspicion that your days are numbered.

**RI**



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