

Special Report

Taking your advice to the next level

Insights from practitioners on resilience, marketing, technology and the evolution of advice.



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Introduction

'Resourcefulness' is not a term that comes to mind when we think of professional services. But given the last decade of change, it's a designation that's almost entirely owned by financial advisers now. So, when COVID-19 attempted to dictate the course of 2020, the financial advice industry tapped into its well-worn resilient muscle and white knuckled its way ahead.

In the midst of the COVID-19 pandemic, we brought together over 500 people online as part of the virtual XY Adviser Tour. Held in May and sponsored by Netwealth, people attended six presentations that included some of the world's top financial planning minds. The well-known Michael Kitces and 'sketch-guy' Carl Richards spoke about what the future of advice could look like, while Dr Adam Fraser examined how to make the most out of working from home. We also discussed marketing, business efficiency and how to evolve your value proposition.

The insights from these presentations are so important to financial advisers right now we've decided to share them in this paper.

While you can't hear their accents or laughs, we hope the insights from our presenters help you see your business in a whole new light. As the challenges of COVID-19 continue to move through the broader community, you may find the solutions to some of your problems within these pages.

- **Matt Heine, Joint Managing Director, Netwealth**

- **Clayton Daniel, Managing Director, XY Adviser**



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High-performance individuals, resilience and burnouts

05 Introduction

05 Burnout and compassion fatigue

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Dr Adam Fraser is a doctor specialising in peak performance. Financial advisers are often high-performers who spend their life solving client problems. This can take its toll, sometimes leading to burnout and compassion fatigue.

In his presentation, Resilience Isn't the Problem - Recovery and Emotional Wellbeing Is, Adam discusses how resilience is a trait commonly seen in proactive problem-solvers, with financial planners amongst the top group of professionals to have this capability.

According to Adam, this comes from constantly adapting to complex situations and keeping an optimistic outlook during tough times, whether that be dealing with a pandemic, market volatility or top-down regulatory changes.

Over time this resilience can come at great cost to the individual. High-performers risk burnout from having to constantly adapt to new environments. This is often exacerbated by overexposure to solving client problems and can result in another form of burnout called 'compassion fatigue'.

Studies undertaken by Adam and his colleagues have found financial planners are like other high-performing individuals who spend their lives helping others. They have a higher risk of experiencing burnout and compassion fatigue.

Burnout and compassion fatigue

Burnout happens when a person's responsibilities exceed their means. While compassion fatigue occurs when someone has overexposure to other people's problems regularly. These symptoms have been compared to post-traumatic stress disorder¹.

Parallels have been found between financial advice and the legal profession. Investigations into burnout and compassion fatigue in the legal profession have found similar outcomes to those who work in social welfare and mental health². Attributes found to contribute to these issues are also relevant to financial advice. These include:

- The competitive nature of the profession;
- The requirement to be self-sufficient;
- Ignoring one's own emotional needs; and
- The isolated nature of working conditions.³

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Dr Adam Fraser
Human Performance Researcher



¹D. Portnoy, 2011, 'Burnout and Compassion Fatigue Watch for the Signs', Health Progress, Catholic Health Association of the United States

²Financial planning has striking similarities to both of these professions. Financial planners often experience a range of issues that both these other professions primarily deal with and have been trained in, whereas, financial planners have not

³L. Norton, J. Johnson & G.W. Woods, 2016, 'Burnout and compassion fatigue: what lawyers need to know', UMKC Law Review, vol. 84, no. 4, pp. 987-1002.

How can you manage burnout and compassion fatigue?

With the current COVID-19 pandemic affecting everyone in different ways, you need to consider self-care now more than ever. To help achieve this, there are a couple of scientifically backed strategies to help relax your mind and body⁴.

One is the SAFE framework, developed by Adam, and the other involves practising self-care.

1/ Being SAFE

Developed by Adam, the SAFE framework is based on studies that concluded that people who handle struggle and discomfort well demonstrate four key 'SAFE' self-care behaviours:

- 1. Sit** with discomfort associated with the struggle – You need to sit long enough and learn from the negative or uncomfortable thoughts and emotions we experience as part of the struggle.
- 2. Accept** your thoughts, emotions and responses to a difficult situation – You shouldn't judge your thoughts and emotions during the struggle (e.g. 'I should be more positive', 'I shouldn't let this situation bother me'), rather accept them so you can focus on action.
- 3. Focus** on the development that comes from the struggle – You should focus on the personal growth and development that will result if you handle the situation.
- 4. Engage** in constructive behaviour to solve your problem – When faced with a struggle,

you should be positive and constructive in the moment to address the struggle.

2/ Practising self-care

Adam also recommends taking micro-breaks at regular intervals as a self-care strategy. Breaks should be on a daily, weekly and monthly basis:

When	What you can do
Daily	Relax and focus on breathing for a couple of minutes
Weekly	Do something that energises you and recharges your batteries
Monthly	Take a full day off with nothing scheduled

Using the SAFE framework and recharging yourself with regular self-care, can help put you in a better situation personally so you can serve your clients and avoid burnout.

⁴A. Fraser, 2020, Strive Embracing the gift of struggle, John Wiley & Sons Australia Ltd, Milton QLD.



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Building your client's financial plan during uncertainty

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- 09 One more thing – personalised channels



Carl Richards is a highly respected CFP® and creator of the New York Times column The Sketch Guy. He is passionate about the future of financial planning and as the name of his column suggests - sketching. In his presentation, titled Real Financial Planning, Carl challenges the role the financial plan should play in the provision of advice.

He argues that there are many financial planners who still believe they are in the 'investment business' and that their role is quantitative or math based. While some planners have moved towards becoming client coaches, Carl thinks that many still believe they must sell a product to add value to their client relationships - and that product is now a complex financial plan rather than investment products.

According to Carl, presenting clients with a perpetual solution via a financial plan is doomed to fail. That's because the expectation is that clients will follow a strict process but that's unrealistic because life throws out so many curve

balls. Instead, your suggested plan needs to cater for the unexpected.

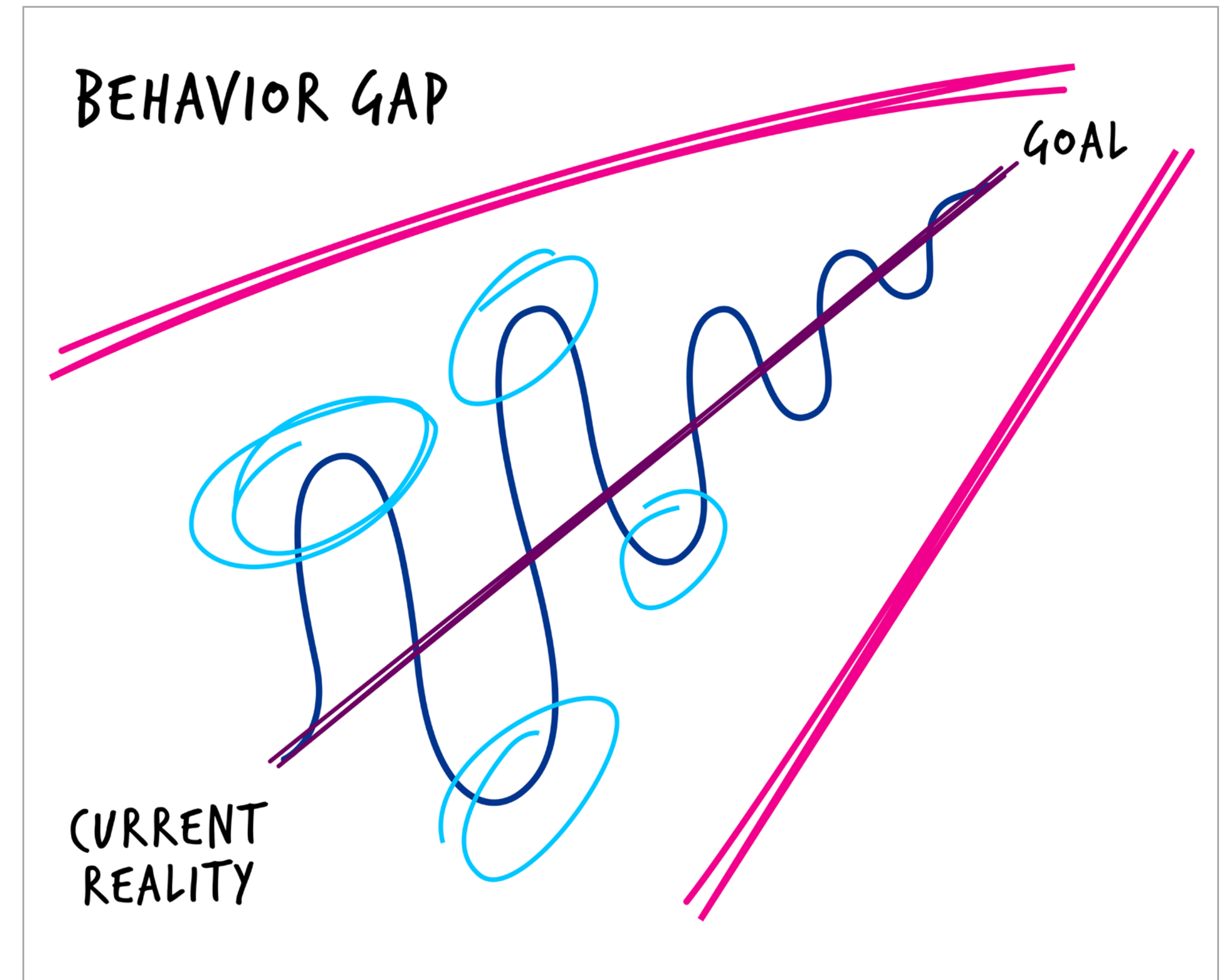
Our lives rarely follow a set trajectory and having a rigid, inflexible financial plan is not conducive to good client relationships.

This is because the paper the plan is written on is outdated before a client even lays eyes on it.

We only need to look at the current pandemic to understand that life rarely follows a plan. As humans, we experience too many uncertainties and, as a financial planner, it's up to you to help clients understand and implement the financial plan that you write for them.

Carl's drawing demonstrates the difference between the expectation and reality of a financial plan.

Life is unpredictable, and we're often thrown curveballs, so we constantly need to revise and update goals and objectives on our life journey.



Build fluidity into your financial plans financial plan during uncertainty

Carl did present a solution to this problem - use the financial plan as a map or guide rather than a directive. This approach is also more likely to resonate with clients as people rarely want to be told what they 'should' do.

With the plan as a guide, you must then be comfortable with communicating potential diverging paths to your clients.

Carl illustrated this with the recent pandemic. While few knew what was coming, many advisers would have already built-in some safety nets to manage client expectations through volatility. This may have included how they communicated with their clients to provide them with a degree of certainty.

Potential communication strategies you could use include:

- Asking your client plenty of questions and, more importantly, listening and empathising with them during these conversations⁵. By recognising that you are sometimes a release valve for their stress you can give them some peace of mind;
- Acknowledging your clients' problem is unique and then guiding them to come up with their own solution. Often people who come up with their own plans are more likely to follow them;

- Effectively explaining your advice recommendations and how you arrived at them can help your clients understand their plan; and
- Sharing stories with your clients to show them you're aware of and understand their personal situation⁶. Stories can also help you guide your clients to make important decisions at difficult points in their lives.

Regardless of the complexity that certain situations may present, it's ultimately up to you to make the process easier for your clients to digest. By using your financial plan as a guide and soft skills like communication you can super-charge your relationship with your client.

One more thing – personalised channels

Andrew Rocks, Head of Partnerships at Virtual Business Partners, talks about how you can take personalisation to a whole new level by identifying the communication channel each client prefers.

A particularly effective strategy that he uses in his advice practice is to simply ask each client how they would like to be communicated to.

Asking this simple question early on in the relationship building process ensures the client feels heard, the advice process is bespoke to them and the timeliness of your responses are well understood. This effectively builds trust early in the advice process when it's critical to establish that connection.

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Carl Richards
Financial Planner, Behavior Gap



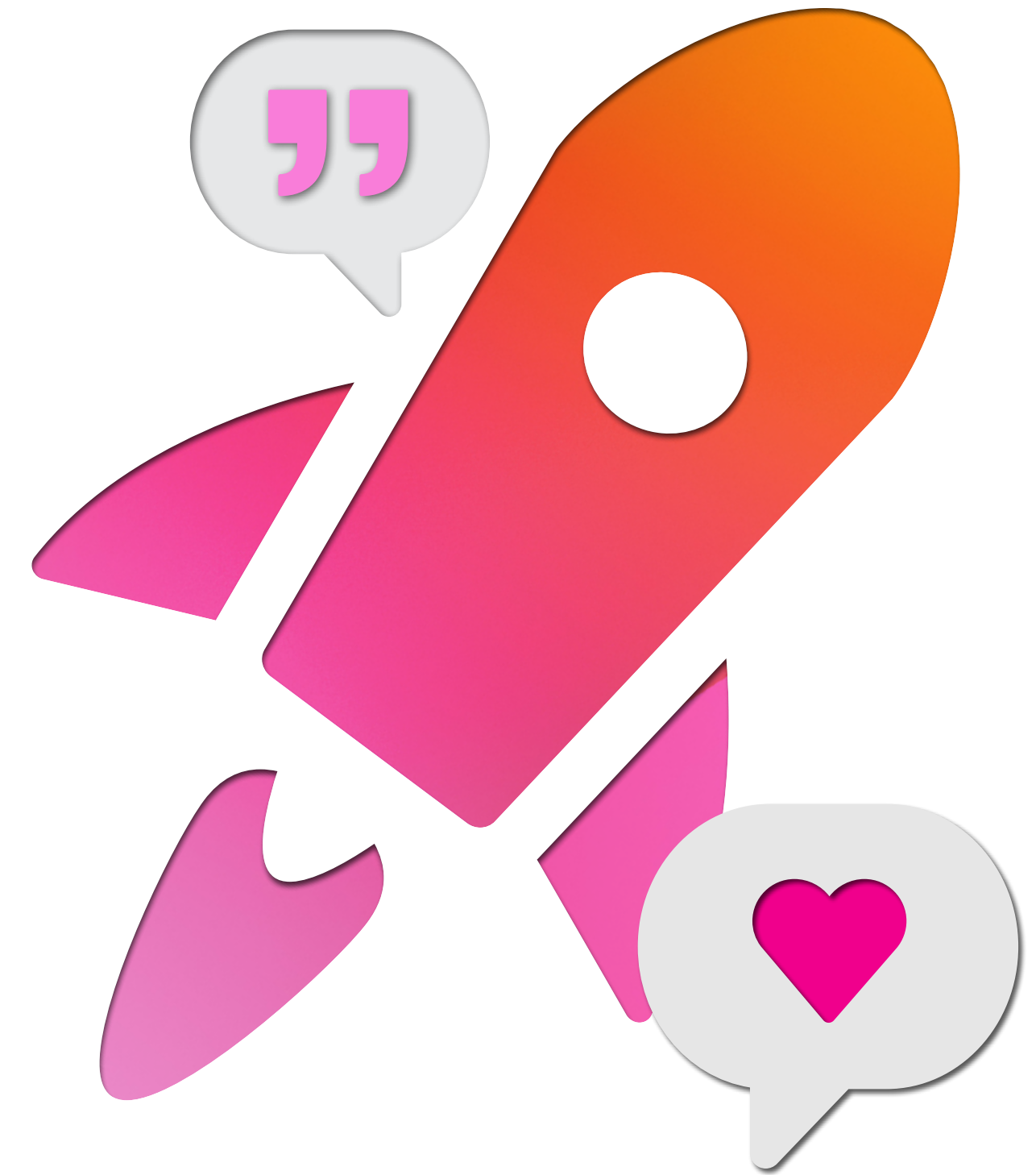
⁵This is addressed in - M. Somers, 2018, Advice that Sticks: How to Give Financial advice that people will follow, Practical Inspiration Publishing, Great Britain.

⁶D. Dubofsky & L. Sussman, 2009, 'The Changing Role of the Financial Planner Part 1: From Financial Analytics to Coaching and Life Planning', Journal of Financial Planning, vol. 22, no. 8, pp. 48-57. A.C. Swanson & R. Braidfoot, 2013, 'An Assessment of Emotional Intelligence Understanding in the Field of Financial Planning' paper presented to Costa Rica Global Conference on Business and Finance (GCBF), San Jose, Costa Rica, May 2013, <<http://www.theibfr.com/ARCHIVE/program-costarica-2013-pre.pdf>>.

3

Michael Kitces and his tips for evolving your advice business

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Creating a client 'niche'

Michael Kitces is a high-profile, US-based financial planner, business owner and face of Nerd's Eye View, a popular blog for financial planners in the US. Like Carl, Michael is passionate about the future of financial advice.

In his presentation titled The Future of Financial Advice, he explores several areas where you can find new market segments, evolve your value proposition and use technology more effectively.

Michael believes that financial planners have a great opportunity to add value to the client-planner relationship by focusing on a niche segment of clients who require specialised financial planning solutions. He illustrates this with examples from the US, where planners are targeting niche client segments like federal employees, widows and special needs families.

By targeting a niche and understanding them more intimately, you can solve complex issues, add more value to your clients, and ultimately

charge a premium for your work. But building the knowledge, skills and tools to solve complex niche problems takes time.

Daniel Brown, CEO of Coastal Advice Group, agrees that it's important to identify your ideal audience. Client expectations have risen in recent years which means your clients want to work with specialists who deal specifically with their unique problems.

Advice firms need to stop being generalists and specialise in what's relevant to their ideal audience to add value to their clients' lives. This may even mean turning some clients away if they do not meet your requirements.

Remaining a generalist in 2020 and beyond is risky. It creates an expectation that you will not be able to solve your client's exact problems. Daniel suggests that if you do not take the time to define your value proposition, including who your clients are, you may become obsolete.

Psychology and financial coaching to solve high-stake problems

To move towards a more holistic approach to wealth and finance, Michael advocates that your focus should evolve towards complementary areas such as client psychology, behavioural finance and financial coaching.

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Once you upskill to handle advice in a highly valuable space, your focus should turn to using technology to make your ongoing delivery process more efficient.

Michael Kitces
Financial Planner, Kitces



Expanding advice by incorporating a ‘therapy model’, particularly when high-stake issues are involved, is a value-add that may also attract higher levels of remuneration.

Michael suggests listening to the following four episodes of the Advisor Success podcast where you can hear from planners that have either successfully created a niche or applied a coaching model to their client relationships:

- Dennis Moseley-Williams (#FASuccess Ep114: Why Creating A Great Client Experience Is About More Than Just Great Service with Dennis Moseley-Williams)⁷;
- Joe Duran (#FASuccess Ep 100: Scaling A Financial Life Management Firm By Starting With Client Intentions Instead Of Goals with Joe Duran)⁸;
- Ric Edelman (#FASuccess Ep 089: The Truth About Advisor Marketing And The Scalable Delivery Of Financial Advice with Ric Edelman)⁹; and
- George Kinder (#FASuccess Ep 015: Why Life Planning Is Simply Financial Planning Done Right With George Kinder).¹⁰

Value is provided in tech interpretation

Once you upskill to handle advice in a highly valuable space, your focus should turn to using technology to make your ongoing delivery process more efficient.

But, as Michael points out, the value you bring to your clients’ experiences is not in the technology you use, but rather in the insights you’re able to provide because of the technology and the relationship that you have with your client.

So, when it comes to technology, you should consider designing your client offerings around solving high-stake problems by using your technical and data interpretation skills. For example, some form of modelling software is now readily available to most people.

However, clients don’t often have the technical knowledge to interpret and use the data that the software provides in a meaningful way.

This is where you can step in. By using your technical skills to interpret the data for clients you can link their theoretical life plans and tease out the future of their life when they make certain decisions.

The outcomes of data and modelling are only as reliable as the inputs. Given that most advisers have been through these journeys with clients many times, you’re well positioned and can add substantial value around what those inputs should be.

How to get the most out of modelling technology

According to Michael, the traditional process of modelling data in the back-office and then presenting those findings to your client is a thing of the past. By taking a collaborative approach

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Daniel Brown
CEO, Coastal Advice Group



⁷ Available from: <https://www.kitces.com/blog/dennis-moseley-williams-client-experience-economy-financial-advisors/>

⁸ Available from: <https://www.kitces.com/blog/joe-duran-united-capital-financial-life-management-finlife-technology-platform/>

⁹ Available from: <https://www.kitces.com/blog/ric-edelman-truth-about-money-edelman-financial-group-scalable-advice/>

¹⁰ Available from: <https://www.kitces.com/blog/george-kinder-institute-life-planning-podcast-seven-stages-maturity/>

with technology you can improve the accuracy and reliability of your outcomes.

This involves sitting down with your client and taking them through scenarios on your modelling software together.

By taking the software to your client meetings, you can 'drive' the financial planning experience while you explain and educate the different scenarios in real-time.

This experience relies on specific communication skills. As an adviser, you need to interpret the outputs from the modelling software and turn the technical details into a story that can be easily understood by your client.

This collaborative approach not only engages clients but also substantially increases the probability that they will buy into the outcomes of the model because they've developed it with you.

Moving from theory to practice

Expanding your advice process begins with understanding that your role is about more than just delivering highly technical information to your clients. You need to ensure that your clients implement and benefit from your advice.

If you give advice without taking into consideration your client's level of knowledge and their willingness to accept the advice, it may fail to 'stick'¹¹. In other words, if your client doesn't understand your advice and they are not prepared for change, how can they follow it?

Michael suggests several valuable resources to help you make it 'stick' with your clients. This included the book *Advice that Sticks* by Moira Somers. In this book, Moira uses her experience as a neuropsychologist to guide financial professionals in their client interactions. If you're time-poor there is a condensed version of the book in Michael's podcast.¹² Other recommended resources are:

- *The Experience Economy* by B.J. Pine & J.H. Gilmore: This book links in with financial planners distinguishing themselves from others in the industry (by developing niches);
- *Influence: The Psychology of Persuasion* by R.B. Cialdini: This delves into practising the skill of persuasion using six universal principles (reciprocation, commitment and consistency, social proof, liking, authority and scarcity); and
- *The Power of Habit: Why We Do What We Do and How To Change* by Charles Duhigg.

¹¹M. Somers, 2018, *Advice that Sticks: How to Give Financial advice that people will follow*, Practical Inspiration Publishing, Great Britain.

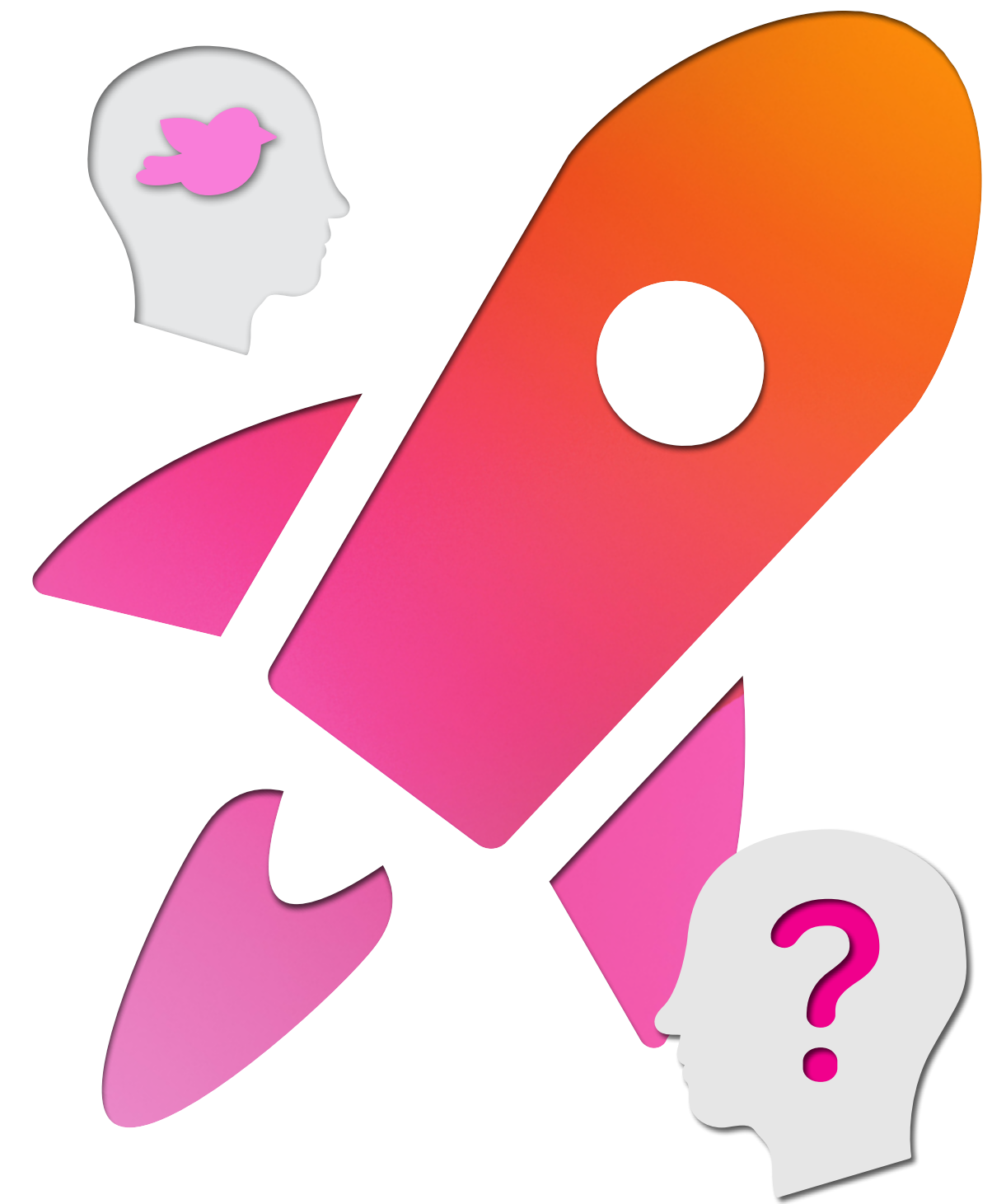
¹²M Kitces, 2018, #FASuccess Ep 101: Financial Advisors As Adherence Partners To Deliver Advice That Actually Sticks with Moira Somers', 4 December 2020, podcast, viewed 24 June 2020, <<https://www.kitces.com/blog/moira-somers-advice-that-sticks-clinical-financial-psychologist-adherence-partner/>>.



4

Content marketing and storytelling in wealth

- 15 Introduction: Sharing stories with social media
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- 16 Content marketing efficiency



Sharing stories with social media

Adele Martin, Money Mentor (CFP®) and founder of The Savings Squad Podcast & My Money Buddy has extensive experience in financial advice and a passion for marketing and sales.

In her presentation titled Acquiring Clients Online, Adele discusses the power of social media to share stories and provides some tips to help you leverage technology to execute on this strategy.

Sharing stories is one way that you can engage and educate your clients and open new opportunities with prospects. Adele does this by promoting and sharing her stories on podcasts and social media.

Familiarity also plays an important role in developing trust, particularly when it comes to complex professional relationships like financial planning.¹³ Adele establishes trust with her audience by talking about her personal situations on her podcast and Instagram posts, such as talking about having the first 12 months

whirlwind a having a baby and as result not setting up investment plan for him until much later.

By 'exposing' her audience to these experiences, she has found it easier to convert prospects into clients. She is also able to repurpose her podcasts into shorter videos, blog posts and memes.

But the communication and stories delivered through these mediums are only in one-direction. To counteract this Adele also builds online communities through Facebook, where she can nurture two-way dialogue and interactions with her ideal audience.

To introduce and promote her Facebook communities, Adele uses Instagram Stories – both owned by Facebook and ultimately part of the same 'network'.

She believes social media gives her the ability to target and attract specific client segments. It also has simple content creation capabilities that allows her to create sophisticated digital client acquisition processes. According to Adele, another benefit of using these marketing tools is the mere exposure effect¹⁴ - that is, the chances of purchasing a professional service increases the more an individual is exposed to a professional.

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Sharing stories is one way that you can engage and educate your clients and open new opportunities with prospects.

Adele Martin
Financial Planner, Adele Martin



¹³L. Kirchmajer & P. Patterson 2003, 'The Role of Interpersonal Communication in the Development of Client Trust and Closeness in a SME Professional Services Context', Conference Proceedings of the 16th Annual Conference of Small Enterprise Association of Australia and New Zealand, 28 September – 1 October, University of Ballarat, Australia.

¹⁴R. B. Zajonc 1968, 'Attitudinal Effects of Mere Exposure', Journal of Personality and Social Psychology' vol. 9, no. 2, viewed 27 May 2020, <http://web.mit.edu/curhan/www/docs/Articles/biases/9_J_Personality_Social_Psychology_1_%28Zajonc%29.pdf

Thomas Smith, in his book “Successful Advertising ¹⁵,” makes the following reflection on effective frequency – a person needs to be exposed to something around 18 to 20 times before a purchase is made.

Creating relatable content

To get ideas on the topics that her ideal clients are interested in, Adele has joined several groups on social media. She then uses these topics to create content or discussion points in her Facebook communities and Instagram Stories.

Intertwining topics of interest with client problems solved in the past also allows her to demonstrate authority and credibility.

Content marketing efficiency

You don’t need to be working all hours to have a robust process of engaging and building trust, authority and credibility through social media. Adele relies on several technology solutions to make the entire content creation and social media management process more efficient. These include:

- **Automationagency.com:** A cost-effective online marketing agency where you can get tasks done, like designing or setting up an email newsletter;
- **Planoly:** A tool to help automate Instagram stories;
- **Group Funnels:** A tool to help manage Facebook groups;
- **Spark Camera:** A video editing software for the iPhone; and
- **Canva:** A drag and drop platform to create professional looking marketing materials, such as pamphlets and e-books.

¹⁵<https://www.goodreads.com/book/show/30134341-successful-advertising>



Recommended reading



2020 Netwealth AdviceTech Report

Discover how successful AdviceTech firms are using technology in ways that bring tangible benefits to themselves and their clients.

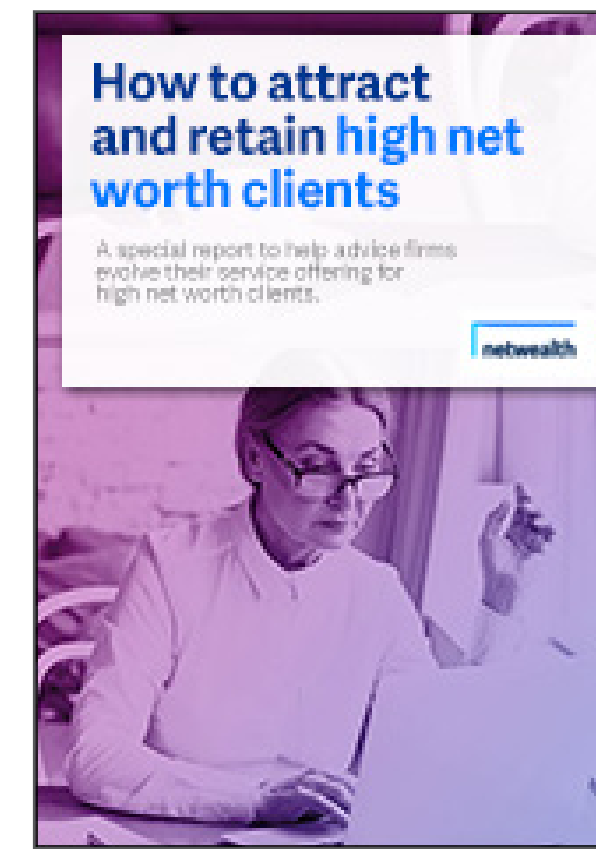
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Advising on platforms – Looking beyond cost

Unpack the legal framework that applies to you when it comes to best-interest advice on platforms.

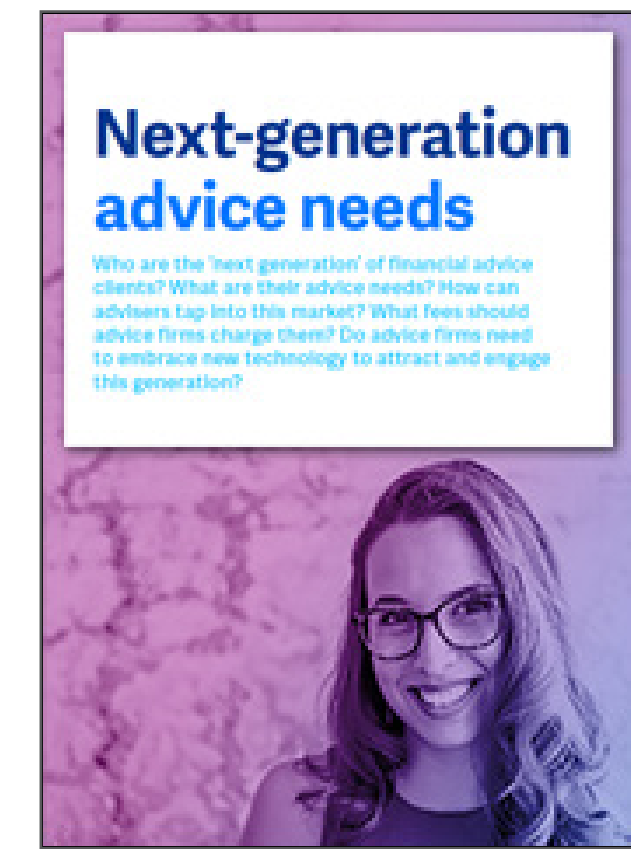
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Understanding the role managed accounts play in enhancing your client value proposition.

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XY Adviser is a social media platform designed specifically for financial advisers to share and learn from one another, driving the positive evolution of financial advice. Available on phone and PC.

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