Anatomy of the Referral

Economics OF LOYALTY

December 7, 2010

This study was created and conducted by:

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Table of Contents

Welcome

Advisor Impact conducted the first Economics of Loyalty study in 2008 to examine the scope, depth and quality of the relationship between a client and his or her financial advisor. By 2010, following on the heels of extreme market turbulence, it was clear that we needed an update.

This study expands on that research and goes deeper into some themes that emerged from our 2008 Economics of Loyalty study. This year, we had three goals:

- To assess change as it relates to client/advisory relationships
- To refine our understanding of client engagement and, through that
- To refine our understanding of referrals

Ultimately this study is about understanding our deepest and most profitable client relationships. In 2010 we're doing that by focusing on a clear disconnect between the percentage of clients who are satisfied and loyal and the percentage who provide referrals.

The reason for this focus is simple. A referral is a transfer of trust. When you think about it, it's one of the most tangible actions a client can take to tell you that they trust you. As a result, we believe that referrals are a reflection of everything advisors do for clients so increasing referrals requires thinking about the foundation of our client relationships. By managing and building those relationships in very specific ways, we can drive profitable growth.

The sponsor of the study is Schwab Advisor Services, who made it possible to continue the discussion on client engagement and help advisors to affect real and meaningful change in their businesses. I hope you find the study of value. It's a key part of Advisor Impact's mission, which is to help advisors to understand and build more profitable and engaged client relationships.

If you have any questions or comments on the study, please e-mail me directly at jlittlechild@advisorimpact.com.

Sincerely,

Julie Littlechild
President, Advisor Impact

charles SCHWAB
ADVISOR SERVICES

A Message from Schwab Advisor Services™

Charles Schwab is proud to sponsor Advisor Impact's Economics of Loyalty study, which provides insights into what can be an important component of your business—deep relationships with satisfied clients. Based on 20 years of working with thousands of independent advisors, we understand how client engagement, referrals and feedback are integral to your ongoing success.

We also know the value of resources and guidance that help you make informed choices for your clients and business. The Economics of Loyalty study examines what drives client loyalty, trust and engagement, and it also offers tactics you can adopt to build deeper, more profitable relationships with them.

We hope you find the insights offered by this study useful as you position your business for the future.

For more information about how Schwab supports independent advisors, visit www.schwabadvisorcenter.com/public.

Nick Georgis

Vice President
Business Consulting Services, Schwab Advisor Services

About Advisor Impact

Advisor Impact is a leading provider of research, training and tools for financial advisors, broker-dealers, custodians and investment management firms, across North America and the United Kingdom.

Founded in 1998, Advisor Impact conducts extensive, on-going research with Financial Advisors and investors. In addition to on-going best practices research among Advisors and the Economics of Loyalty research among investors, the company is a leading provider of client feedback programs for firms and advisors.

The Client Audit is an out-sourced client feedback program designed to help advisors improve profitability by enhancing client loyalty and revenue. Advisor Impact surveys tens of thousands of investors annually, resulting in a database of more than 80,000 clients. As a result, the firm has unparalleled insight into how clients view their advisors, their expectations with respect to service, and gaps with respect to products and services.

Advisor Impact offers the following programs for advisors:

The Client Audit is an outsourced client feedback program that helps financial advisors and accountants gauge client satisfaction and identify specific cross-selling, referral and consolidation opportunities among existing clients.

Click here for information on the Client Audit

The Business Success Kit is a practical guidebook and toolbox to help advisors improve practice efficiency and productivity.

Practice Management Workshops address many critical practice management issues to provide advisors with the ideas and tools to streamline

Executive Summary

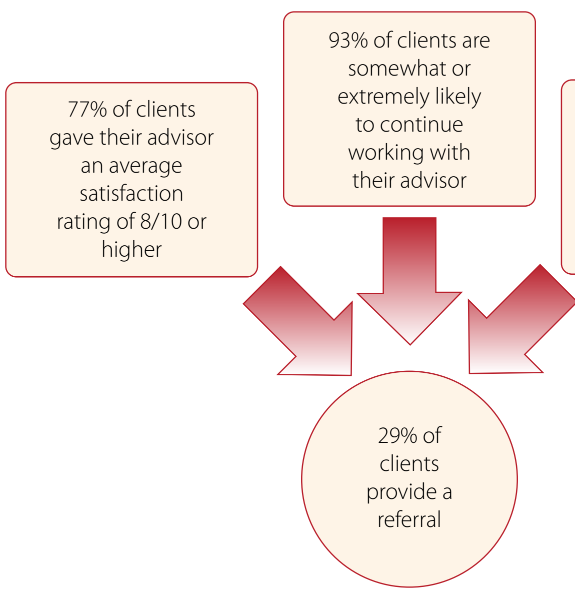
In 2008, Advisor Impact published the *Economics of Loyalty* with a view to understanding our deepest and most profitable client relationships. Market events of 2008 and 2009 provided a unique opportunity to examine client engagement following a time of historic volatility. Knowing that periods of stress tend to reveal both strengths and weaknesses of advisory relationships, we felt that 2010 was an ideal time to update and expand our earlier study of client engagement.

In the spring of 2010, we interviewed and gathered data from more than 1,000 clients to better understand what's driving client engagement. We asked about their expectations, what was most important, how they worked with their advisors and if and when they provided referrals. By examining the answers to these questions, we were able to extract critical information about the drivers of client engagement. Using client engagement as a starting point, we were also able to more closely examine the questions of why, when and how clients make referrals.

The Mystery of Referrals

Most advisors say referrals are an important source new business, yet only a small percentage of clients actually provides referrals. In our research, we discovered:

- 77% of clients gave their advisor an average satisfaction rating of 8/10 or higher
- 93% of clients are somewhat or extremely likely to continue working with their advisor
- 91% of clients are comfortable providing a referral
- But only 29% of clients provided a referral



If your goal, as an advisor, is to deliver a great client experience, while simultaneously growing your business, it's important to understand what's driving both sides of the equation. To that end, our approach was to identify the ideal client and then examine his or her client experience to understand what made it unique or different. The first step then is to define the universal 'ideal client'. Is it the satisfied client? Is it the loyal client? Our research indicates that while satisfaction and loyalty are important goals, neither is clearly linked to referral activity. In our view, the ideal client is the 'Engaged client', one who meets three key criteria—a client who is satisfied, loyal AND actively providing referrals.

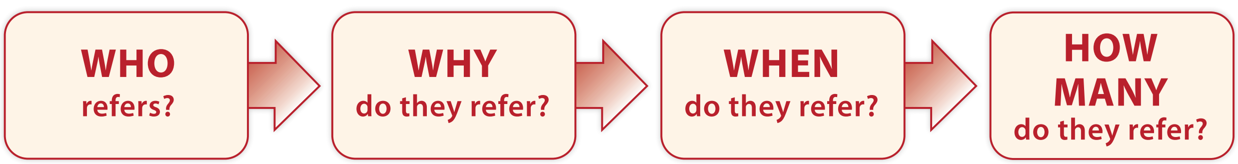
The Engaged Client

Through a process called cluster analysis, we grouped clients based on the strength of three factors: satisfaction, loyalty and referrals. Our goal was to help advisors better understand and model their ideal client. The clusters were named, as you see below, from Disgruntled to Engaged.

Cluster	Percentage of all respondents	Percentage providing a satisfaction rating of 8/10 or higher	Percentage providing a loyalty rating of 4 or 5 out of 5	Percentage who had provided a referral in last 12 months
Disgruntled	12%	24%	59%	13%
Complacent	39%	82%	97%	0%
Content	25%	83%	99%	0%
Engaged	24%	90%	99%	100%

The results speak for themselves. We need to set client engagement as the standard because satisfaction and loyalty simply aren't enough. More importantly, we need to understand what drives client engagement and how that is linked to client referrals.

In this report we present the information with a model we describe as the Anatomy of the Referral. The model recognizes the complexity of referrals, breaks it down into its component parts and examines each in turn. It is a model that accepts the disconnect between the motivation to refer and action and examines how to bridge that gap.



The 'who' is the Engaged client, as we've seen from the initial data. So our enquiry starts by asking – what is different about the Engaged client experience? We believe that client engagement is, at the highest level, characterized by three things:

- Working with the right clients
- Having the right conversations, and
- Asking the right questions

Working with the Right Clients

Client engagement starts with the right 'fit'. We believe that client engagement starts when the client is a prospect. As an advisor, it's important to work only, or primarily, for those clients for whom you can do your best work. That fit likely includes such factors as values, communication style and personality, and also includes the 'offer', which must clearly align with the needs of your clients. Financial planning, for example, plays a substantial role among the most engaged clients; 64 percent of Engaged clients say they have a written financial plan, compared to 44 percent of Content clients, dropping significantly from there to Complacent and Disgruntled clients. We believe that the financial plan is, ultimately, a reflection of deeper conversations between client and advisor, driving the second element of engagement—the right conversations.

Having the Right Conversations

Client engagement is driven by a deeper connection, reflected in higher levels of contact. There is no doubt that Engaged clients are more expensive relationships, based on the demand for higher levels of direct contact. Sixty-eight percent of engaged clients say they expect three or more plan or portfolio reviews every year, compared to 50 percent for the Content, 48 percent for the Complacent and 44 percent for the Disgruntled. By and large an Engaged client's advisor not only delivers, but typically exceeds, expectations on client reviews.

We believe that the demand for client reviews is the practical manifestation of something that goes deeper and that is what happens during those reviews. Engaged clients have stronger personal relationships with their advisors and they look to their advisors to lead. The concept of leadership has never been more important than during the last two years and that is clear in the results.

Asking the Right Questions

Engaged clients take part in an on-going conversation; beyond reviews, their input is solicited with respect to the business. The data shows that Engaged clients are more likely to have been asked for feedback and that they are more likely to believe that feedback will have a real impact on the relationship. Encouraging active client input on a regular basis supports client engagement and helps you stay ahead of changing client needs and expectations.

Increasing Referrals

Simply delivering an outstanding client experience—even one that is characteristic of the Engaged client—does not mean that clients will automatically and independently advocate on your behalf. Despite the fact that 91 percent of clients say they are somewhat or very comfortable providing a referral, only 29 percent actually provided a referral. We describe this challenge as a "referral gap." Despite the fact that 58% of engaged clients say they are fundamentally motivated to refer in order to say 'thank you' to their advisor, few take action unless there is a clearly stated need on the part of a friend or family member. We call this a 'motivation gap'.

Advisors are often taught to ask for referrals and ask often. The data suggest that a better approach is to help clients to spot a good referral opportunity so that they recognize the opportunity to share your name. That opportunity is not likely to be as obvious as a client being asked for the name of a good financial advisor. Rather, the opportunity might involve a client speaking with a friend who has lost a spouse, a colleague who is selling a business or a family member who is hoping for early retirement. The need triggers the opportunity for a referral; your clients need to recognize that need.

If you can help your clients to understand the kinds of problems that you can solve and provide them with the 'triggers' for a referral, then you are the first person they will think of in those situations. By understanding who your Engaged clients are and seeking to increase the level of client engagement across your firm, you're more likely to increase referrals as a natural outcome.

In this report, we'll look at what's different about Engaged clients, while helping you take a systematic approach to increasing the proportion of Engaged clients in your business. The good news is that it's possible to create a clear game plan for increasing client referrals, while building even stronger relationships with your most valued clients.

Introduction

When asked about their priorities, many advisors put both growth and building deeper client relationships at the top of the list. For some advisors, those priorities compete for their attention. We believe that, rather than competing, they are inextricably linked and that growth is a byproduct of building deeper client relationships. Therefore, to grow your business, you need to look inside your business, examine the depth of your client relationships and the opportunity to go deeper.

This report recognizes that a referral is a transfer of trust. It's one of the most tangible actions a client can take to tell you that they trust you. Because referrals are a reflection of everything you do for clients, increasing referrals requires thinking about the foundation of your client relationships. It's the quality of your existing client relationships that drives referrals. As a result, increasing referrals isn't a matter of small tactical steps, such as finding the right e-mail script or asking for referrals more often. Rather, it requires examining the many complex inputs that define client engagement and creating a game plan based on the specific needs of your practice and the type of clients you feel you're best equipped to serve.

On the following pages you'll find our analysis and our views on the implications of the results for the vast majority of financial advisors who are looking to build deeper and more meaningful client relationships.

About This Report

To better understand what drives client engagement and how that connects to referrals, Advisor Impact gathered data from 1,034 advisory clients. All of the investors we surveyed work with a financial advisor, contribute to the financial decisions in the household and meet specific asset criteria. Sixty percent of the sample had household assets in excess of $500,000, 35% in excess of $1 million and 10% in excess of $5 million. The data reported here was gathered using an online survey in May, 2010, over a period of approximately three weeks. See Appendix 1 for a detailed profile of participants.

The results of our research appear in this report. To help you navigate the report quickly and easily, we've organized information into three, easy-to-follow sections:

- The Anatomy of the Referral: The Engaged Client
- The Anatomy of the Referral—Why, When and How Many Referrals
- The Game Plan—Increasing Your Client Referrals

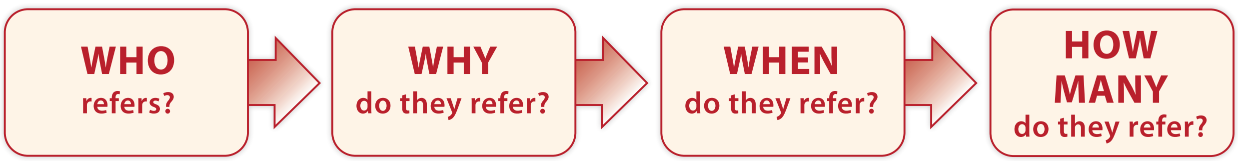
In the next section, you'll find some background on how we began our thought process into understanding referrals, as well as the general framework of the cluster analysis we use for our discussions. We're pleased to share this information with you and hope you'll find practical ideas for increasing referrals in your own practice.

Anatomy of the Referral: The Engaged Client

On the following pages we'll introduce a new model for referrals, which we refer to as the Anatomy of the Referral. The premise is simple – while we need to recognize and appreciate the complexity of the referral process, we can simplify it by breaking it into its component parts. If we can understand the components parts of the referral process we can get closer to making the changes necessary to drive growth.

The model is captured below. In order to understand and drive referrals, we need to understand who is referring, why they refer, when they refer and, ideally, how many they refer.

ANATOMY OF THE REFERRAL



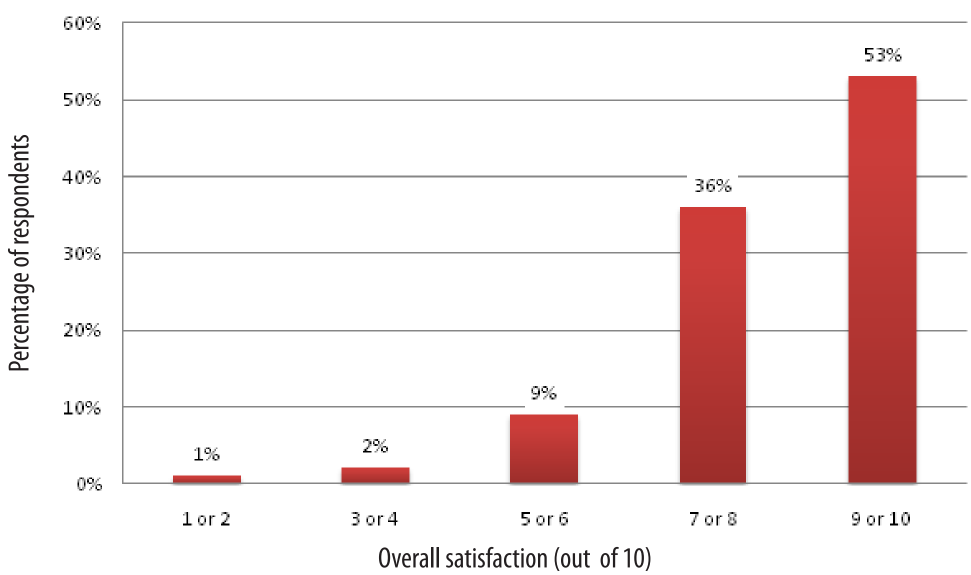
WHO Refers

To increase referrals, we first need to understand who is making referrals. If we can identify the clients who refer, then we can examine their client experiences and try to replicate those things that set them apart from other clients. It's logical to think that clients who are satisfied and loyal will naturally make referrals and from there to focus on the drivers of satisfaction and loyalty in our relationships. However, our research demonstrates that while satisfaction and loyalty are important they are not strongly correlated with referrals.

Let's look first at satisfaction. **Figure 1.1** shows that, overall, the clients who were surveyed were satisfied, which is good news for the industry.

Figure 1.1

OVERALL SATISFACTION



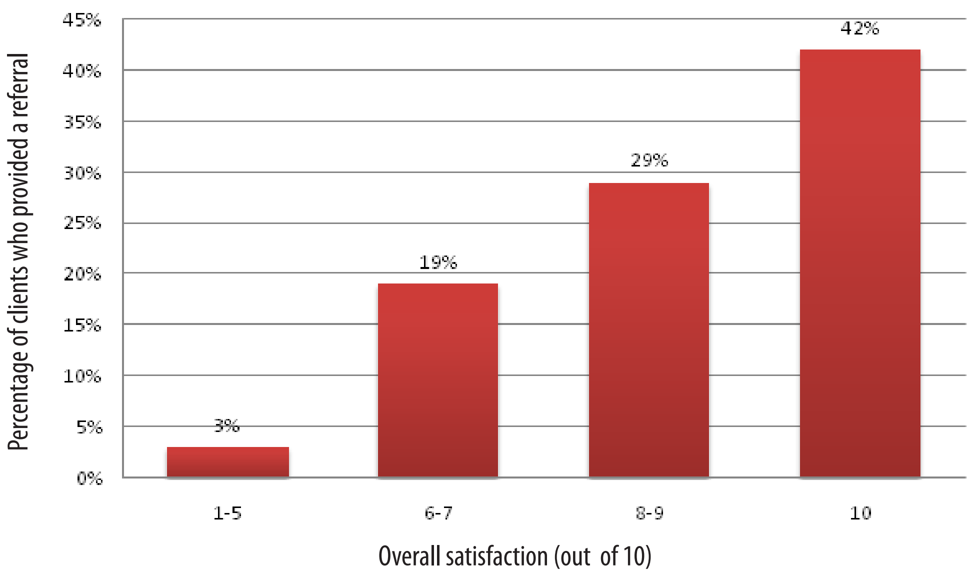
Q: Please rate your overall level of satisfaction with your financial advisor

For the sake of brevity, we've focused only overall satisfaction, however this study examined 30 different aspects of service. For more detailed satisfaction findings on the full range of service dimensions, see **Appendix 2**.

The question is, do the most satisfied clients necessarily refer?

Figure 1.2.

DO SATISFIED CLIENTS REFER?

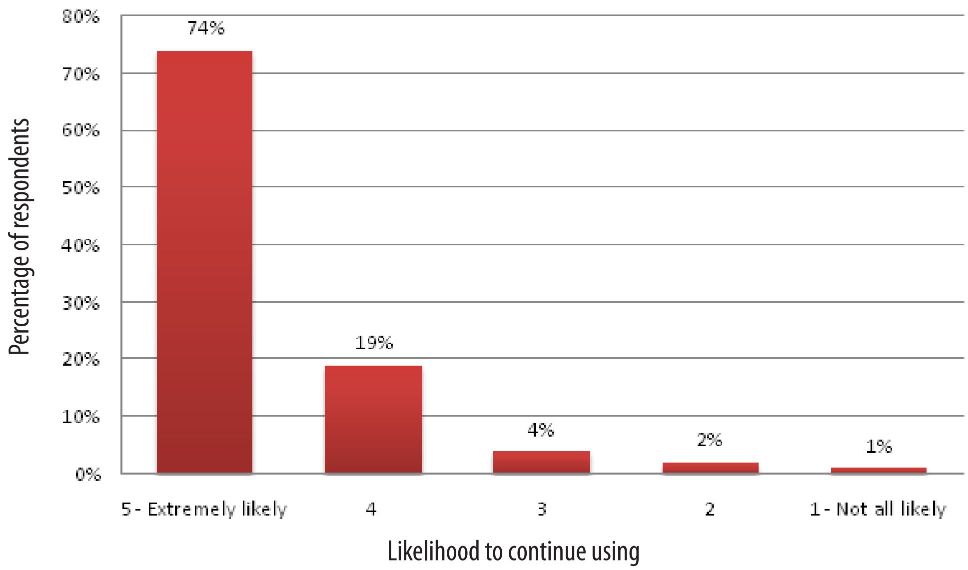


In **Figure 1.2**, investors are sorted by their reported satisfaction levels, based on a scale of 1 to 10, with 10 being the most satisfied. You'll notice that 42% of the most satisfied clients make referrals, which is better than the average of 29%. If your primary strategy is to move more clients into the 'completely satisfied' category, you'll increase referrals, however the 'payoff' may substantially exceed the effort. While it is never a bad idea to try and increase satisfaction, it will be difficult to shift many clients to a top box rating. We conclude from this data that while ensuring clients are satisfied is obviously important to any business, focusing on understanding the drivers of satisfaction alone isn't a very effective method for increasing referrals.

Next, let's look at loyalty. There are many ways to assess loyalty, however our research takes a very simple approach and assesses the extent to which clients are likely to remain with their advisor. Overall, clients are very loyal, even over the last two years. Despite the turbulence, a vast majority of clients indicate they are likely to continue to work with their advisor. **Figure 1.3** shows how clients responded on this issue.

Figure 1.3

LOYALTY: LIKELIHOOD OF CONTINUING TO USE

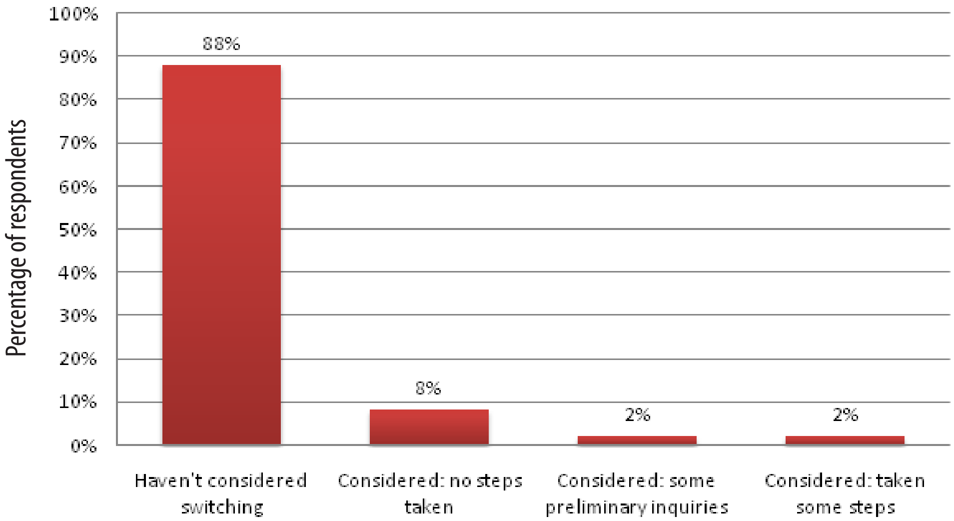


Q: How likely are you to continue to use your Financial Advisor to manage your financial plan or portfolio in the next 12 months?

If we compare the loyalty graph to the satisfaction graph, it is clear that some clients who are neutral or dissatisfied are not planning on moving, highlighting the role that inertia plays in this industry. This characteristic is clear when we looked at loyalty in a slightly different way and asked clients if they had ever thought about leaving their advisor. **Figure 1.4** shows that 12% of clients have thought about leaving their advisor but that only 2% had taken any concrete steps toward finding another advisor. When asked about why they have not changed, clients who had thought about changing advisors said, simply, that the grass would not be greener in further pastures (see **Figure 1.5**).

Figure 1.4

SWITCHING BEHAVIOR



Q: Thinking about your current Advisor, which best describes your desire to stay with him or her?

Figure 1.5.

SWITCHING: REASONS TO STAY?

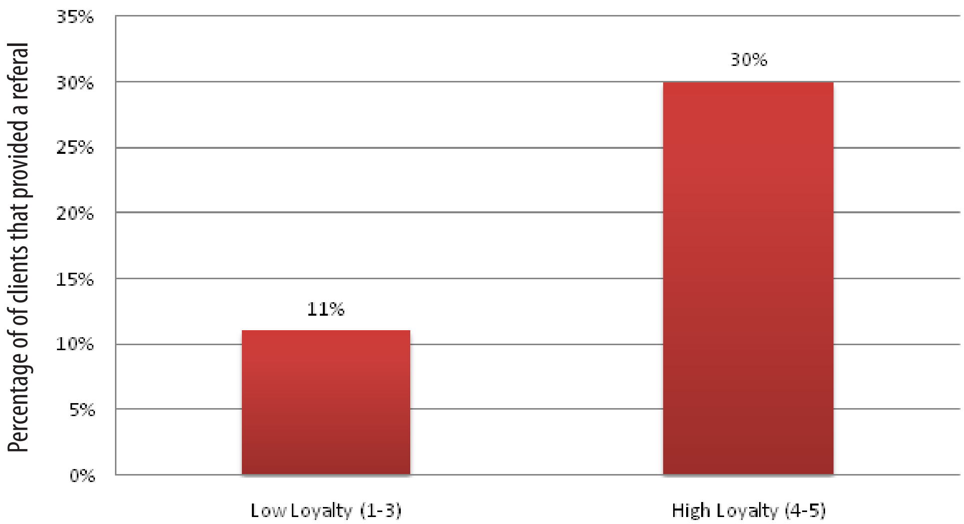
	Total
I have other family members who also use this Advisor.	7%
My advisor understands me well and that would be difficult to replicate.	21%
I like my advisor, it's the company he or she works for that I don't like.	4%
I've already tried switching advisors, but found the transfer process too complicated.	2%
My advisor is connected to my other professional relationships (e.g. my accountant).	6%
I don't know that I would do better with a different advisor.	60%
I don't know how I would find a better advisor.	28%
Other	23%

Q: Why have you not switched Advisors yet?
n=clients who have considered switching.

As with satisfaction - and for the purposes of understanding referrals - the question is, do loyal clients refer?

Figure 1.6.

DO LOYAL CLIENTS REFER?



In **figure 1.6**, we divided respondents into two groups—low loyalty and high loyalty. (The high loyalty group provided a rating of 4 or 5, out of 5, on likelihood of continuing to work with their current advisor. The low loyalty group provided a rating of 3 or less out of 5.) In the high loyalty group, about 30% are likely to refer. This is essentially the average (29% of all respondents had made a referral in the past year), which is what we might expect because most clients fall into the high loyalty category. So if the number of loyal clients making referrals is the same as the category average, we can rule out loyalty as an exclusive differentiator of investors who make referrals.

See **Appendix 2** for additional findings on client loyalty.

The Implications

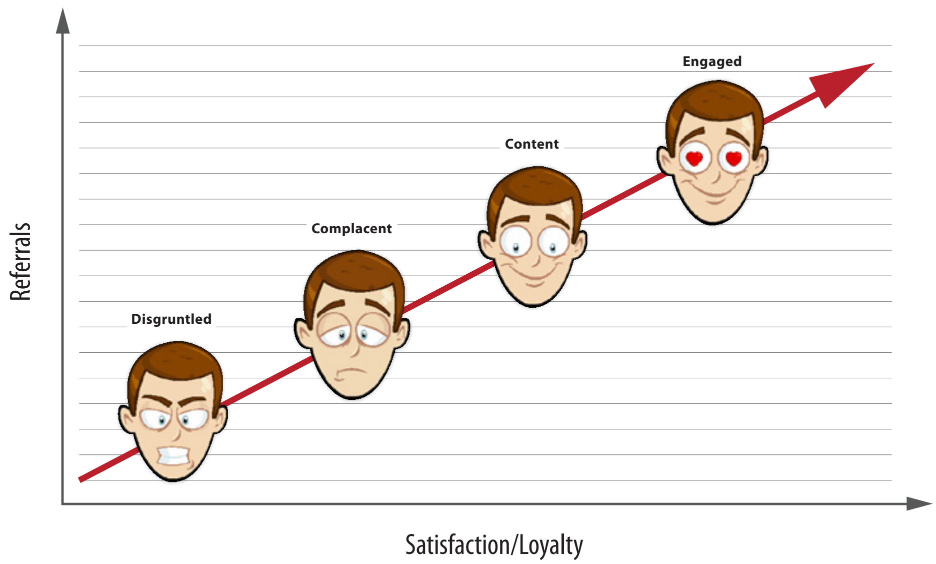
Of course, it's important for clients to be loyal and satisfied, but it won't necessarily help us drive referrals. If your goal is to work with clients who are a good fit for your business—and who also make referrals—it's important to understand who those people are. In order to build a strategy to increase referrals, we need to isolate the appropriate client group, whom we define as 'Engaged' clients. As a framework for our discussion in this report, we grouped and identified different client segments based on a cluster analysis.

The Client Clusters

Our cluster analysis yielded four distinct groups of clients—Engaged, Content, Complacent and Disgruntled. (See **figure 1.7**.) The clusters were created by grouping clients based on the strength of responses in three areas: satisfaction, loyalty and referrals. Engaged clients are those who are satisfied, loyal AND make referrals.

Figure 1.7.

THE CLIENT CLUSTER: 2010

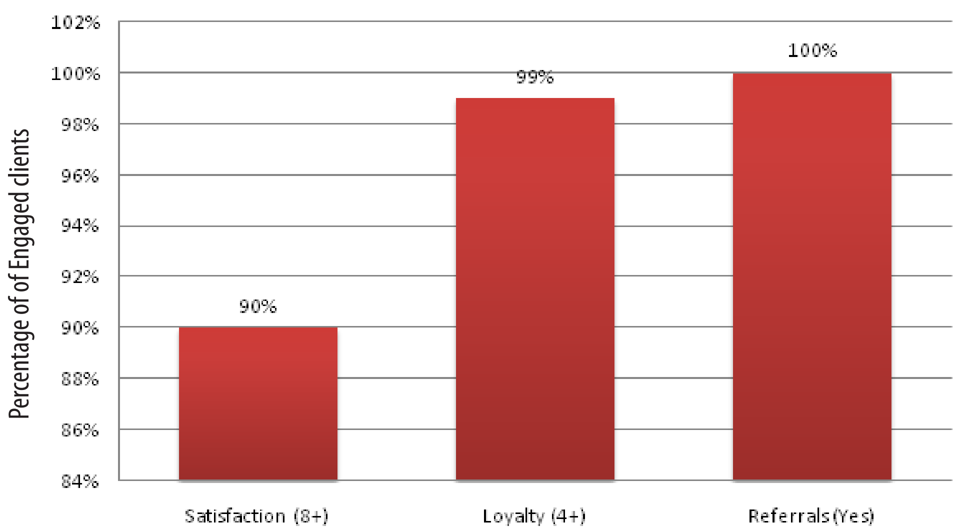


Cluster	Percentage of Clients
Disgruntled	12%
Complacent	39%
Content	25%
Engaged	24%

Figure 1.8 paints an impressive picture of the depth of the Engaged client relationship.

Figure 1.8.

PROFILE OF THE ENGAGED CLIENT



Keep in mind the client clusters we've identified are outcomes of a very specific client experience. The real challenge is to then understand the inputs that make some clients so positive about their advisory relationship.

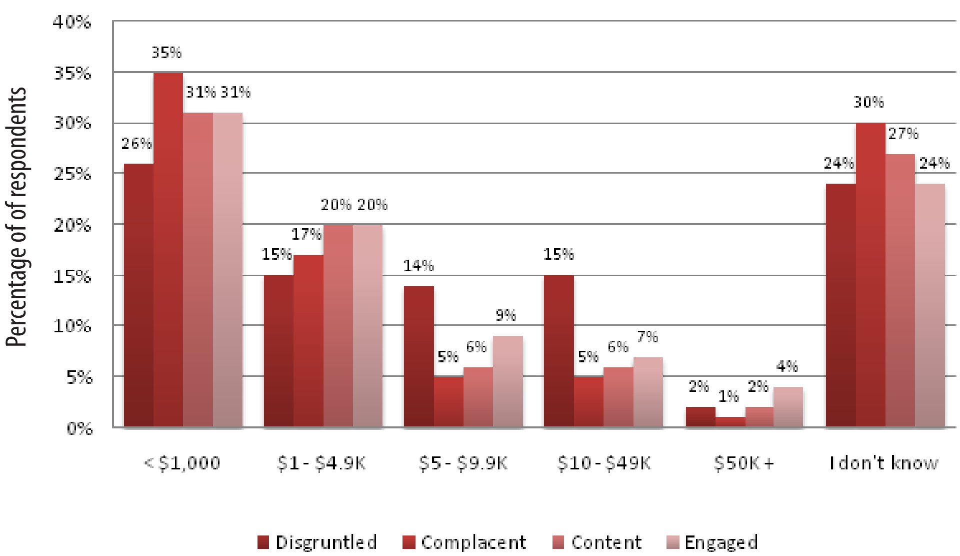
It's Not About Fees or Performance

Some would assume that engagement is linked to such things as lower fees or higher performance or even to something more fundamental, like a higher degree of trust. This is simply not the case.

For example, clients who are Engaged need to feel that they pay reasonable fees and receive competent investment advice resulting in reliable performance. But this doesn't seem to be a key driver of why they make referrals. In **Figure 1.9**, we asked investors a relatively straight-forward question: How much did you pay your advisor in the past 12 months? Surprisingly, a large percentage of clients in all categories aren't even aware of how much they pay their advisor. Note that higher fees are associated with the Disgruntled category but not with whether a client is Complacent, Content or Engaged.

Figure 1.9.

ITS NOT ABOUT FEES

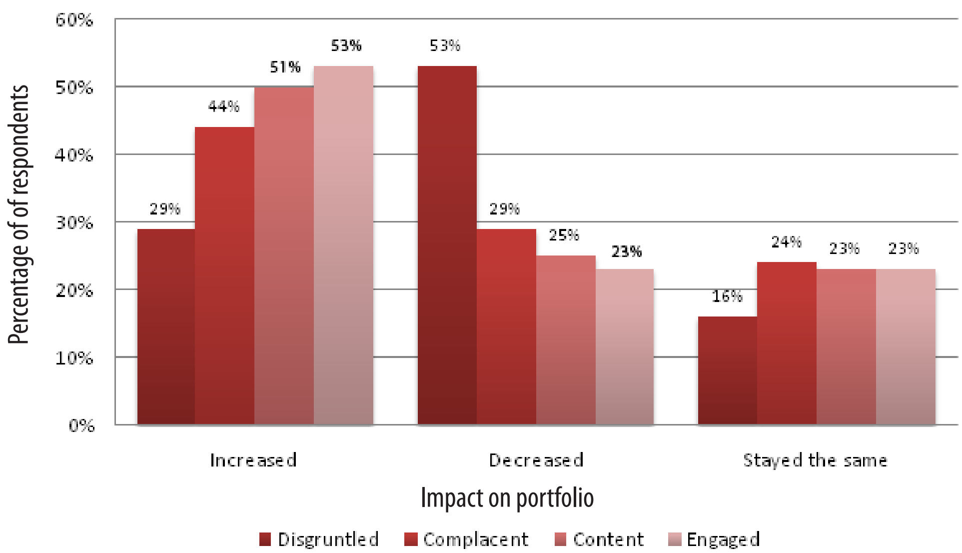


Q: How much did you pay your financial advisor in fees, commissions or other forms of compensation in the last 12 months?

In **Figure 1.10**, we asked whether investors' account values increased, declined or stayed the same over the past few years. In this case, we notice that positive performance doesn't necessarily impact whether clients are Engaged, Content or Complacent. However, poor performance can increase the likelihood of clients becoming Disgruntled.

Figure 1.10

IT'S NOT ABOUT GREAT INVESTMENT PERFORMANCE



Q: Reflecting back over the last two years (from October 2008), which best represents the state of your current investment portfolio?

For more detail, see **Appendix 3,** *Investment Performance.*

The Differentiators

In some respects, Engaged clients look like other clients, when it comes to the things they consider to be important. All clients, for example rate trust, reliability and accuracy as among the things that are most critical to them in an advisory relationship. However, there are differences with respect to the client experience and we'll examine these in detail in the next section.

Looking at the Larger Relationship

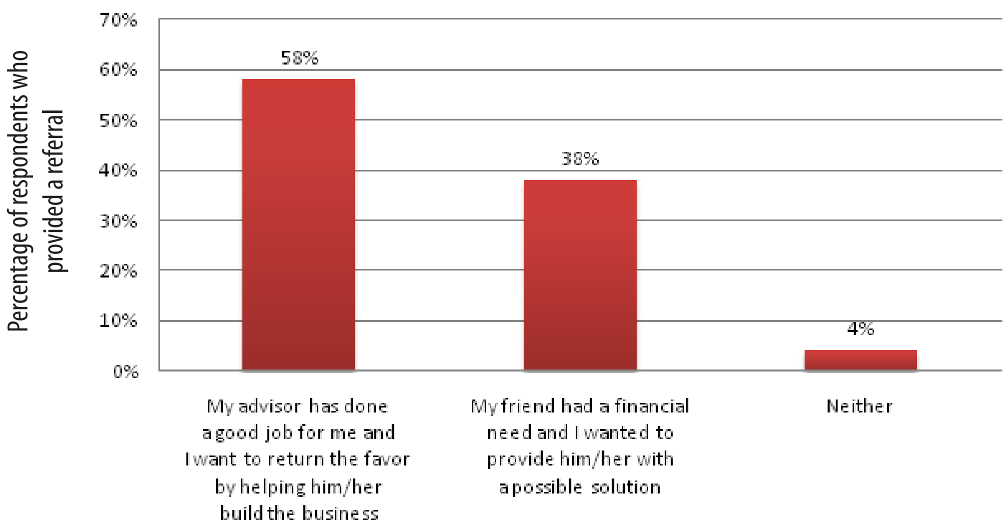
We do know that our Engaged clients are the clients that refer, by definition. The next question becomes, "Why do they refer?" What is so different about those relationships that the client is not only comfortable providing a referral, but takes action. As you'll see, there is a very big difference between why a client refers and if, in fact, they will refer. So let's take a closer look at the Engaged clients as a group and how they are different from other client groups.

The Anatomy of Referral—Why, When and How Many

To understand why clients refer is to understand that a referral is a reflection of a deeper client relationship. We define the core motivation to refer as the 'Law of Reciprocity'. You've done good work for your clients and they want to do good by you. In **Figure 2.1,** we see that 58 percent of Engaged clients (all of whom had made a referral) were primarily motivated by a desire to re-pay the advisor for the good work they had done. Another 38 percent recognized the importance of helping a friend or colleague.

Figure 2.1

MOTIVATION TO REFER



Q: Which of the following best describes the motivation behind providing a referral to your advisor.

However, it takes more than motivation to generate referrals and there's a clear and enduring gap between motivation and action. As we know from experience, whether we're thinking about exercising more, eating healthier foods or cleaning out the garage, good intentions don't always equal action or results, but more on that later in the report.

The Differentiators

In our research, we assessed 30 different dimensions of service (outlined in detail in **Appendix 2**). We then looked for those aspects of service that set the Engaged client apart from Disgruntled, Complacent and Content clients in order to understand how and why they were different from all other clients. For brevity, we're only focusing, in this report, on those factors that differentiated the Engaged client from other clients, which is not to say that other dimensions are not important in building client satisfaction and loyalty. The differentiators are best characterized as:

1. Working with the right clients
2. Having the right conversations, and
3. Asking the right questions

Working With the Right Clients

Client engagement starts with the right 'fit'. It stands to reason that when advisors understand and focus on clients for whom they can do their best work, they are more likely to engage those clients. It's not uncommon for advisors to set baseline standards for a client relationship, perhaps a minimum asset level. Once that hurdle is met, however, there is much more to a great relationship, which might include things like common values, communication style and personality. The connection is deeper from the start.

As a result, your intake process needs to look beyond the basics to match for the personality, expectations, needs, communication styles and investment philosophy of your clients. And this means saying "no" to prospects that aren't a good match. If the underlying match is wrong, the chances of engaging the client (and generating referrals from that individual) is slim.

The Offer

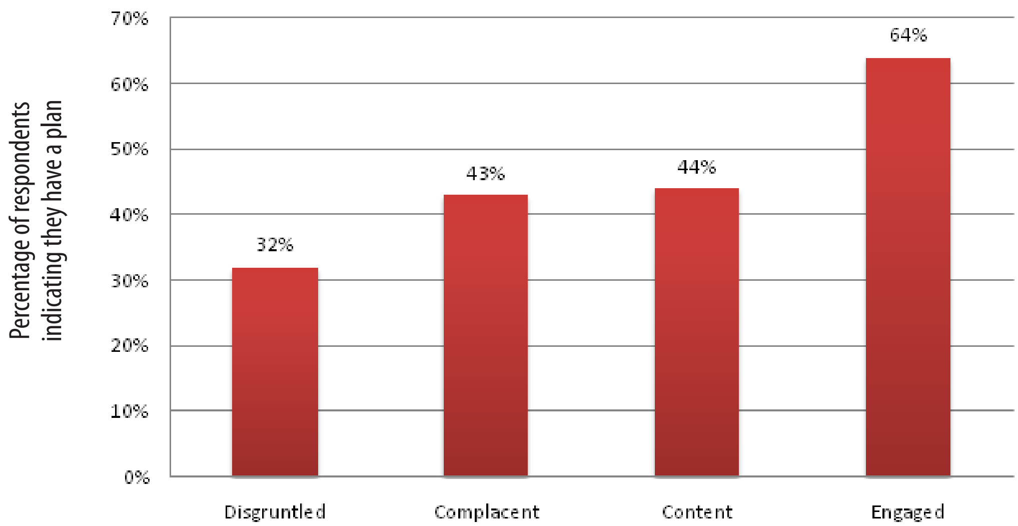
One aspect of 'fit' in a relationship is the offer – the approach, products and services that the advisor brings to the table. While the key point is that the offer needs to match with the needs of the client, we find that Engaged clients tend to receive a more holistic offer, which we define as more focused on financial planning and more likely to cover their full financial lives.

On the issue of financial planning, about 67 percent of all clients say they receive financial planning services from their advisor, jumping to 76 percent of Engaged clients. More significantly, a much higher percentage of Engaged clients say they have a financial plan shown in **Figure 2.2**, which is updated more frequently (**Figure 2.3**) .

We believe that the financial plan is a practical manifestation of the conversations required to create the plan, conversations which focus on the client's goals, hopes and dreams. It is unlikely that the physical document is the key differentiator, however the link between the plan and engagement is clear.

Figure 2.2

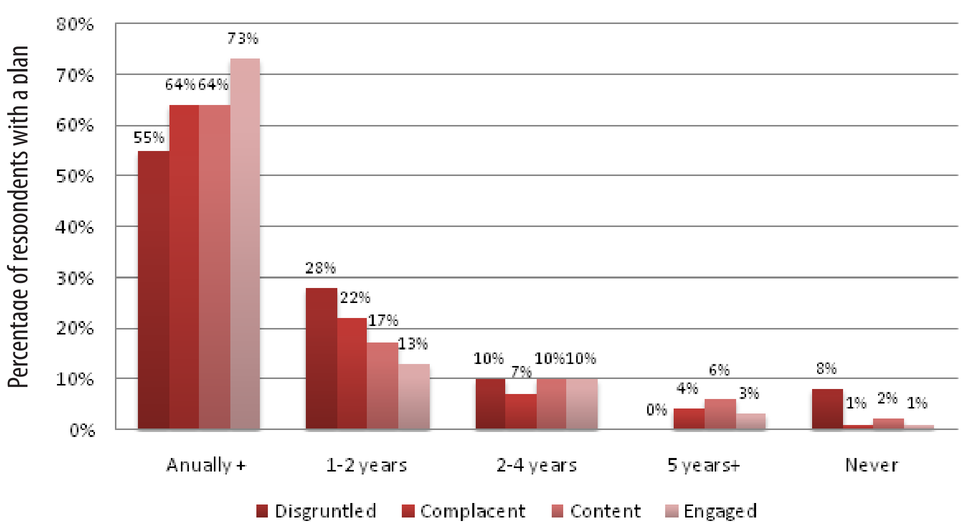
WRITTEN FINANCIAL PLAN



Q: Do you have a written financial plan, which may include insurance, tax planning, retirement planning, estate planning or any combination of these items?

Figure 2.3

PLANS UPDATES



Q: How often do you formally review and update that financial plan with your financial advisor?

Part and parcel of the holistic approach is the way in which Engaged clients tend to work with their advisors, putting them in the role of 'quarterback'. **Figure 2.3** shows this difference between the client groups. In addition, 43 percent of all clients say their advisor manages their wealth as a family, rather than individuals, although this may or may not link to engagement because this is only relevant if there are family relationships to manage.

Figure 2.3

	Disgruntled	Complacent	Content	Engaged
My advisor plays a central role in my financial life, coordinating or working with my other professional advisors as and when needed.	24%	36%	36%	45%
My advisor is one of several experts I use, however he/she does not work directly with the other professional advisors with whom I work.	50%	29%	26%	28%
Not applicable. I do not work with any other professional advisors.	26%	34%	37%	27%

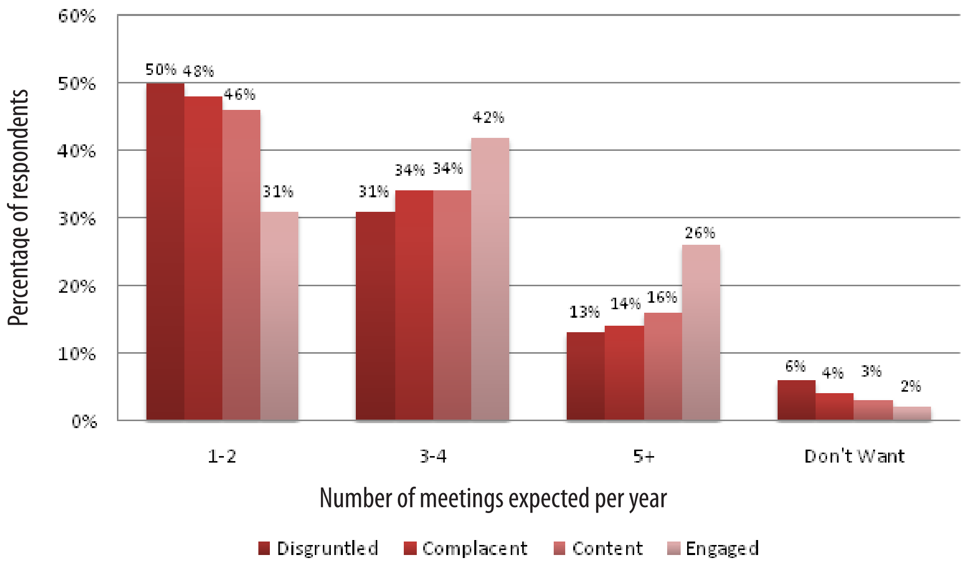
For information on client views regarding the need for specific products and services and share of wallet see **Appendix 4**.

Having the Right Conversations

Engaged clients expect and receive a much higher level of contact than clients who are disgruntled, complacent or content. In **Figure 2.4**, we notice that engaged clients tend to expect at least 3 or more meetings a year. In **Figure 2.5**, it is evident that the expectations of engaged clients are being met or exceeded.

Figure 2.4

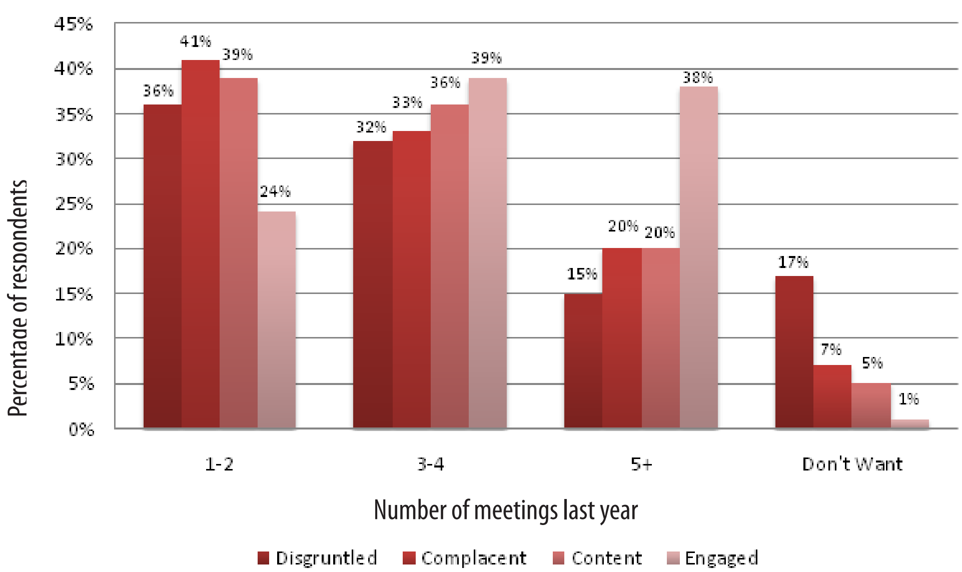
REVIEW EXPECTATIONS



Q: In a typical 12-month period, how often do you expect to meet with your advisor (either face-to-face or by telephone) to review your financial plan or portfolio?

Figure 2.5

NUMBER OF REVIEWS



Q: Thinking about the last 12 months only, how often did you actually meet with your advisor either face-to-face or by telephone?

Outside of review meetings clients continue to look to their advisors to educate them about markets, to a greater or lessor degree. See **Appendix 5** for more information.

Just as conversations about financial planning probably matter more than the financial plan itself, we believe it's not necessarily the number of meetings that's most important when it comes to engaging clients, but rather what happens during the meetings. So while clients may say that the frequency of meeting with their advisors isn't critical, our survey results indicate that deeper client relationships are characterized by more frequent meetings. It is also interesting to note that nearly half of Engaged clients say they have a strong personal relationship with their advisor (five out of five), dropping to 24 percent of Content, 31 percent of Complacent and only 13 percent of Disgruntled.

To underscore the importance of the content of meetings, we need only turn to the last two years and the ways in which advisors helped their clients through a difficult market. We see clearly that it was not the frequency of communication during the downturn but the ways in which advisors of Engaged clients helped them through a difficult period that mattered.

The market downturn that began in 2008 provided an ideal environment for advisors to demonstrate leadership to their clients. **Figure 2.6** shows the ways in which Engaged clients differed with respect to the last two years. Specifically, Engaged clients are much more likely to provide more positive feedback on the extent to which their advisors:

- helped them understand the impact of turbulence on their ability to reach financial goals
- helped to keep their long-term plans on track
- helped to keep clients focused on the long-term, and
- added value beyond market performance

Note also the very substantial differences with Disgruntled clients. The last two years clearly played a role in how they see their advisors.

Figure 2.6

ADVISOR PERCEPTION DURING DOWNTURN

	PERCENTAGE PROVIDING TOP BOX SATISFACTION RATING			
	Disgruntled	Complacent	Content	Engaged
Demonstrated leadership by reassuring me during a turbulent market	16%	49%	53%	63%
Helped me tp understand the impact that recent market turbulence would have on our ability to reach our financial goals	19%	49%	52%	64%
Helped to keep my long-term plan on track, despite market turbulence	17%	53%	57%	69%
Added value above and beyond investment performance	11%	40%	41%	57%
Helped keep me focused on the long-term performance of my plan	26%	55%	58%	72%
Actively reviewed the compostition of my plan	25%	53%	56%	64%

It is interesting to note that while clients see differences in how their advisors managed the relationships over the last two years, few can point to the specific things they want their advisor to do differently. It may be the case that we cannot look to clients to define leadership. They will, however, know it when they see it. (See **Appendix 6**)

For additional information on leadership, see **Appendix 7**.

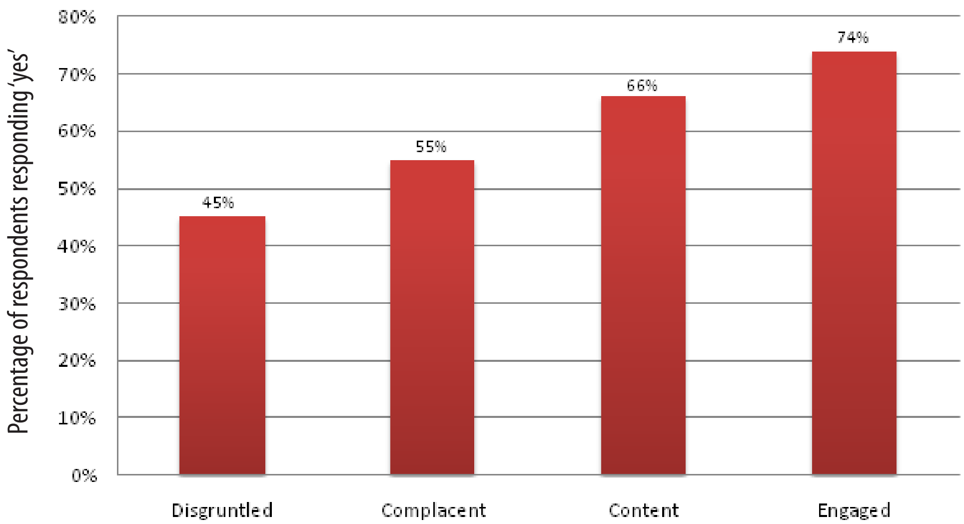
Asking the Right Questions

The final area that represents a clear differentiator for Engaged clients is the extent to which they are actively involved in providing input to their advisor. We would argue that clients have a greater sense of ownership and of control when they are asked for, and provide, feedback on the client experience. This is born out in the research.

In **Figure 2.7,** we see a noticeable increase, from Disgruntled to Engaged, with respect to being asked for feedback. In this chart, we include feedback through a variety of mechanisms, which could include an advisory board, survey or informal communication. The trend is linked more to being asked to feedback than the method of feedback; the latter has more to do with your specific objectives.

Figure 2.7

ENGAGED CLIENTS OFFER THEIR INPUT

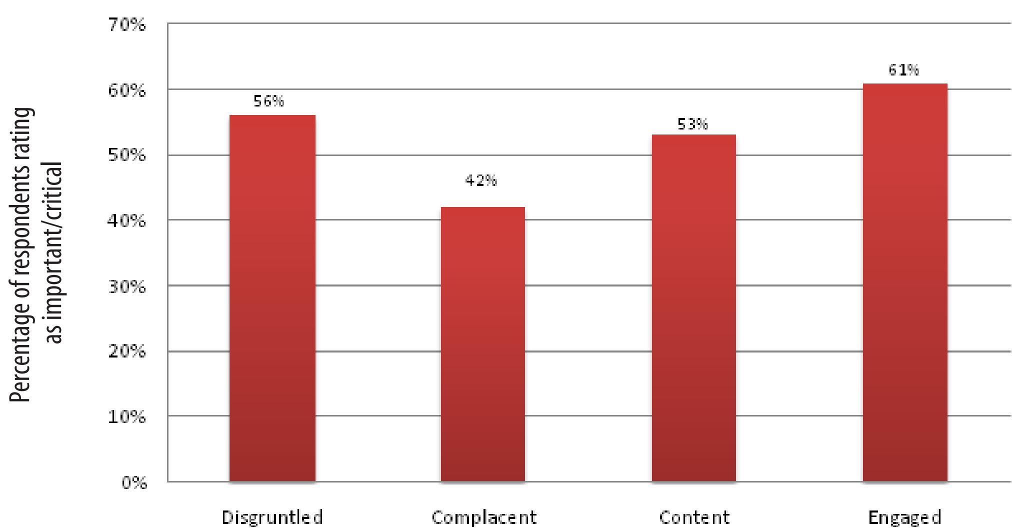


Q: Has your financial advisor ever asked you for feedback on the service that he or she provides? Select all that apply

Our survey results indicate that Disgruntled clients are almost as likely as Engaged clients to say that being asked for feedback is important, which is perhaps not surprising. Over half of both groups say that being asked for feedback is important, as shown in **Figure 2.8**. However, it's the Engaged clients who really feel that their feedback makes a difference in their relationships, as you can see in **Figure 2.9**.

Figure 2.8

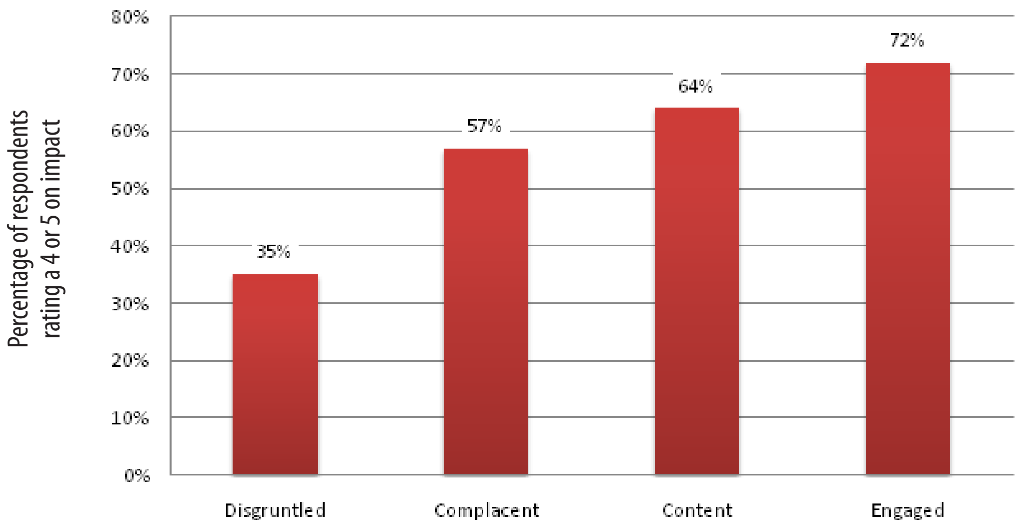
CLIENTS SEE BEING ASKED FOR FEEDBACK AS IMPORTANT



Q: How important is it to you that your advisor asks you for feedback on the service that he or she provides?

Figure 2.9

FEEDBACK MAKES A DIFFERENCE



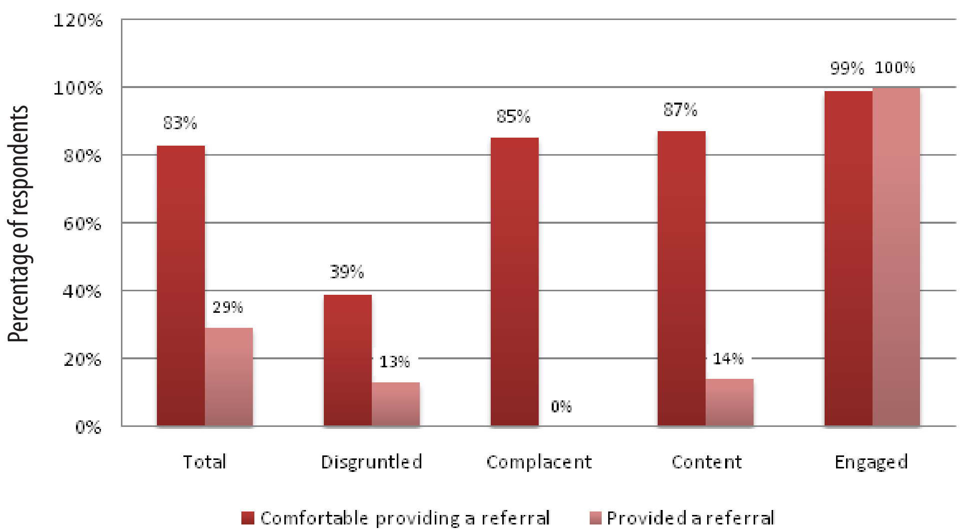
Q: How much do you believe the feedback that you provide to your advisor makes a difference in the service he or she provides

WHEN Clients Refer: Turning Motivation Into Action

So we know more about why Engaged clients refer and what drives that motivation. It's important to note that our goal is to focus on the 'action' of providing a referral rather than 'comfort' providing a referral. A vast majority of clients are comfortable referring and yet few take the next steps. As you can see in **Figure 2.10**, comfort is apparent among many clients but action is almost entirely reserved for the Engaged.

Figure 2.10.

COMFORT VS. ACTION



In order to understand this disconnect, we asked clients about the circumstances of the referral. The results were critical to understanding why, despite very high levels of satisfaction and engagement, clients do not always provide referrals. We learned about the triggers for referrals and those triggers are the difference between comfort and action.

We know that all Engaged clients have made at least one referral, so a logical next step is to consider what triggered that referral. In **figure 2.11**, we examine some of the different circumstances that lead to a referral.

Clients must be motivated to provide a referral based on the quality of the relationship, however they are unlikely to take action unless there is a clear need on the part of a friend or family member. In some cases, your clients are asked if they know a good financial advisor. We hope that your name is at the top of the list, but we can't control that activity.

WHEN IT COMES TO REFERALS...

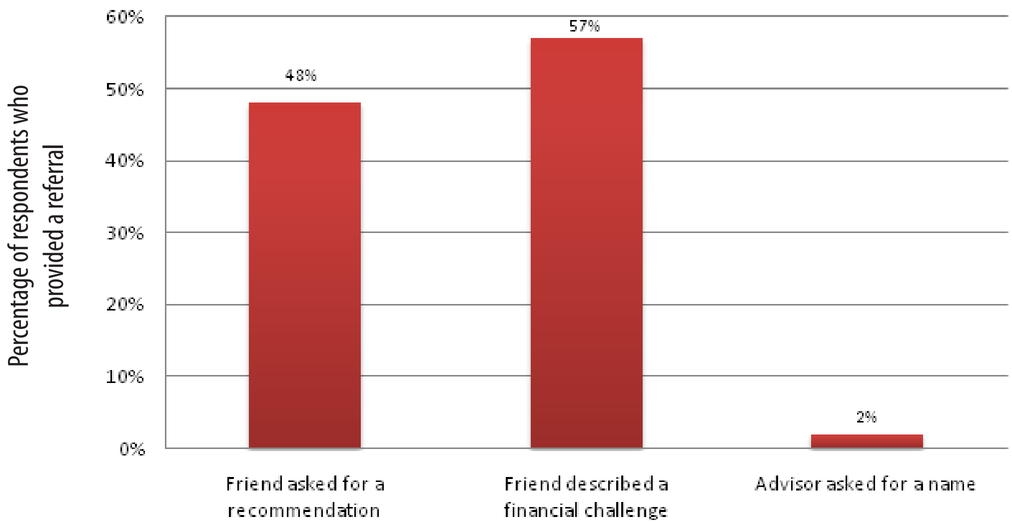
Motivation ≠ Action

Comfort ≠ Action

The key finding is that, for Engaged clients, it is the desire to provide a solution to a financial problem for someone they care about that will trigger action. This finding is highlighted in **Figure 2.11.**

Figure 2.11

TAKING ACTION



Q: What were the circumstances of providing the last referral?

What's striking is that in only 2% of the cases did clients say that they referred because their advisor asked them for the name of her friend. If motivation to help an advisor was the only driver of referrals, then asking for a referral should work. The irony is that one of the most popular tactical approaches to increasing referrals among advisors has been to ask clients for the name of a friend. Our data suggests that this tactic is unlikely to work. In the Game Plan we'll talk more about the practical implications of this important finding for advisors.

Of course, there are times when clients – even those who provide referrals – do not think the timing is appropriate. The table below shows that about half of the time, clients were not comfortable discussing finances (and we should not try to change their minds). However, it is interesting to note that 18 percent of clients were unclear if the friend met a minimum and 11 percent wondered if the friend would receive the same high level of service. By articulating our ideal clients, by ensuring that we do not make it the responsibility of our clients to understand the wealth profile of their friends and by communicating our service standards, we can potentially eliminate two obstacles.

Reason for not referring	Percentage of clients who are not likely to refer
I am not comfortable discussing financial issues with my friends/colleagues	51%
My advisor has a minimum asset level and I cannot know if others are above or below that minimum	18%
I cannot be sure that my friends/colleagues will receive the same high level of service that I have received	11%
I am not satisfied with the level of service that I receive	17%

Q: Why is it you feel you would not be very likely to recommend financial advisor? Please select all that apply.

As an aside, clients tell us the following with respect to being asked for referrals.

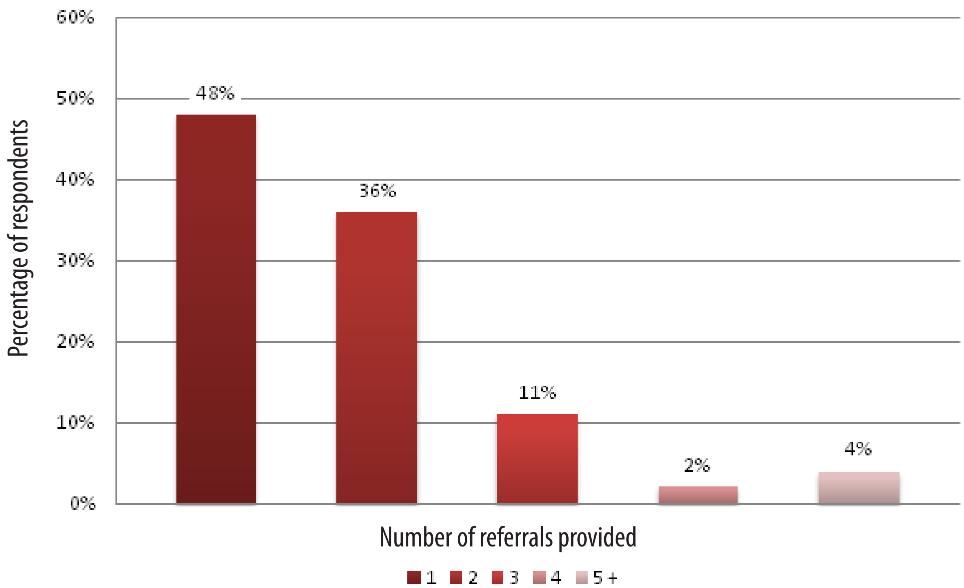
- 82% Say they have never been asked.
- 16% say they are occasionally asked.
- 2% say they are regularly asked.

HOW MANY clients are referred: Turbo-charging the referral process

The final part of the Anatomy of the Referral model is focused on the number of referrals provided. We know that most Engaged clients provide one or two referrals, but some provide more, as outlined in **Figure 2.12**. Our goal was to understand the difference between those two groups. It's not an issue of engagement in this case, as all clients are Engaged, but one of communications and positioning.

Figure 2.12

NUMBER OF REFERRALS: ALL CLIENTS

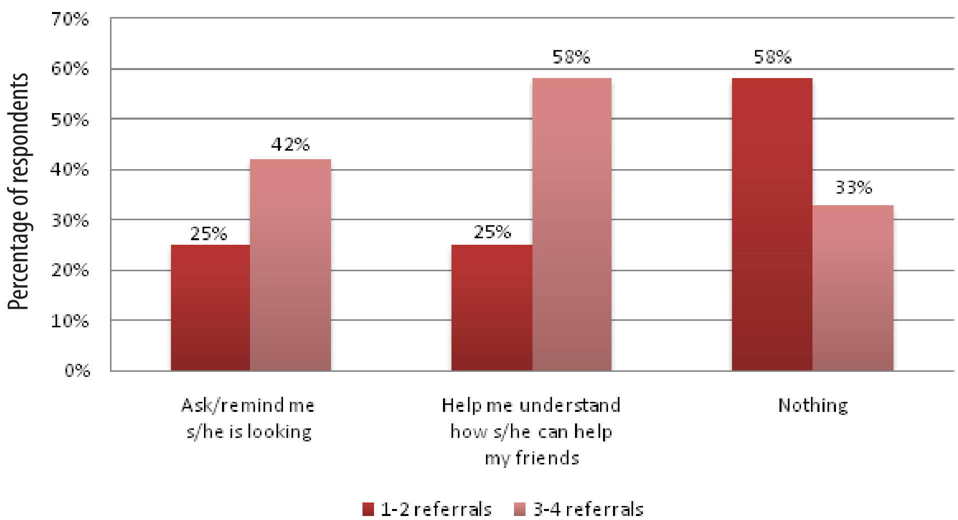


Q: How many referrals did you provide to your advisor in the last 12 months?

We asked Engaged clients if there was anything an advisor could do to increase referrals and then split them into two groups: those who provided one or two referrals and those who provide three or more referrals in a year. Sixty-seven percent of clients who gave a higher number of referrals say "yes, there is something you can do". Overwhelmingly, the answer is that advisors need to help their clients understand how they can help their friends. And secondly remind them that they're looking for referrals. See **Figure 2.13**.

Figure 2.13

ENCOURAGING MORE REFERRALS



Q: What, if anything, could your advisor do to encourage you to provide more referrals?

We'll examine the implications and tactics associated with these findings in the Game Plan section. But first, we'd like to ask you to evaluate your own referral approach by looking in the mirror.

Look in the Mirror

Sometimes advisors wonder why they do not get more referrals, despite high levels of satisfaction. We'd like you to honestly answer the questions below to determine if you are asking clients to do something that you, yourself, do not do.

- Think of someone whose experience, wisdom and expertise you value in your own professional network.
- Would you refer this person to a client, family member or another advisor?
- Within the past 12 monthly, how many times have you independently picked up the phone to make a referral on behalf of this person?

The reality is that most advisors can easily think of someone they trust and whose services they value. Most would also say they are comfortable providing a referral. Very few say they have independently referred to that individual without knowing that a friend or colleague had a need for the service. You have good intentions for making referrals, but like everyone, you're busy and don't always know how to recognize when referrals are welcome or needed.

The same goes for your clients. Clients are busy and don't always know how to spot a good referrals opportunity, so it's your job to help them help you. In the next section, we'll take a look at practical strategies for increasing referrals.

The Game Plan—Engaging Clients and Increasing Referrals

At this point the question is simple. Where do you start? Breaking the referral process down into its component parts helps us to understand the process, but now you need to determine your next steps. Above all else, it is critical to remember that increasing referrals starts with building a deep foundation with your existing clients. Everything else flows from there.

Earlier, we identified the critical drivers of client engagement as:

- Working with the right clients,
- Having the right conversations, and
- Asking the right questions.

Let's look at each in turn.

Working with the right clients.

Working with the right clients means that you both understand and target the clients for whom you can do your best work. It means that your offer is specifically designed to meet their needs (and they understand those needs) and that you have the "strength" to say "no" when a client is not right for your business.

Practically speaking working with the right clients suggests the following:

1. You understand for whom you do your best work. Consider listing your ten best clients (who may or may not be your largest clients) and then examine the similarities among those clients. Are they similar based on profession or does it go deeper? Do they share common values, have common needs or communicate in a similar way?
2. You understand yourself. Once you have gone through this exercise, consider the extent to which the characteristics you identified are reflected in your own values or style?
3. Your intake process reflects points 1 and 2. Define your ideal client based on those things that are most important, which may go beyond the basics, such as minimum asset levels. More importantly, ask the questions that will ensure that you can identify those clients where the fit is right and walk away when it is not.

Working with the right clients significantly enhances your chances of engaging a higher proportion of clients and of increasing referrals. On that same point, it may also make sense to identify any clients who are not a good fit for your business and help them find an alternative solution. Some of your Disgruntled clients may be those who weren't a good fit for your business in the first place. Easing Disgruntled clients out of the business will ultimately provide you with more time to focus on the types of clients you can do your best work for and who are most likely to generate referrals for you.

Having the Right Conversations

We know that Engaged clients have a deeper connection to their advisor and that that connection is likely to be manifested in a higher level of direct contact. Engaged clients are more expensive relationships, however the return on investment is significant.

Practically speaking, this is an issue of delivery. Do you understand what clients expect and are you delivering on that consistently? At the core, this means we need to go back to basics:

- Segment clients based on value to your business
- Clearly define contact goals, by segment, and ensure that your plan is profitable.
- Communicate those standards to your clients on a regular basis
- Standardize the meeting process, both in terms of scheduling (CRM) and organizing (team)
- Measure your performance in delivering on your goals

Bear in mind, however, that quality trumps quantity when it comes to client contact. The number of meetings is not important if the meetings are not meaningful and focused on those things that are most important to your clients. In order to ensure you understand what is most important to your clients, you need to ask the right questions (outlined below).

Asking the Right Questions

We know that Engaged clients take part in an on-going conversation; beyond reviews, their input is solicited with respect to the business. The data shows that Engaged clients are more likely to have been asked for feedback and that they are more likely to believe that feedback will have a real impact on the relationship. Encouraging active client input on a regular basis supports client engagement and helps you stay ahead of changing client needs and expectations.

There are a variety of ways to gather feedback and your choice should ultimately be based on your objectives. At the highest level, your choice is between qualitative feedback, best collected through advisory boards or focus groups and quantitative feedback, best obtained through a written survey.

- Advisory Boards allow you to have an on-going conversation with your best clients, by inviting them to take part in a structured process to examine key strategic issues in your business
- Focus groups allow you to gather qualitative input from a range of clients on a specific issue where a discussion is required, such as the launch of a new web-site
- Written surveys (online or paper) allow to consistently gather information from clients on a range of issues and to create a benchmark which can be tracked over time

Client feedback helps you to engage clients and grow your business in several specific ways:

- Demonstrates commitment to the relationship
- Identifies those things that are most important to your clients, and
- Identifies those clients who are comfortable providing referrals

Increasing Client Referrals

Shifting to increasing referrals, the data suggests that there are three specific approaches we can take. We assessed those three approaches, making some broad assumptions on the numbers, to determine which would likely net the highest return on investment.

The Strategies

1. Identify Disgruntled clients and focus your efforts on understanding their concerns and then turning those relationships around. The return is quantified by the potential to save 'at risk' relationships and assessed by multiplying the potential revenue from those clients over the presumed lifetime of the clients (we typically use 15 years).
2. Identify Content clients and focus your efforts on pulling the levers of engagement to shift some or all of them into the Engaged client category. The return is quantified by the potential to add at least one referral for each of those clients.
3. Identify Engaged clients, all of whom have provided at least one referral, and turbo-charge the process by encouraging more referrals. The return is quantified by the potential to turn a client providing one referral to one providing, perhaps, three referrals.

In the table below you will see the results of our analysis. In the example, we assume that an advisor has 200 client households and that the percentage in each cluster matches with our research. We further assume that the size of the average client is $750,000.

RETURN ON INVESTMENT: EXAMPLE

	Disgruntled	Complacent	Content	Engaged
Percent of clients	12%	39%	25%	24%
Number of clients (assuming 200 households)	24	78	50	48
Average assets/household	$750k	$750k	$750k	$750k
Strategy 1: Save Disgruntled relationships: Assets retained	$18m			
Strategy 2: Shift Content to Engaged (add one referral): Assets added			$38m	
Strategy 3: Turbo charge Engaged referrals (add two referrals): Assets added				$72m

There is no doubt that all strategies will net positive results. With limited time and resources, however, it may be wise to focus on the one that will net the greatest return.

1. Identifying Disgruntled clients and speaking to them directly about their experiences makes perfect sense. The example above shows that based on 12% of clients in this category, you could stand to protect roughly $18m in assets. The reality is, however, that Disgruntled clients may not be right for your business. If 'fit' is the issue, then you are best to walk away.

2. Identifying and then 'engaging' Content clients also makes sense. In this example, you have the potential to add up to 50 new clients (if each newly Engaged client provided one referral). And while it is never a bad idea to try and improve the experience of any client and to attempt to build deeper relationships, the harsh reality is that it will take a lot to shift people and this is a strategy best executed over time.
3. Turbo-charging the referral process by encouraging already Engaged clients to provide more referrals nets the highest return. If 48 Engaged clients each provided two more referrals at $750,000, there is the potential to grab some portion of $72m in new assets.

If the third strategy seems the best approach, we need to think about how to execute on the ideas presented in this report. Our goal, as you will recall, is to help our clients to spot a good referral opportunity and not rely on their friends asking directly for a referral to a financial advisor. To get there, we suggest you focus on 'telling your story'.

Telling Your Story

Advisors are often taught to ask for referrals and ask often. The data suggest that a better approach is to help clients to spot a good referral opportunity so that they recognize the opportunity to share your name. That opportunity is not likely to be as obvious as a client being asked for the name of a good financial advisor. Rather, the opportunity might involve a client speaking with a friend who has lost a spouse, a colleague who is selling a business or a family member who is hoping for early retirement. The need triggers the opportunity for a referral; your clients need to recognize that need.

If you can help your clients to understand the kinds of problems that you can solve and provide them with the 'triggers' for a referral, then you are the first person they will think of in those situations. By understanding who your engaged clients are and seeking to increase the level of client engagement across your firm, you're more likely to increase referrals as a natural outcome.

We know that engaged clients tend to make a referrals most often when a friend expresses a financial need. Therefore, focus on crafting the stories that help explain how you can help the friends of your existing clients with a vivid picture of how you solved very specific problems and the impact that had on their lives.

Help clients understand your target. Define your ideal client. Reassure clients that the needs of their friend/family member will be met, even if not by you.

Craft compelling stories. What problems do you solve? How have you worked with clients to meet specific life goals? How do you communicate those stories to your clients?

Reinforce your message. Bring your stories to life by integrating them into your overall communications strategy. Enhance website with articles directly associated with your 'stories.' Write a blog or publish articles. Sponsor new research among target groups. Share stories with centers of influence

In summary, your Referral Checklist reads as follows:

- √ Gather client feedback to identify disgruntled, complacent, content and engaged clients.
- √ Refine service delivery to ensure that you are delivering on key drivers of engagement, with a focus on moving content to engaged.
- √ Craft clear stories that focus on the problems you can solve.
- √ Map out process to share stories one-on-one (relationship review)
- √ Expand the reach of your stories through additional communications, such as your website

Until this point our focus has been, primarily, on the 2010 report and the implications for building relationships and growing your business. It would be remiss, before we conclude, if we did not turn our attention to how the data compares to the last study, conducted in 2008. In the next section we address changes on key metrics. Things have most certainly changed, but it's not as bad as we thought.

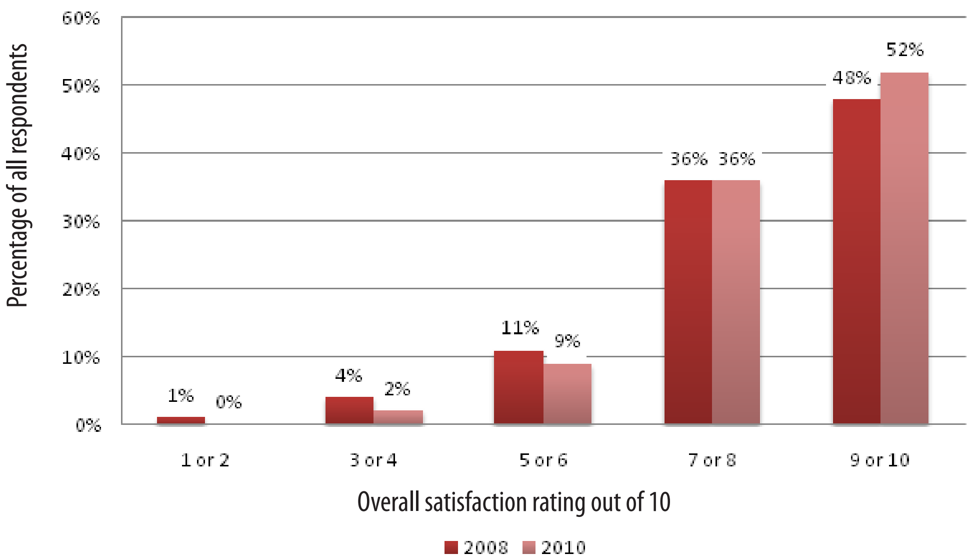
Lessons Learned

Market events of the past two years provide an interesting backdrop for examining client trust and the anatomy of the referral. We conducted our survey in May of 2010, which created some distance between the worst of the market downturn. While investors naturally weren't satisfied with market performance, satisfaction with their advisory relationships remained relatively high.

Figure 3.1 shows the change in overall satisfaction and **Figure 3.2** shows the change on our key loyalty metric (the likelihood a client will change advisors).

Figure 3.1

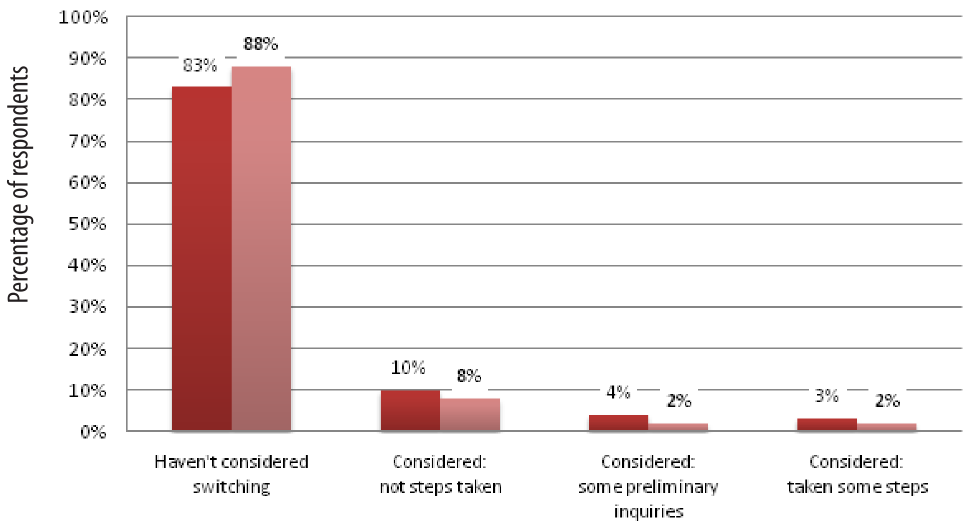
OVERALL SATISFACTION IS STILL HIGH



Q: Please rate your overall level of satisfaction with your financial advisor.

Figure 3.2

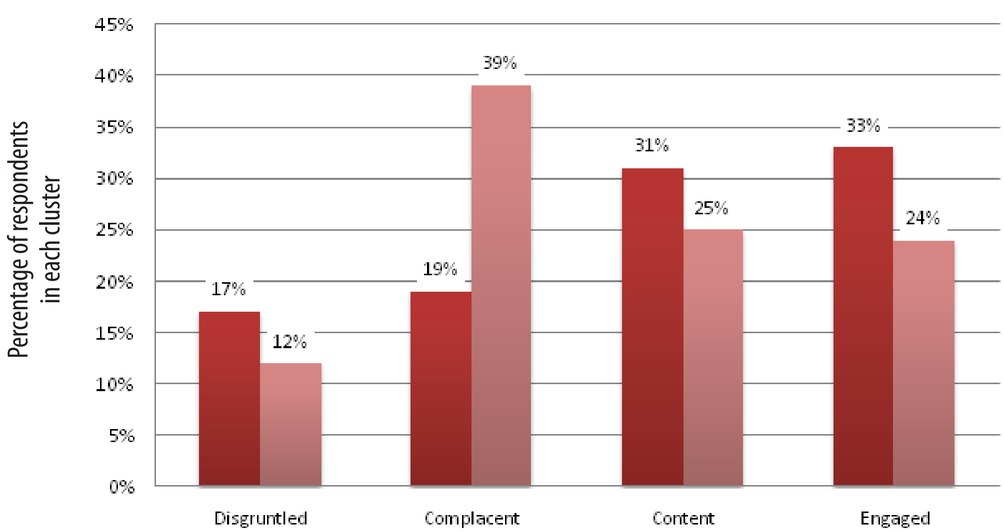
SWITCHING BEHAVIOR



Q: Thinking about your current advisor, which best describes your desire to stay with him or her?

That said, we know that satisfaction and loyalty can be skewed. When we look at the client clusters, we see that the downturn represented what is best described as a shift to complacency. (See **Figure 3.3**)

Figure 3.3



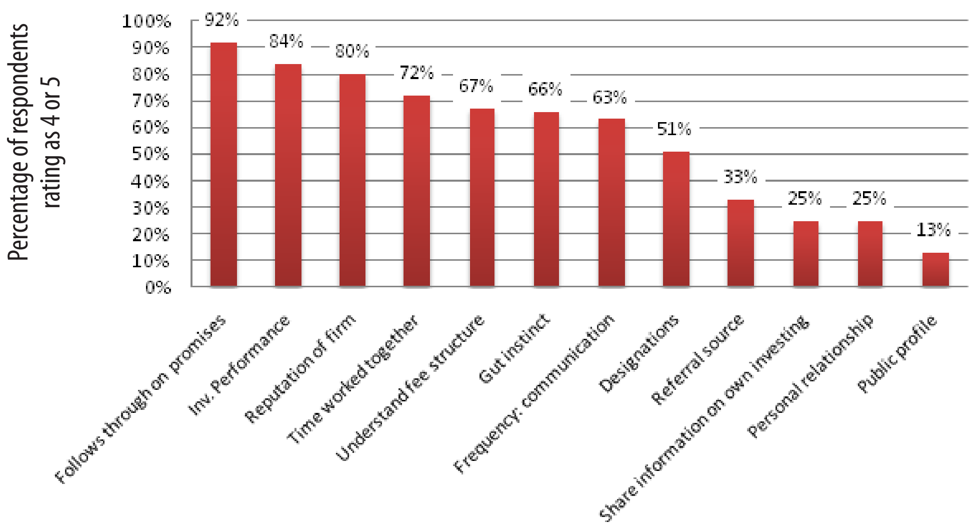
The Importance of Trust

Not surprisingly, trust is a key issue following a period marked by scandal. Despite that, most investors still trust their personal advisors. This seems to indicate that trust is hard to dent by the action of others—it's your own actions, reputation and reliability that matter most to clients.

Our survey results indicate that it's fairly simple things that drive overall trust. In **Figure 3.4**, the number one driver of trust is "following through on promises." As an advisor, you build trust by doing what you say you're going to do. Investment performance comes in at the number two spot on the list in terms of building trust, but our survey results don't necessarily tell us what the expectation of good performance is. As we've seen, markets can go down and trust can be maintained.

Figure 3.4

DRIVERS OF TRUST



Q: Which of the following are important indicator of trust, between you and your financial advisor?

(See **Appendix 8** for the means on these drivers of trust.)

The data on trust shows clearly that our deepest client relationships can – and have – been maintained. It reminds us that when we have a strong foundation with clients, those relationships can withstand severe and uninvited tests.

Conclusion

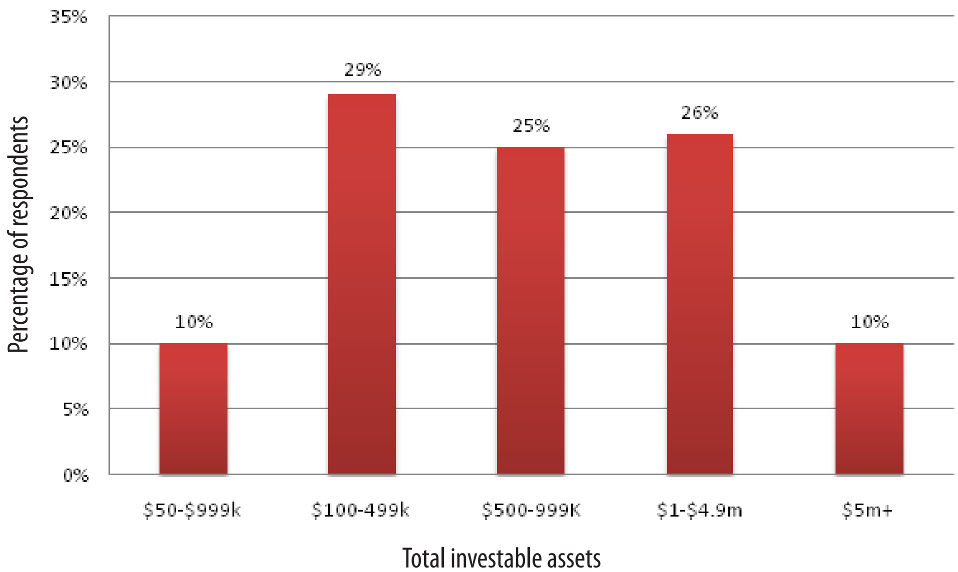
The Economics of Loyalty, in 2010, focuses on referrals, but is, at the core, about the depth of our client relationships. It suggests that our focus should be less on understanding satisfaction – or dissatisfaction – and more on understanding what turns an otherwise satisfied and loyal client into an advocate for your business. And while the approach is – at least in its intent – a practical look at how to position yourself to increase referrals, it would be a mistake to forget that it all starts with client engagement.

We hope, with this study, that we've started and supported a conversation about what matters most to clients and to advisors. As all good conversations, it is on-going, interactive and focused on what matters most. We are asking the important questions, gathering fact and opinion and sorting through both to identify the ideas and insights that will help advisors affect real change in their businesses. We welcome your input and insight on this report.

Appendix 1: Respondent Profile

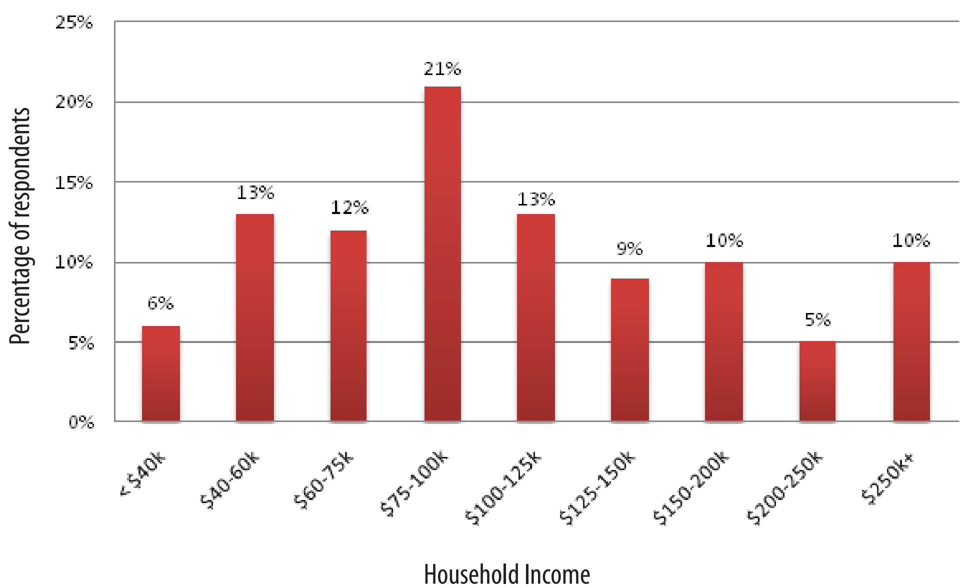
The following provides a profile of the participants of the 2010 Economics of Loyalty study.

INVESTABLE ASSETS



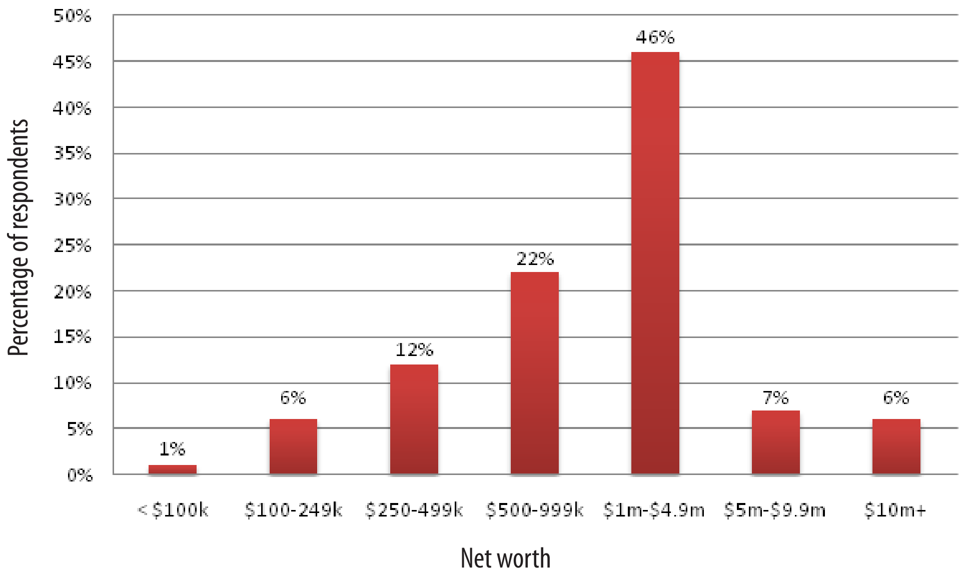
Q: Please tell us which best describes your current total investable assets, including all mutual funds, stock, bonds, 401(k), IRA and other retirement accounts (excluding real estate)

HOUSEHOLD INCOME



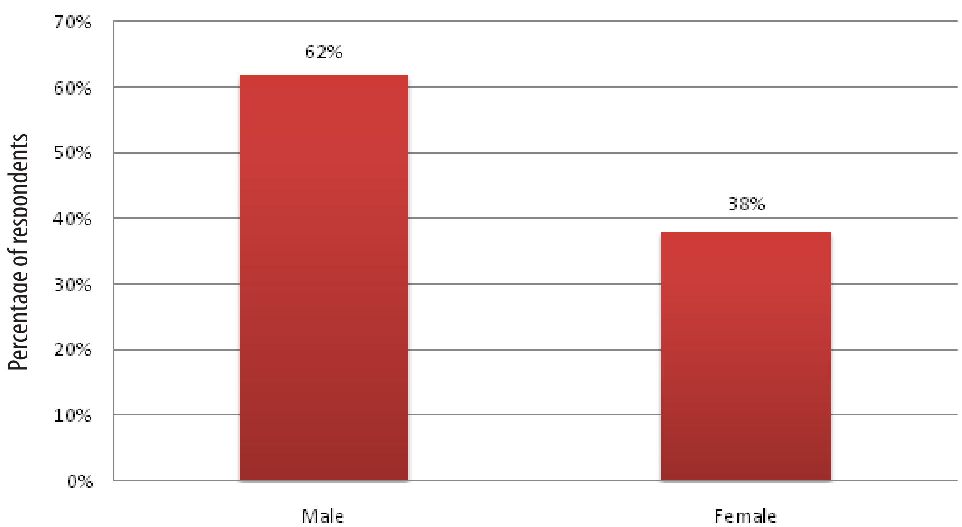
Q: Which of the following best describes your household income before taxes?

NET WORTH



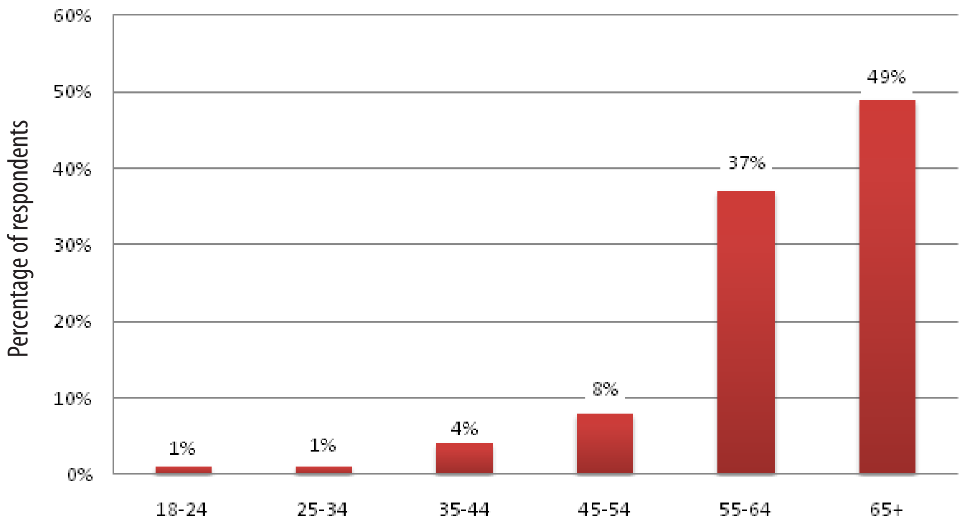
Q: If your household sold all major possessions (including your home), turned all investments into cash and paid off debt, how much would be left?

GENDER



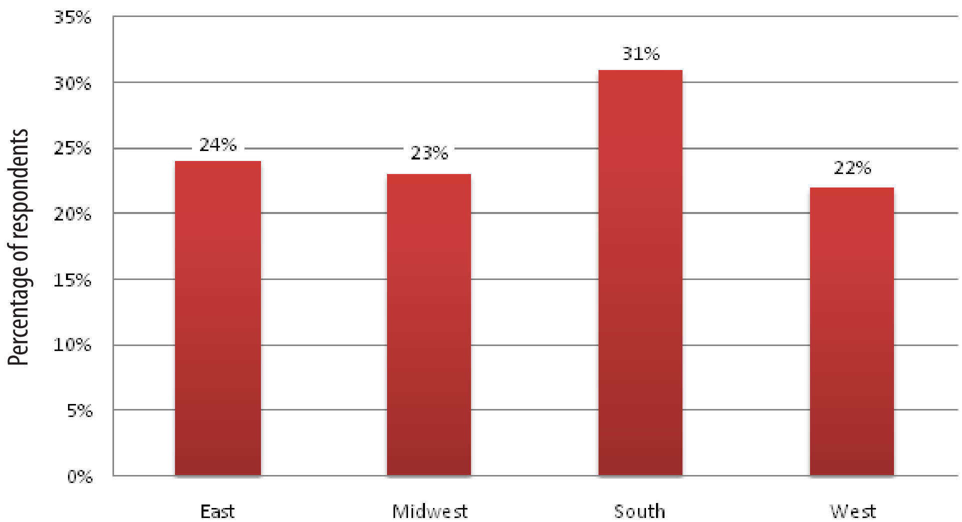
Q: Are you......?

AGE



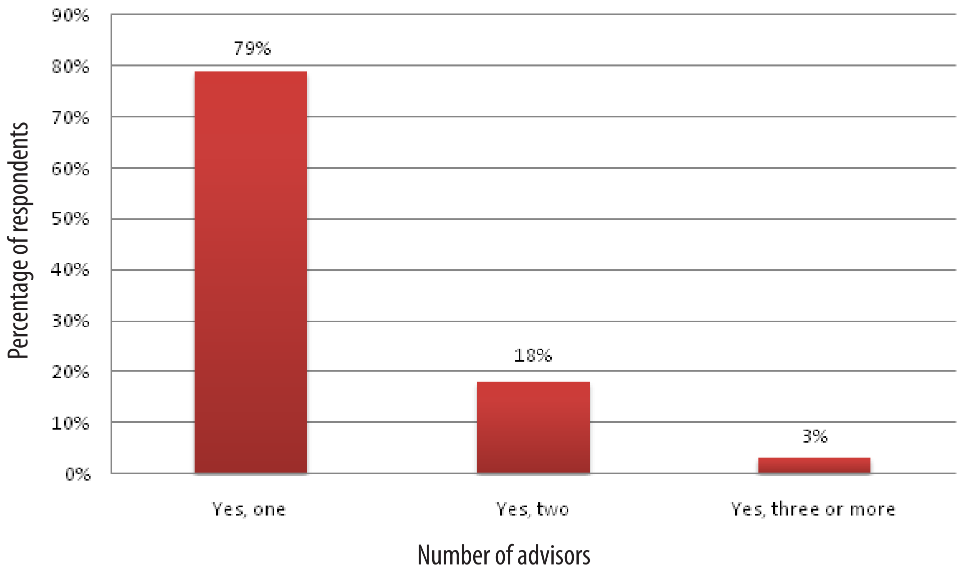
Percentage of respondents
60%
50%
40%
30%
20%
10%
0%
1%
1%
4%
8%
37%
49%
18-24
25-34
35-44
45-54
55-64
65+

REGION



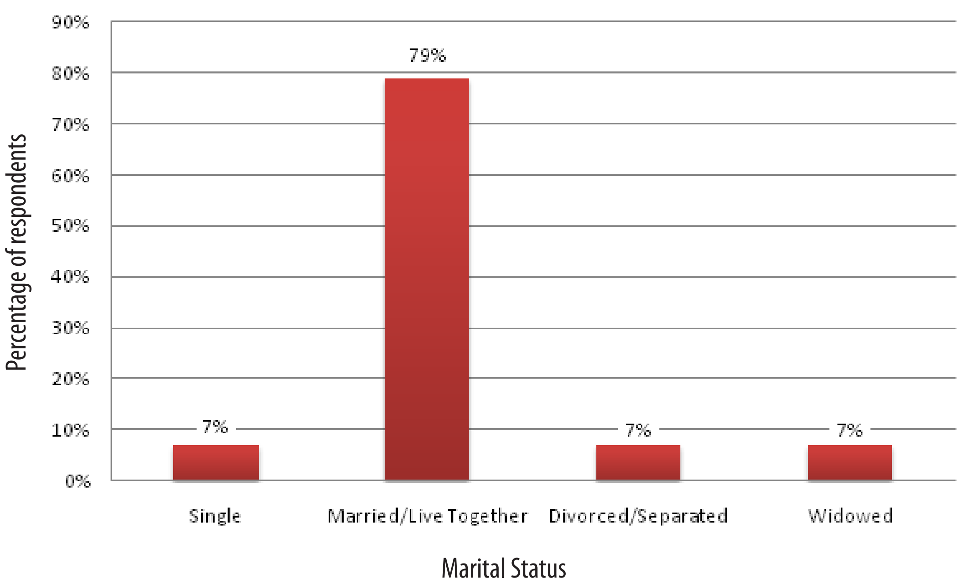
Percentage of respondents
35%
30%
25%
20%
15%
10%
5%
0%
24%
23%
31%
22%
East
Midwest
South
West

NUMBER OF ADVISORS



Q: Do you work with one or more financial advisors to help you invest those investable assets or manage other aspects of your financial life?

MARITAL STATUS



Appendix 2: Satisfaction and Importance

The following is a comprehensive list of the service dimensions that were assessed in the Economics of Loyalty 2010. The table shows the percentage of clients providing a 'top box' rating (5 out of 5) on satisfaction and the percentage of clients providing a 'top box' rating on importance.

	Importance Percentage Rating 5/5				Satisfaction Percentage Rating 5/5			
	Disgruntled	Complacent	Content	Engaged	Disgruntled	Complacent	Content	Engaged
Advisor is trustworthy	72	77	80	87	50	77	85	87
My financial advisor is reliable	60	71	76	81	39	72	81	87
My financial advisor treats me with respect	50	58	59	67	45	77	83	87
My account is handled with few errors	62	72	74	84	51	75	79	86
Returning calls and emails	67	65	67	73	55	74	78	85
Has good knowledge about investment services/ products	58	64	70	75	35	70	74	79
Advisor provides sound advice	61	64	69	74	22	65	71	79
My advisor demonstrates he/she values my business	40	47	52	62	21	62	66	79
Any problems I encounter are resolved quickly	40	49	49	56	40	66	71	79
Working with advisor who makes few errors	61	61	62	70	50	72	78	78
Understands goals for future	50	57	62	71	32	62	68	77
Gives me personal service	28	44	44	59	31	61	66	75
Has time for me	36	51	55	61	33	62	66	73
Is a good listener	43	51	50	58	32	60	65	73
Frequency with which advisor contacts me	20	18	20	30	22	54	62	73
Advisor takes proactive approach	37	46	52	61	17	56	59	69
My advisor gives me peace of mind	45	51	52	59	17	57	63	69

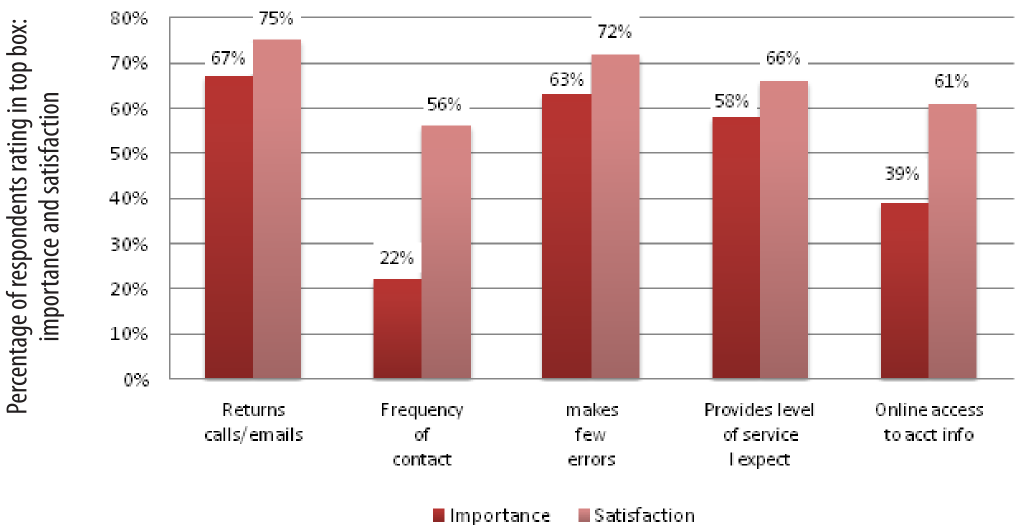
[Table continues on next page]

	Importance Percentage Rating 5/5				Satisfaction Percentage Rating 5/5			
	Disgruntled	Complacent	Content	Engaged	Disgruntled	Complacent	Content	Engaged
Comfortable with level of risk	42	57	65	70	16	49	58	68
Confident in support team	37	43	47	53	24	54	63	68
Working with advisor who provides level of service I expect	31	41	47	52	19	56	62	68
Difficult concepts clearly explained	44	47	49	52	21	50	56	66
Online access to account information	42	35	39	43	60	57	62	66
Statements clear and easy to understand	49	46	58	58	46	58	63	64
Having clear plan in place for retirement	39	44	52	57	19	44	53	63
Provides good value for fees paid	57	52	55	59	19	51	52	61
Range of services meets my needs	28	38	48	52	12	44	50	60
Keeps me up to date on the market/ regulatory issues	34	39	43	52	18	46	53	57
Long-term performance meets expectations	54	52	60	68	10	39	48	55
I have a strong personal relationship with my advisor	9	19	20	26	13	31	34	46
Access to other professional advisors provided when appropriate	8	11	15	15	9	25	30	34
Communicates via social media	2	3	8	5	2	7	10	10

Satisfaction Gaps

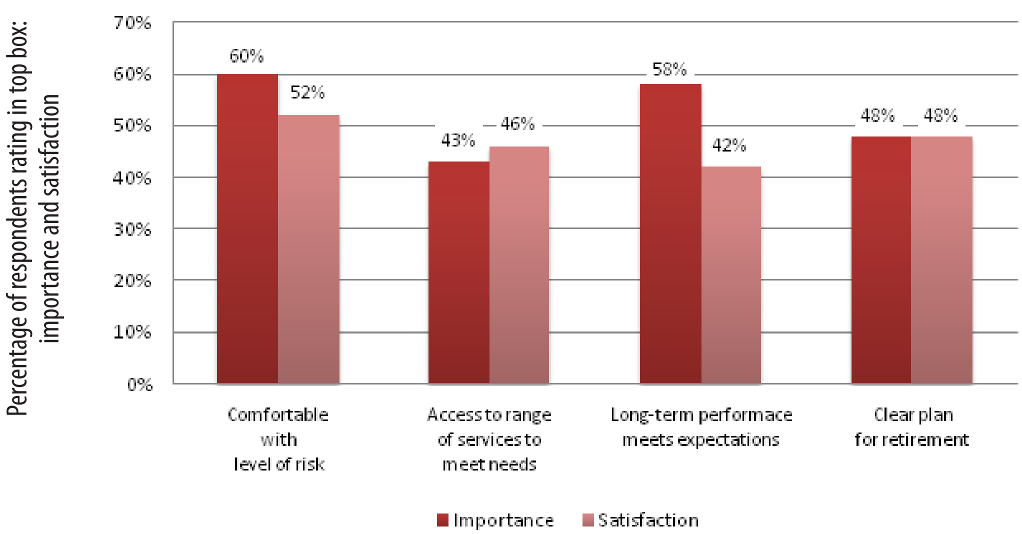
The following shows a detailed breakdown of satisfaction gaps on all aspects of service assessed.

SATISFACTION GAPS: TOTAL, TOP BOX



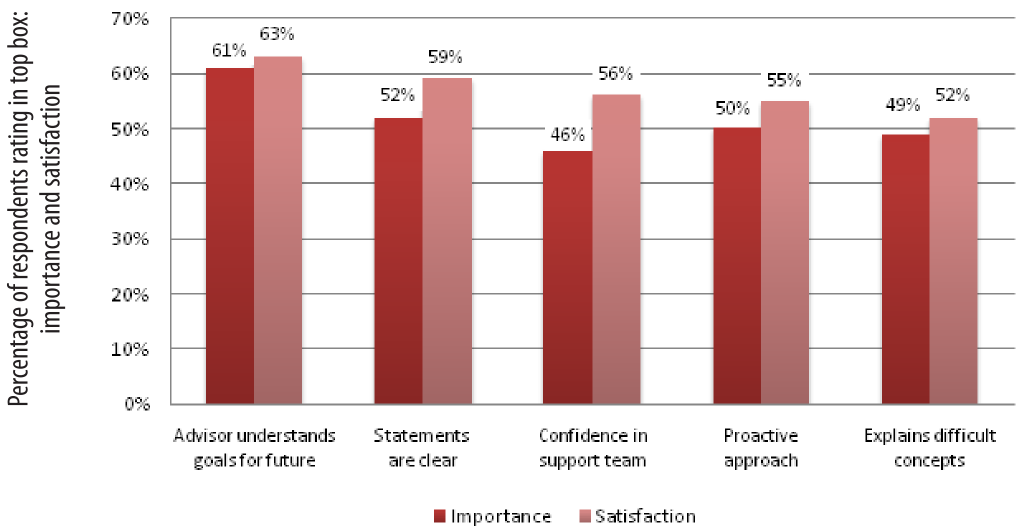
Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

SATISFACTION GAPS: TOTAL, TOP BOX



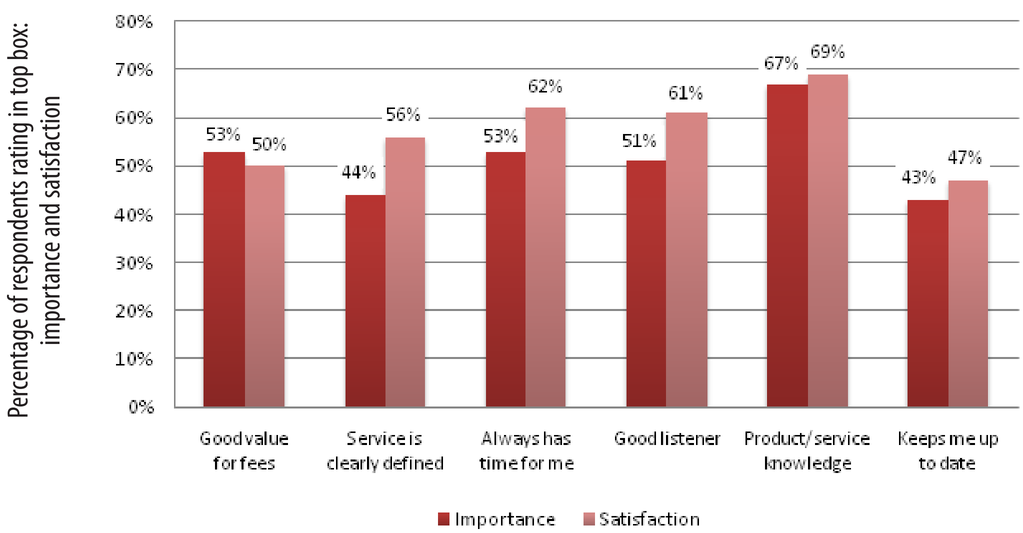
Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

SATISFACTION GAPS: TOTAL, TOP BOX



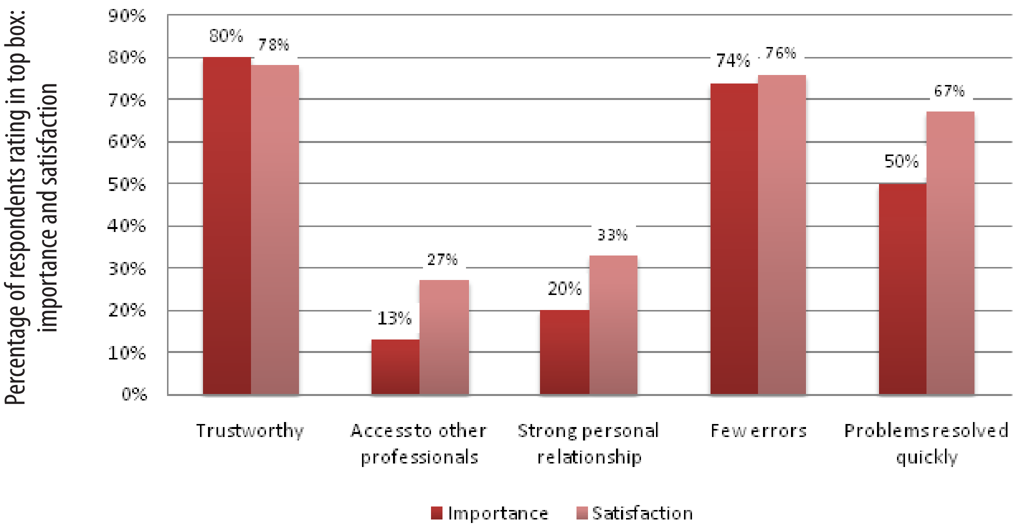
Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

SATISFACTION GAPS: TOTAL, TOP BOX



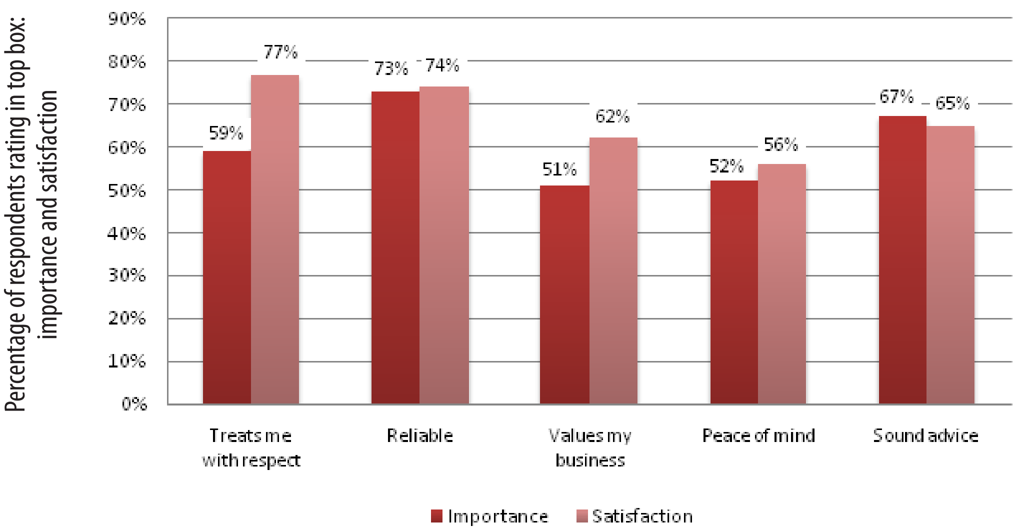
Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

SATISFACTION GAPS: TOTAL, TOP BOX



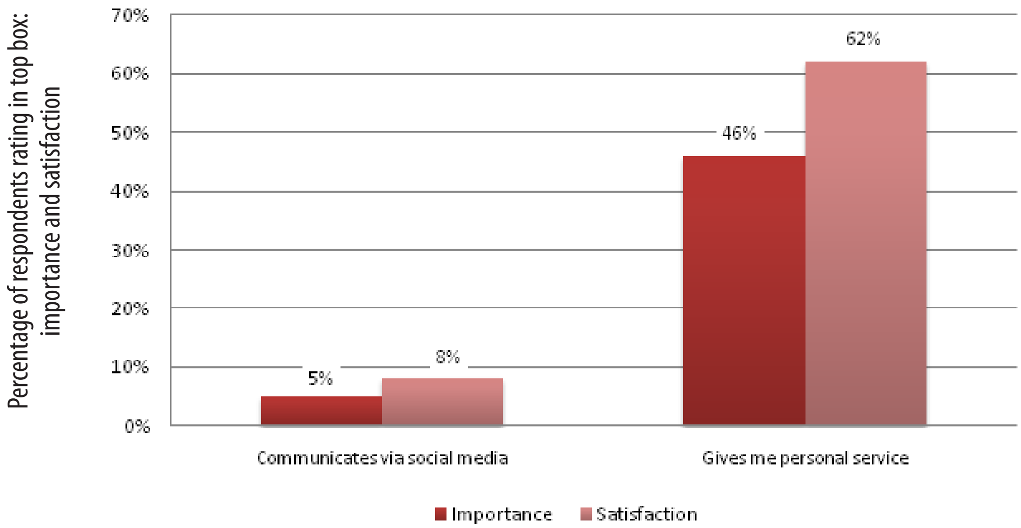
Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

SATISFACTION GAPS: TOTAL, TOP BOX



Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

SATISFACTION GAPS: TOTAL, TOP BOX

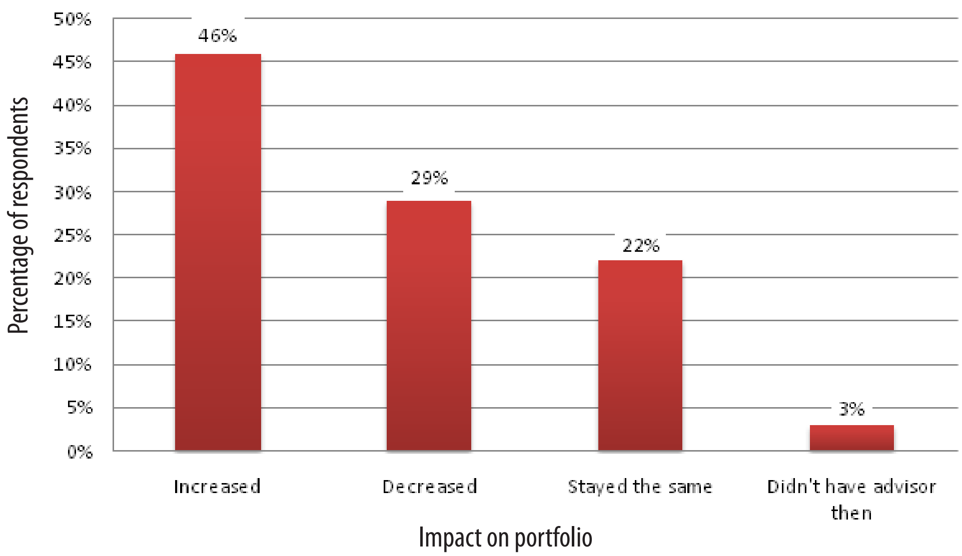


Q: The following pages show all aspects of service tested - importance rating (top box) and satisfaction (top box)

Appendix 3: Investment Performance

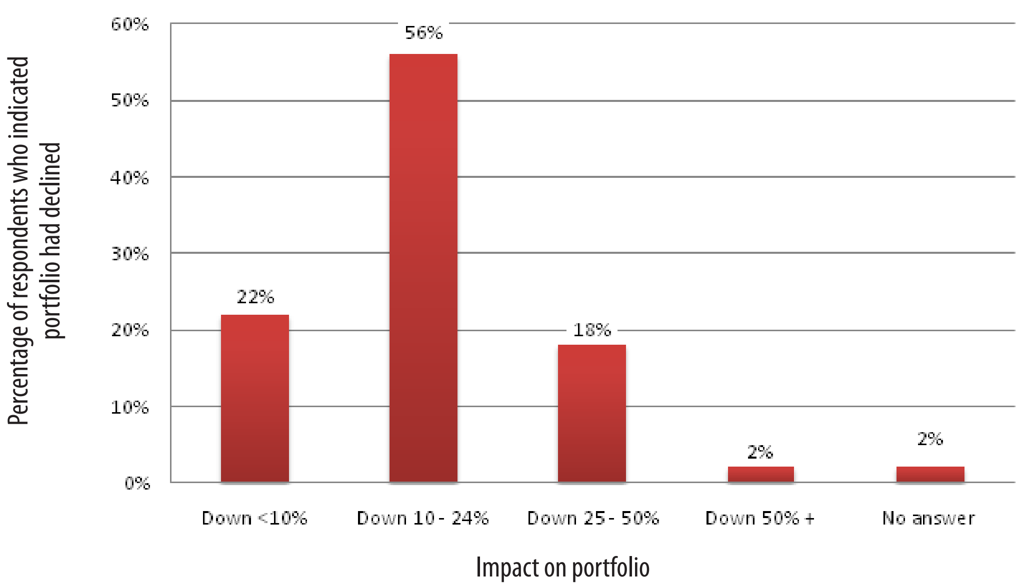
The following provides a detailed overview on client responses regarding investment performance.

INVESTMENT PERFORMANCE: DIRECTION



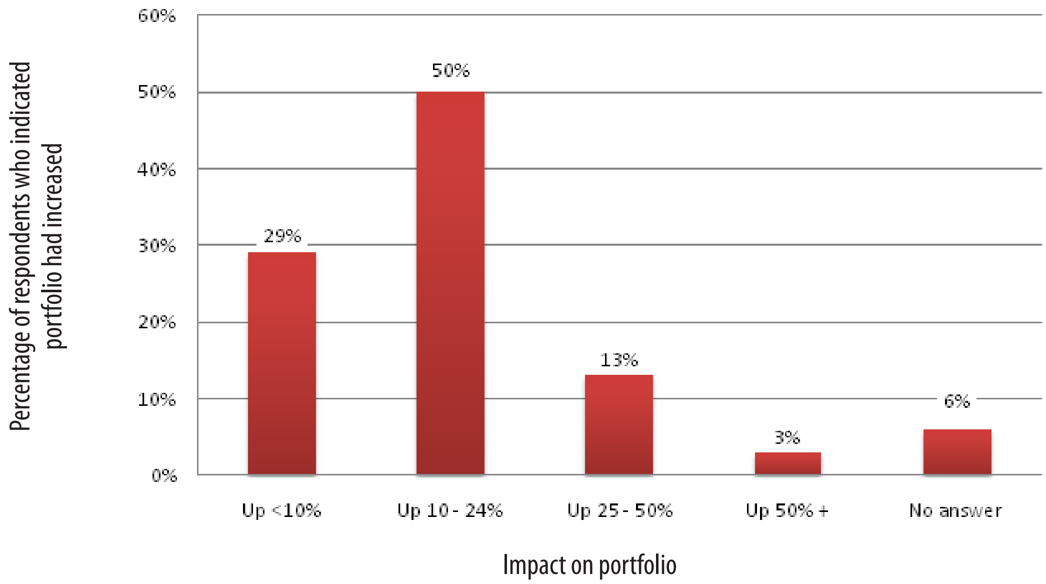
Q: Reflecting back over the last two years until today, which best represents the state of your current investment portfolio?

INVESTMENT PERFORMANCE: CHANGE DOWN



Q: How much has your portfolio decreased in value since October 2008? n=those who indicated a decrease in last two years.

INVESTMENT PERFORMANCE: CHANGE UP



Q: How much has your portfolio increased in value since October 2008?
n=those who indicated an increase in last two years.

Appendix 4: Additional Sevices and Share of Wallet

The following shows how clients perceive the need for a variety of additional services.

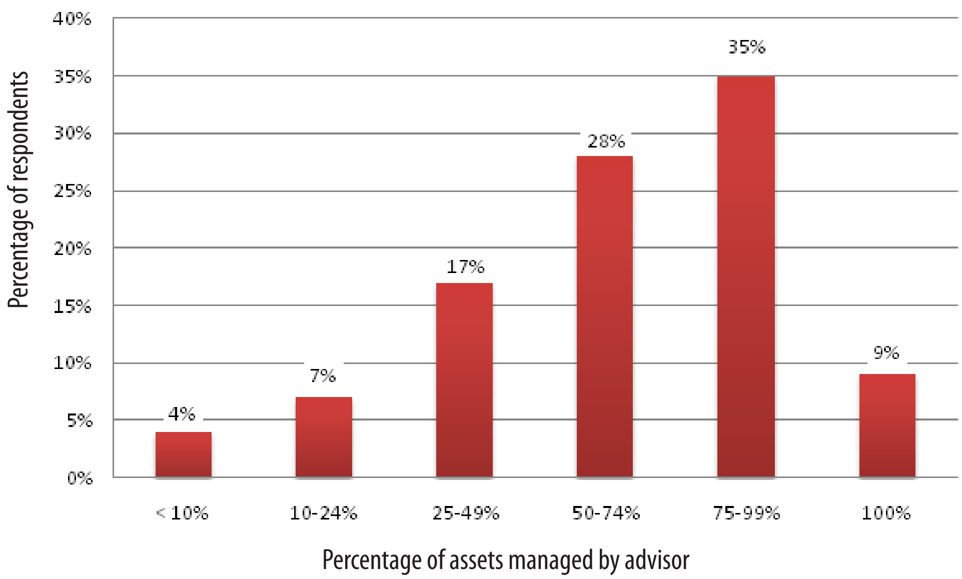
	Already in place and managed by my financial advisor	Already in place and managed by another professional	Not needed/ Not applicable	Not in place but may be needed
Estate Planning	37%	26%	26%	18%
Trust Services	23%	22%	36%	17%
Tax Planning	29%	31%	30%	8%
Planning for Needs of Aging Parents	6%	4%	83%	7%
Planning for Income Needs in Retirement	71%	9%	16%	3%
Life Insurance	22%	31%	43%	4%
Critical Illness	11%	21%	44%	21%
Disability Insurance	9%	16%	59%	14%
Long-term care Insurance	15%	22%	32%	30%
Saving for your Child's Education	8%	3%	86%	3%

Q: There are many different services available through your financial advisor, depending on your specific needs. How do you currently manage the following areas?

Share of Wallet

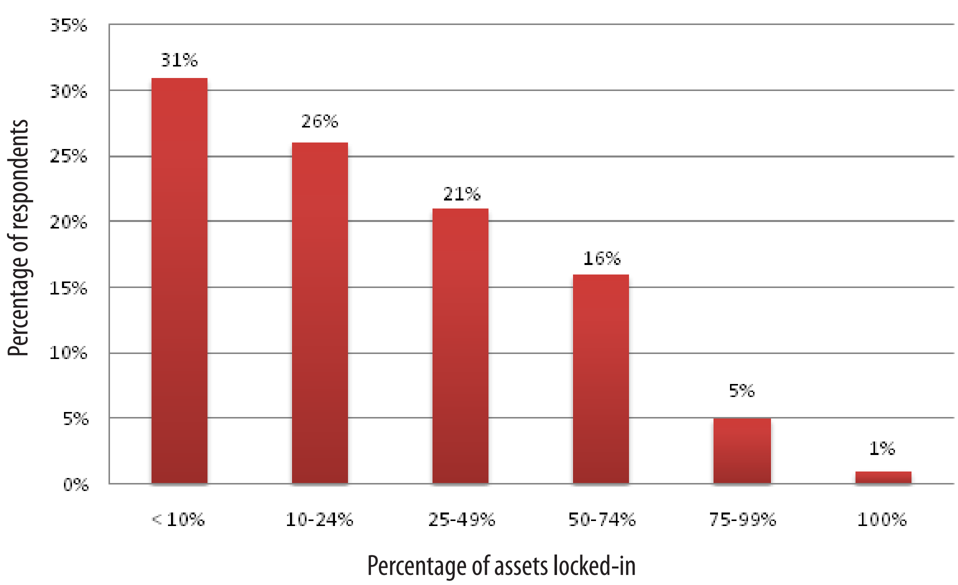
The following shows client responses regarding share of wallet with primary advisor and percentage of locked-in assets.

SHARE OF WALLET



Q: What percentage of your investable assets are managed by your financial advisor, including all mutual funds, stocks, bonds, 401(k), IRA and other retirement accounts (excluding real estate)?

LOCKED-IN ASSETS



Q: What percentage of your investable assets are locked into a retirement account or other investment vehicle, that is not directly influenced by your financial advisor?

Appendix 5: Client Education

The following shows the way in which clients perceive different educational activities or communications.

	Importance (Top two boxes)	Satisfaction (Top two boxes)
Sending you informational newsletters	45%	61%
Offering workshops	19%	37%
Directing you to useful online financial tools, such as calculators	27%	40%
Directing you to useful online sites, including blogs and other social media	21%	38%

Q: To what extent is it **important** to you for your financial advisor to provide you with educational opportunities about the markets, investments and insurance?

Q: Now, we'd like to know how much you agree that your financial advisor is **satisfying** you, on educational opportunities.

Appendix 6: Service Expectations: Downturn

The following shows how clients responded with respect to how advisors should change service after the last two years.

	More of this	About the Same	Less of this
Hold formal plan/ portfolio reviews	13%	84%	3%
Have personal informal communication to reassure me	11%	85%	4%
Host educational activities, such as workshops	12%	73%	16%
Send general articles about the markets or other financial topics	10%	83%	8%
Acknowledge that he/she values our relationship in ways that don't directly relate to our business relationship	8%	84%	8%
Focus more on understanding personal financial goals during review meetings rather than looking only at portfolio returns.	12%	85%	3%

Q: In consideration from what you've learned in the last two years, what are the things you will look for your financial advisor to more of, less of, or the same level of activity?

Appendix 7: Leadership

The following shows a more detailed overview of the way in which clients saw the role of their advisors during the 2008-2009 market downturn.

	Importance: Mean (out of 5)	Importance: Top Box (5 out of 5)	Satisfaction: Mean (out of 5)	Satisfaction: Top Box (5 out of 5)
My advisor demonstrated leadership by reassuring me during a turbulent market	4.1	41%	4.2	49%
My advisor helped me to understand the impact that market turbulence would have on my ability to reach my financial goals	4.1	41%	4.2	50%
My advisor has helped to keep my long-term plan on track, despite market turbulence	4.3	49%	4.3	53%
My advisor added value above and beyond investment performance	3.9	32%	4.1	41%
My advisor helps to keep me focused on the long-term performance of my plan, rather than on the recent market downturn	4.3	48%	4.4	56%
My advisor actively reviewed the composition of my plan, in reaction to the recent market downturn	4.2	49%	4.3	53%

Q: To what extent are the following statements important to you when you think about your financial advisor over the past two years?

Q: Now, we'd like to know how much you agree that your financial advisor satisfied you in the past two years, when you think about each of the following statements.

Appendix 8: Trust

The following shows a more detailed overview of the way in which client view possible drivers of trust in an advisory relationship.

	Percentage rating Critical (5 out of 5)	Mean importance Rating
My advisor follows through on promises made	56%	4.5
The reputation of the firm for which the advisor works	39%	4.1
Extent to which plan/portfolio performance has met my expectations	37%	4.2
I fully understand my advisor's fee structure	32%	3.8
Length of time we have worked together	28%	3.9
A good 'gut instinct' I get when I talk to my advisor	24%	3.8
Frequency of communication from advisor	20%	3.7
The professional designations my advisor holds (e.g. CFP)	15%	3.4
The source who referred me to my advisor	10%	2.8
Having a personal relationship with advisor, outside of our business relationship	10%	2.5
My advisor shares information about his/her personal investments	7%	2.5
Advisor has a public profile (e.g. quoted in media, writes books or articles)	4%	2.2

Q: Trust is usually evident in any successful and strong relationship, but it is sometimes hard to define. Which of the following are important indicators of trust, between you and your financial advisor?