

The Planning Process and Prospecting

Learning Objectives

An understanding of the material in this chapter should enable the student to

- 1-1. Describe the 8-step selling/planning process.
- 1-2. Describe how financial planning is conducted.
- 1-3. Define the product that financial advisors offer to clients.
- 1-3. Create an ideal client profile.
- 1-4. Identify target markets.
- 1-5. Explain how to position his or her practice.
- 1-6. Describe methods to build prestige and create awareness.
- 1-7. Select appropriate prospecting methods.
- 1-8. Determine an approach method.
- 1-9. Write and implement an approach script.

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Chapter 1 introduces the eight-step selling/planning process (around which the book is structured) and compares it to the traditional six-step financial planning process. The chapter then explains what financial planning is and how it is conducted. The chapter concludes by examining the first two steps of the selling/planning process. Together, these two steps address the critical objective of attracting new clients, the lifeblood of a financial advisor's practice.◊

WHAT IS FINANCIAL PLANNING?

One factor that has hampered the development of financial planning as a discipline and a profession is that there has been very little agreement among advisors as to what exactly it is. Indeed, it sometimes seems that there are as many definitions of financial planning as there are people who believe they are engaged in it.¹

Financial Planning Is a Process

financial planning

Despite this ongoing debate among advisors, *financial planning* can be defined conceptually as a process that accomplishes both of the following:

- determines the client's financial problems and/or financial goals
- develops a plan to solve the client's problems and/or achieve the client's goals

Whether a single financial problem or goal is being addressed or a comprehensive financial plan is being developed, the financial planning process has six steps: (1) establish and define the advisor-client relationship, (2) determine goals and gather data, (3) analyze and evaluate the data, (4) develop and present a plan, (5) implement the plan, and (6) monitor the plan. Advisors who

selling/planning process

primarily sell financial products generally view the financial planning process as a *selling/planning process* that has eight steps—that is, six steps similar to steps in the financial planning process preceded by two additional steps. These eight steps are to (1) identify the prospect, (2) approach the prospect, (3) meet the prospect, (4) gather information and establish goals, (5) analyze the information, (6) develop and present the plan, (7) implement the plan, and (8) service the plan. (See table 1-1 for a comparison of the eight-step selling/planning process with the six-step financial planning process.) Thus, the six-step financial planning process is an integral part of the eight-step selling/planning process.

Step	Selling/Planning Process	Financial Planning Process	Step
1	Identify the Prospect		
2	Approach the Prospect		
3	Meet the Prospect	Establish and Define the Advisor-Client Relationship	1
4	Gather Information and Establish Goals	Determine Goals and Gather Data	2
5	Analyze the Information	Analyze and Evaluate the Data	3
6	Develop and Present the Plan	Develop and Present a Plan	4
7	Implement the Plan	Implement the Plan	5
8	Service the Plan	Monitor the Plan	6

Although not all financial advisors sell financial products, we have chosen to structure this book around the eight-step selling/planning process because the financial plans that advisors develop are themselves considered products that must be marketed and sold. Except for the few advisors who have prospects calling them for appointments, even fee-only advisors have to market and sell their financial planning expertise in developing plans. In other words, the eight-step selling/planning process reflects the necessity of having to market and prospect that the overwhelming majority of financial advisors face.

comprehensive
approach
multiple-purpose
approach
single-purpose
approach

Advisors who use the selling/planning process in their practices find it accommodating because it can be applied to the full range of a client's financial problems and/or goals using a *comprehensive approach*, and it can also be applied to a smaller subset of those problems and/or goals using a *multiple-purpose approach*. In fact, it can even be applied to a single client problem or goal using a *single-purpose approach*. It is not, however, the range of client problems and/or goals addressed that determines whether an advisor is engaged in financial planning. Rather, it is the advisor's use of the process to address the client's problems and/or goals that is the determining factor.

Steps in the Selling/Planning Process

What follows is a brief description of the selling/planning process. This will give you a bird's-eye perspective of the whole process before we swoop down for a closer look at each step in the process as we move through the book.

In steps 1 and 2 of the selling/planning process, you identify and approach prospects. Step 1 requires marketing and prospecting skills such as defining your product(s) and your ideal client, identifying your target market(s), positioning your practice in your target market(s), building prestige and creating awareness in your target market(s), and selecting your prospecting methods. Step 2 entails asking a prospect for an appointment. Steps 1 and 2 are explored later in this chapter.

In step 3 of the process, you meet with the prospect to mutually determine whether to establish an advisor-client relationship. This requires you to begin developing rapport and establishing credibility with the client. You also need to disclose information to the client about your background, business philosophy, and method of compensation. Communication skills are critical in this step and subsequent steps where you interact with the client. Step 3 and the all-important communication skills are discussed in chapter 2.

Once you and the client agree to continue the process, you begin step 4, where you gather information and establish goals. This typically involves the use of a fact-finder form designed to collect information about the client's personal and financial situation, including his or her goals and their priorities. Step 4 is the subject of chapter 3.

In step 5 of the process, you review all of the information about the client. You analyze and evaluate the strengths and weaknesses in the client's present financial situation as they affect your ability to solve the client's financial problems and/or achieve the client's financial goals. This may require that some or all of the client's goals be revised. The major tools and techniques that you can use in your step 5 analysis are (1) the time value of money, (2) financial risk tolerance, and (3) personal financial statements. The first two are discussed in chapter 4. The third is covered in chapter 5, along with a discussion of how to conduct your analysis.

Step 6, developing and presenting the plan, is covered in chapter 6. This consists of developing several recommendations as to how the client can best solve his or her financial problems and/or achieve his or her financial goals. Your recommendations are then presented to the client for review and approval. Several portfolio management techniques that are useful in developing accumulation strategies for a plan are discussed in the last part of chapter 4.

After you present the plan recommendations to the client for his or her review and approval, your challenge in step 7 is to motivate the client to take action and implement those recommendations. Here, you need to help the client acquire all the products and/or services necessary to implement the plan. Step 7 is examined in the first half of chapter 7.

The second half of chapter 7 covers step 8, servicing the plan. This step includes responding to client inquiries, evaluating the performance of all implementation vehicles, reviewing changes in the client's circumstances and the financial environment, and meeting on a regular basis to monitor the progress of the plan and to make any necessary changes to it.

The selling/planning process described above is depicted schematically in figure 1-1. The blocks on the left represent the eight steps in the process; the blocks on the right indicate the main substantive activities that occur in each step.

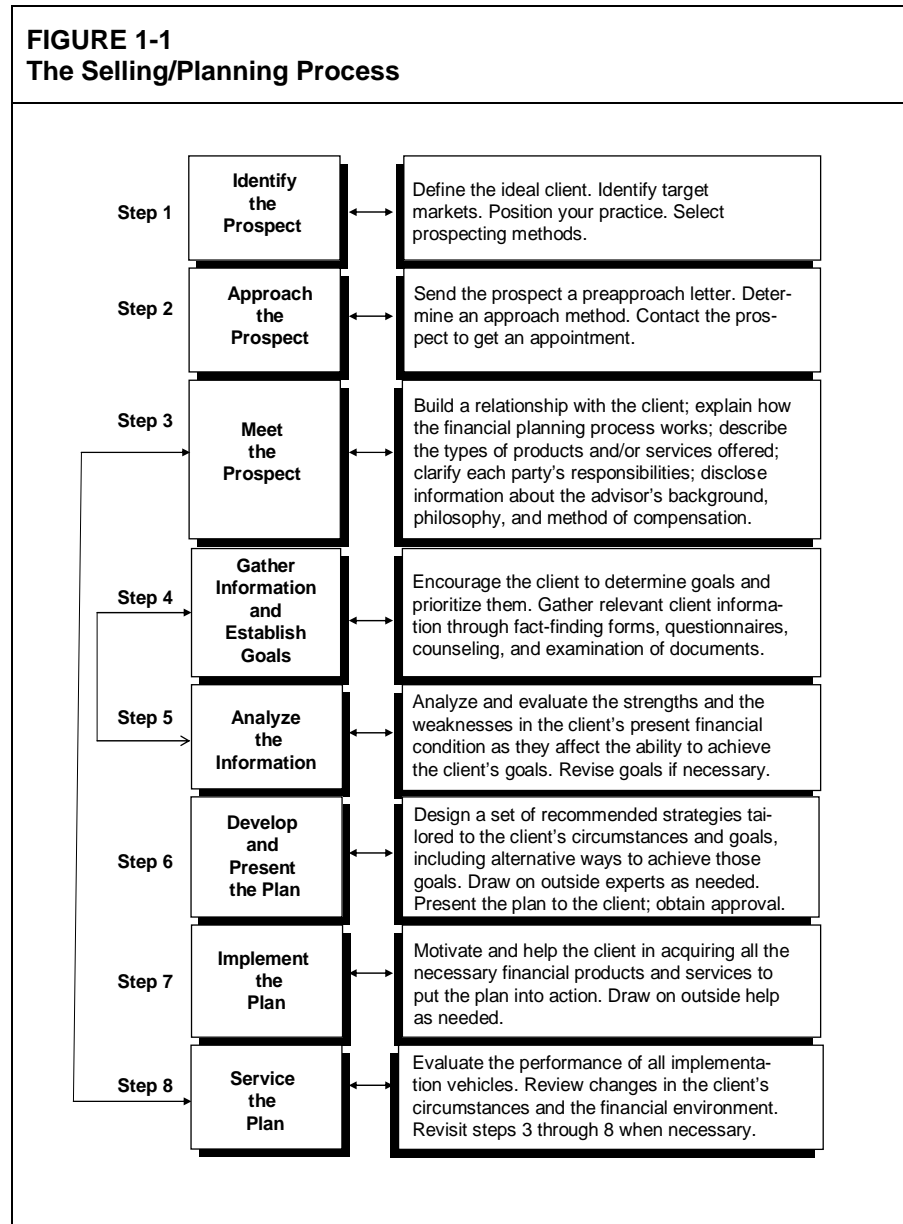
Chapter 8, the final chapter in the book, begins by analyzing college funding as an application of the selling/planning process. The chapter concludes with a discussion of the regulation of financial advisors.◊

HOW IS FINANCIAL PLANNING CONDUCTED?

Most clients prefer the multiple-purpose approach to financial planning because they have to focus on only their most pressing problems and/or goals in any one consultation.

Although many clients could benefit from comprehensive financial planning, they typically are unwilling to invest the time and money that it requires. In fact, except for the wealthy, most clients cannot afford to have a comprehensive plan developed at one time. Moreover, they find it difficult to deal with the totality of their financial problems and/or goals all at once. Instead, they prefer the multiple-purpose approach to financial planning because they have to concentrate on the most pressing of their problems and/or goals during any one consultation. Besides, if these clients participate in several multiple-purpose planning meetings over a period of years, they will eventually have a fairly comprehensive plan in place.

In this book, we refer to this drawn-out planning approach as sequential multiple-purpose financial planning. It encompasses a series of multiple-purpose planning consultations that generally take place over a period of years as the client progresses through the stages of his or her financial life cycle. In fact, some advisors view this approach as a less pure form of comprehensive financial planning because the ultimate goal is for the client to have a comprehensive plan in place after the final multiple-purpose planning meeting.²

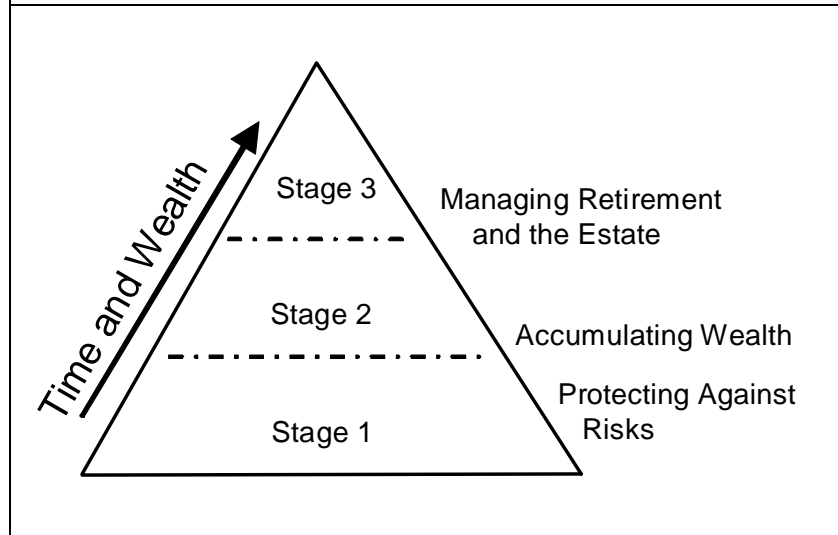


Financial Planning Pyramid

financial planning
pyramid

One tool that you can use to help clients understand the sequential approach to multiple-purpose financial planning is the *financial planning pyramid* pictured in figure 1-2. The pyramid illustrates how this approach to financial planning can build a comprehensive plan from the ground up in three

FIGURE 1-2
Financial Planning Pyramid



sequential stages of multiple-purpose planning. This type of comprehensive plan typically requires several meetings with the client over a period of years.

At the first stage of plan development, you concentrate your efforts on protecting the client against unexpected occurrences that could cause financial hardship. You develop a relatively simple plan with emergency savings, insurance coverages, and a properly drawn will. At the second stage, you focus on the client's wealth accumulation objectives. In other words, as the client's financial well-being improves, the focus of the plan shifts from income protection needs to wealth accumulation goals. This typically involves growing money through various types of investments. At the third and final stage, you address retirement and estate goals. These goals focus on the management of retirement assets and the conservation and distribution of the estate.

As the client's financial well-being improves, the plan's focus shifts from income protection needs to wealth accumulation goals.

Content of a Financial Plan

When you prepare a comprehensive financial plan for a client, whether entirely in one consultation or incrementally over a period of time, what should the plan contain? Clearly, comprehensive financial planning is such an ambitious and complex undertaking that it must cover numerous subjects. At a minimum, these subjects should include the major planning areas listed below:

- general principles of financial planning (for example, personal financial statements, client attitudes and behavioral characteristics, and so forth)
- insurance planning and risk management

- employee benefits planning
- investment planning
- income tax planning
- retirement planning
- estate planning

A comprehensive financial plan should address all of these planning areas as they relate to your client. If you do not have the expertise to personally address each of these planning areas in the development of the plan, you should form a team of specialists and serve as its manager. Your role would then be to coordinate the efforts of the team and to contribute expertise in your own field of specialization. If, for some reason, one of these planning areas does not apply to your client, the plan should spell out this fact. This will indicate that you did not overlook an important planning area in the development of the plan but that you investigated and found it not to apply to your client at this time.

In addition to the major planning areas that pertain to almost every client, there are a number of more specialized areas that are relevant to many. These specialized areas are, for the most part, subsets of, and typically involve several of, the major planning areas. However, because all of these specialized areas are unique, they merit separate treatment. They should be part of your client's comprehensive financial plan only if he or she is affected by them. Typically, a single-purpose or multiple-purpose financial plan that is focused on a particular planning need deals with these specialized areas.

The most important of these specialized areas in terms of the number of people it affects is education funding, a topic covered in greater depth in chapter 8. The other specialized areas worthy of mention are those that can be categorized as financial planning for special circumstances. These areas typically include planning for

- divorce
- terminal illness
- nontraditional families
- job change and job loss, including severance packages
- dependents with special needs

As previously mentioned, all of these specialized planning areas are subsets of one or more of the major planning areas. For example, divorce planning could affect every single one of the major planning areas but, nevertheless, should not be part of a comprehensive financial plan unless your client is contemplating divorce. Even then, divorce planning would be better handled under a single-purpose or multiple-purpose financial plan because of its unique aspects and shorter planning horizon than the major planning areas.

FOCUS ON ETHICS
Ethical Behavior and Financial Success

A question that many advisors have asked is, "Is the highly ethical advisor financially rewarded for being ethical?" The answer is maybe, but there is no guarantee. There are certainly some illustrations of the shady advisor reaping significant financial gains. Disciplined ethical conduct by itself does not guarantee financial success.

Perhaps the question should be addressed from a different perspective. Do clients want to do business with someone who really understands financial planning but who has questionable morals? Do clients want to do business with someone whose integrity is unassailable but whose financial planning skills are marginal? The answer to both questions is no.

The skilled financial advisor who is client focused and ethically well-disciplined clearly has the attributes that clients desire and deserve. Again, the practice of ethics provides no guarantees of financial success. It is clear, however, that clients want to do business with financial advisors who have earned their trust and are technically competent.

Format of a Financial Plan

A financial plan, whether comprehensive or not, is essentially a written report to the client regarding your findings and recommendations. This report results from the application of the selling/planning process to the client's present situation to assist the client in solving his or her financial problems and/or achieving his or her financial goals. Although there are as many different formats for a financial plan as there are financial advisors, it is easy to agree that every comprehensive plan should include certain types of information. For example, every comprehensive plan should cover all of the major planning areas. Every plan should be based on reasonable, achievable goals set by the client. And every plan should be structured around strategies to solve the client's problems and/or achieve his or her goals. In addition, in the process of formulating strategies, assumptions have to be made and should be spelled out in the plan documents. Typical assumptions include the interest rate, the rate of inflation, and the client's financial risk tolerance, to name a few. Finally, every plan is developed around information gathered during a fact-finding process. Much of this information, such as financial statements, should also be included in the plan.

Recognizing that there are many possible formats for organizing all of this information into a written report for the client, one possible format is the order of the 13 components that every comprehensive plan and most complex multiple-purpose plans should include. These components, discussed at length in chapters 5, 6, and 7, are as follows:

1. client goals
2. identification of concerns and problems

3. planning assumptions
4. financial position statement
5. cash flow statement
6. insurance planning and risk management
7. employee benefits planning
8. specialized financial planning goals
9. investment planning
10. income tax planning
11. retirement planning
12. estate planning
13. recommendations

The format of the plan should make it easy for the client to understand and evaluate what is being proposed.

Regardless of the format you adopt for organizing a plan, the important point to remember is that the format of the plan should make it easy for the client to understand and evaluate what is being proposed. Careful organization, as well as the use of graphs, diagrams, and other visual aids, can help in this regard.

Life Cycle Financial Planning

financial life cycle

There are five distinct phases in an individual's *financial life cycle*. Starting at a relatively young age (age 25 or younger), a career-minded person typically will pass through four phases en route to phase five, retirement. These five phases and their corresponding age ranges are as follows:

1. early career (age 25 or younger to age 35)
2. career development (age 35 to age 50)
3. peak accumulation (age 50 to ages 58–62)
4. preretirement (3 to 6 years prior to planned retirement)
5. retirement (ages 62–66 and older)

Together these five phases span a person's entire financial life. Although some people will not experience all of the phases or will spend more or less time in any one phase, the vast majority of career-minded people will go through all five.

Goal setting requires clients to recognize that there are several phases in their financial life.

As previously indicated, the third step in developing a financial plan is to meet the prospect and establish an advisor-client relationship. Once you have set the ground rules for the financial planning sessions and gathered information about the client, your next task is to lead the client through the goal-setting process. Goal setting requires clients to recognize that there are several phases in their financial life; for young clients, the early career phase is the beginning of that life. The goals that young clients who are in this phase typically set reflect this fact. For example, a client who is in the early career phase often is

newly married and has young children, and the client and/or his or her spouse are establishing employment patterns. The client probably is concerned about accumulating funds for a home purchase if he or she has not already done so. As the children grow older, the client begins to think about saving for college. Protecting his or her family from a potential financial disaster due to death or disability is also important, as is building a cash reserve or emergency fund to meet unexpected contingencies. However, the client's goals that pertain to retirement and estate planning generally will not have a very high priority in the first few years of the early career phase, but they still need to be considered if the financial plan is to be a truly comprehensive one.

Once the client has a financial plan, it is incumbent on you to service and monitor that plan. As the client moves into the career development phase of his or her financial life cycle, some goals may need revision. This phase is often a time of career enhancement, upward mobility, and rapid growth in income. The phase usually includes additional accumulation and then expenditure of funds for children's college educations. Moreover, you should recommend coordinating the employee benefits of the client and his or her spouse and integrating them with insurance and investment planning goals.

As the client moves into the peak accumulation phase, you should be servicing the plan in case changes are needed. In this phase, the client is usually moving toward maximum earnings and has the greatest opportunity for wealth accumulation. The phase may include accumulating funds for special purposes, but it is usually a continuation of trying to meet the goals set for the major planning areas.

The preretirement phase often involves winding down both the career and income potential, and restructuring investment assets to reduce risk and enhance income. There is a further emphasis on tax planning and evaluating retirement plan distribution options relative to income needs and tax consequences. Throughout this phase, you should be actively involved in keeping the client's financial plan on target to meet all of his or her goals.

The final phase in the client's financial life cycle is retirement. If you have kept the client's financial plan fine-tuned, then this phase should be a time of enjoyment for the client, with a comfortable retirement income and sufficient assets to preserve purchasing power. While all of the major planning areas should have been receiving attention throughout the client's financial life cycle, now is the time for you to make certain that the client's estate plan is in order.

The advisor who services a client's personal financial plan throughout the client's financial life cycle is practicing *life cycle financial planning*. A financial plan that is developed for a relatively young client needs to be reviewed and revised periodically as the client ages and passes through the phases of the financial life cycle. Many of the client's financial goals will need adjusting as life's circumstances change; having the right goals is critical to creating a successful financial plan. Your role as an advisor in setting

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goals is to help the client establish reasonable, achievable goals and to set a positive tone for the entire selling/planning process. The process encompasses not only the development of the client's first financial plan but also any future revisions and/or modifications to that plan.

The content of a comprehensive financial plan should, as already mentioned, include a discussion of each of the major planning areas. Financial planning is a process that should be ongoing throughout the client's financial life. That is why financial planning over the client's financial life is called life cycle financial planning. Whichever phase of the financial life cycle the client is currently in strongly influences the priority given to the goals for each of the planning areas.◇

IDENTIFY THE PROSPECT

Using a haphazard approach to identify prospects will most likely result in a dearth of prospects and a great deal of frustration.

As we have seen, the first step in the selling/planning process is to identify the prospect. A haphazard approach to identifying prospects will most likely result in a dearth of prospects and a great deal of frustration. Therefore, it is important for you to create and implement a marketing plan that will generate a flow of the types of prospects you want to approach. This will require you to

- define the product
- create an ideal client profile
- identify target markets
- position your practice
- build prestige and create awareness
- select prospecting methods

Define the Product

A marketing plan begins with defining the product you are selling from your clients' perspective. What are your clients really buying? Think of a financial plan as a product that has three parts: (1) a tangible written document or documents, as evidenced by a report and perhaps a will, trust, and/or insurance policy, (2) the solution to a problem or the attainment of a goal that the written document addresses, and (3) the knowledge, ideas, and skills of the advisor. All three parts of the product are important, and a marketing plan should take all three of them into account.

Tangible Written Document(s)

At the end of the selling/planning process, your client will own a tangible written document or documents that spells out the specifics of the personal

financial plan. This, however, is not what your client is paying for. Your client is paying for the financial security and success that comes from implementing and servicing the plan. And this can only come from the other two parts of the product.

Solution to a Problem or Attainment of a Goal

In addition to the tangible written document(s), a financial plan has an intangible part that manifests itself in the solution to your client's financial problems and/or the attainment of financial goals. As a financial advisor, it is critical for you to understand that the products and/or services you sell to implement the plan are the means that enable your client to solve financial problems and/or attain financial goals. Moreover, problems and goals have two dimensions. There is the obvious financial one and the not so obvious emotional one. However, even though the emotional dimension is less obvious, it is more important than the financial dimension in terms of marketing, because it determines whether your client will act or even be interested in solving problems and/or attaining goals. For example, it is much easier for you to market mutual funds if your client believes that investing in them is his or her ticket to financial freedom.

Your client's problems and goals have two dimensions: a financial one and an emotional one.

Advisor

The third part of the product is the advisor. Arguably, the greatest difference between a financial plan your competitor prepares and one you prepare is you, beginning with your knowledge, ideas, and skills. How well do you know your client's financial problems and goals? What ideas do you have to help him or her address them? How skilled are you in carrying out the selling/planning process?

However, in the competitive field of financial planning, you may find that your knowledge, ideas, and skills alone are not enough to differentiate you from the competition. Your personality, life experiences, hobbies, and so forth may also play a role in distinguishing you. In fact, marketing gurus Peter Montoya and Tim Vandehey argue in *The Brand Called You* that you should focus on marketing yourself and not the products you sell. They say that "you should highlight those characteristics which make you stand out from the crowd. . . ."³

Practical Application

Marketing your products and/or services begins with making an inventory of each of the three parts of your financial plans. A good approach is first to list the products you sell and/or the services you provide to implement plans. Next, for each product or service you listed, indicate the problem(s) it solves and/or the goal(s) it helps to attain. For each of these

problems and/or goals, identify any special knowledge, ideas, and/or skills needed. Then, list your knowledge, ideas, and skills. Finally, take stock of your personality, life experiences, hobbies, and so on that make you unique and set you apart from other advisors.

Completing this inventory will help you identify the needs of your target market that you can satisfy. In addition, it will enable you to pinpoint knowledge and skill gaps that you must address to maximize other marketing opportunities within your target market. Finally, it will allow you to define your unique value, build prestige, and create awareness to distinguish yourself from the competition in your target market.

Example: Melanie sells mutual funds. Here is how she might complete an inventory of her target market's problems/goals and her knowledge/skills:

<u>Problems/Goals</u>	<u>Knowledge/Skill</u>
<ul style="list-style-type: none"> • saving for retirement 	<ul style="list-style-type: none"> • retirement funding vehicles • retirement income gap calculation • retiree health insurance • long-term care insurance • cash flow analysis • risk tolerance • asset allocation • diversification • knowledge of fund family details

If Melanie's knowledge and skills match those needed for saving for retirement, she would be well suited to market mutual funds as a retirement savings vehicle.

Create an Ideal Client Profile

Next, you need to identify the type of prospect you want to approach. This will enable you to focus your prospecting and allow you to work with prospects who will become long-term clients. The advantages of doing this include

- making your job easier because you will receive more referrals
- working with prospects who are likely to become clients

- avoiding those prospects with whom an advisor-client relationship would be difficult
- making your business more profitable

Now, let us look at how you create an ideal client profile.

How to Create an Ideal Client Profile

Think about your most recent clients. Then make a list of the 20 best clients in terms of their profitability and the enjoyment you received from working with them, indicating the basic demographic information and personal attributes that made working with each one so enjoyable. (Note: If you are shifting the focus of your practice, your ideal client profile should reflect this shift if it means that the type of clients you want to work with will change.)

Demographic information is fairly easy to identify. It typically includes age, gender, marital status, geographic location, family size, religion, and so forth. With the demographic information, you should also include the financial value of each client to your business (as well as the amount of business he or she referred to you). In contrast, identifying personal attributes takes more thought because you are trying to determine why you enjoyed working with the client. Here are some questions to ask yourself that can help with this task:

- What personality traits make working with this client so enjoyable?
- What does this client think is important about life? What does he or she value?
- What are this client's attitudes toward financial planning and related topics?
- What type of lifestyle does this client have (modest, moderate, or luxurious)?
- What needs of this client were you able to satisfy? (Express his or her needs in terms of problems you are helping to solve and goals you are helping to achieve.)

To create the most accurate client profile, you should also consider the characteristics and attributes your best clients do not have. This entails profiling the 10 worst clients you recently worked with to determine why you did not enjoy working with them.

Once you have completed profiling both your best and worst clients, take a piece of paper and make a chart with two columns. The first column heading should be "What I Want." The second column heading should be "What I Don't Want." Then examine your profiles for trends. Demographics and attributes that repeatedly show up in the best and worst profiles should

To create the most accurate client profile, you should also consider the characteristics and attributes your best clients do not have.

be placed in the appropriate column. For example, if four of your worst clients are overanalytical, that characteristic should appear in the “What I Don’t Want” column. The following is an example of characteristics and attributes of one advisor’s best and worst clients.

<i>Example:</i>	<u>What I Want</u>	<u>What I Don’t Want</u>
	<ul style="list-style-type: none"> • has household income of \$65,000 or more • understands basic principles of investing • desires face-to-face interaction • values family • needs help with retirement and education planning • has investable assets of \$70,000 or more 	<ul style="list-style-type: none"> • overanalytical • unreliable • dishonest • price shopper • do-it-yourselfer

You can now create a profile of your ideal client from the lists of traits you want your ideal client to have and those you do not want him or her to have. As you create the profile, translate the list of negative traits you do not want your client to have into positive ones you desire. For instance, if you do not want a do-it-yourselfer, then you want a delegator or someone who seeks advice. Using the two columns in the example above, the ideal client can be described as shown in the example below.

<i>Example:</i>	<p>My ideal client is someone who</p> <ul style="list-style-type: none"> • has a household income of \$65,000 or more • has investable assets of \$70,000 or more • understands basic principles of investing • wants a face-to-face relationship • desires advice from a competent professional about retirement and education planning • is family oriented • appreciates the value of good advice and is willing to pay for it • is reliable and honest
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The most obvious application for your ideal client profile is to focus your prospecting activity.

Practical Applications

The most obvious application for your ideal client profile is to focus your prospecting activity. Compare your new or current prospects with the profile to determine whether you should continue to pursue them, eliminating those who do not match the profile. In addition, you should periodically repeat the profiling process to see if your ideal client has changed. For example, you may discover that you are now working predominantly with prospects who have investable assets of \$150,000 or more instead of the \$70,000 or more you originally listed on the profile.

Another application is to determine who your “A” clients are—that is, those clients to whom you provide your top level of service. This will enable you to create a service strategy that caters to these top clients.

Additional worthwhile applications (some of which are discussed later in this chapter) are as follows:

- Use the profile to guide you in your marketing strategies and materials.
- Post your ideal client profile on your website and in your office.
- Give the profile to friends, family, centers of influence (defined later in this chapter), and current clients so they know with whom you want to work.

Identify Target Markets

target market

Now that you have developed your ideal client profile, you need to identify your target markets—that is, large groups of people who match your ideal client profile. A *target market* is an identifiable and accessible group of people with common characteristics and common needs who regularly communicate with one another. The group must be sufficiently large so that you do not run out of prospects but small enough so that your reputation as a trustworthy and competent advisor precedes you. Chances are, you are already working with one or more target markets.

The process of identifying target markets involves the following steps:

- Identify and segment your natural markets.
- Research potential target markets.
- Write a description of your potential target markets.
- Test potential target markets.

Identify and Segment Your Natural Markets

natural market

When you read the section on creating an ideal client profile, you may have felt that you were identifying your *natural market*—that is, a group of

The Natural Market: Affinity and Access

Affinity refers to the part of your natural market formed by your friends, family, and acquaintances. You have a certain comfort level with them because of certain commonalities. In fact, many of them are in your ideal client profile. Your natural market, however, is not limited to people you know. It also refers to people to whom you have access for reasons other than a personal relationship or acquaintance.

Access means that you can approach these people and gain entry to their group because of something in common. For example, you may have young children. Part of your natural market is the parents of your children's friends or perhaps the parents of all of the children in the school your children attend (if you think big).

people to whom you have a natural affinity or to whom you have access because of similar values, lifestyles, experiences, attitudes, and so on. There is a difference, however. Your ideal client profile is generally a subset of your natural market. There are people in your natural market who do not meet your ideal client profile. For example, you may have a great deal in common with people from a certain profession, but they may not meet the income and net worth requirements of your ideal client profile.

Because of the relationship between your ideal client profile and natural market, your natural market is where you should begin in defining your target market. To do this, use the information you compiled when you created your ideal client profile and list the following for each prospect:

- interests (community interests, hobbies, social organizations, religious groups, clubs, alumni organizations, sororities, fraternities, and so on)
- ethnicity or culture (if there is a larger market reflecting these)
- occupation or profession
- employer

Because of the relationship between your ideal client profile and natural market, your natural market is where you should begin in defining your target market.

market segment

Now divide your natural market into different *market segments*—that is, groups of people with common characteristics and common needs. The people of each group should be distinct in terms of their characteristics and/or needs. There generally are four factors used to segment markets: geography, demography, psychography, and behavior.

Geography. For the financial services industry, geographic segmentation is typically based on county, city, borough, neighborhood, and so forth. Many times, however, geography is not a factor, but keep your eyes open in case it is.

Demography. Demographic segmentation includes variables such as age, gender, education, ethnicity, occupation, income, size of family, marital status, religion, generational cohort, (baby boom, generation X, the silent

generation, and so forth), and family situation (single, married with kids and a single income, married with no kids and two incomes, empty nester(s), divorced, and so on).

Psychography. Psychographic segmentation groups people by lifestyle. Variables include activities, attitudes, values, interests, and hobbies. For example, you may have a few clients who are running enthusiasts, play in a softball league, participate in a bowling league, and so forth.

Behavior. Finally, behavioristic segmentation groups people by their buying and usage behaviors. This type of segmentation categorizes people according to life events (birth of a child, marriage, divorce, and so on), type of user (soloist, collaborator, delegator), brand loyalty, benefits sought (convenience, price, quality), and so forth. For example, you could find that upcoming nuptials triggered a few of your best clients to seek your financial advice. It could be a coincidence, but then again, it may be a great target marketing opportunity.

Buying behaviors are probably the greatest predictor of future purchases. A good way to explore this marketing concept is to ask your clients about life events that are occurring now or are expected to occur before or during the planning process. After the financial plan is implemented, ask your clients why they chose to do business with you. Then track their answers to both of these questions to see if there are any trends.

The task of dividing your natural market into different market segments can be a challenge. Here are some helpful hints to make it easier:

- Consider using a computer spreadsheet program to conduct your analysis. Code each characteristic and indicate if your top clients have it.
- Look for common needs or reasons for using your financial products and/or services. If there is no commonality, you do not have a good market segment.
- Analyze your top clients to see if there are any characteristics that the majority of them possess.
- One or more characteristics should reflect possible ways to identify and access a market segment. Such characteristics might include occupation or profession, employer, activities (working out at the same gym, joining the same club, and so on), neighborhood, and so forth. If there are no distinguishing characteristics that enable you to identify and access the market segment, you do not have a target market.

Research Potential Target Markets

In this step, the first objective is to determine whether a market segment is a target market. You know that the market segment already has common characteristics and common needs. What you need to determine are the following:

After the plan is implemented, ask clients why they chose to do business with you. Tack their answers to see if there are any trends.

- Does the size or value of the potential target market warrant your time and effort?
- Are you able to identify members easily, and are they accessible for you to approach them for an appointment?
- Do members communicate with one another either formally (newsletter, association magazine, and so on) or informally (word of mouth)? If so, how?

A good first step to answering these questions is to conduct initial research on the Internet, at a library, or a local chamber of commerce (see the box titled “Market Research Aids”). Ideally, you can answer these questions before you conduct a market survey because market surveys require a commitment of time and resources.

Example:

Cecil is looking at targeting real estate agents in Chester County, Pennsylvania. He does a search for a realtor association in Chester County, using an Internet search engine. He discovers the Suburban West REALTORS® Association, which covers Chester and Delaware counties. Through this website, he learns that there are 4,400 members. Some members are not realtors but businesspeople who provide products and services related to the real estate industry.

From this website, Cecil has determined that the target market is large enough to warrant his time and effort. The existence of the website gives him reason to believe there is a communication network. Also, he has access to a database of names, numbers, and addresses of real estate agents for market research and, ultimately, prospecting.

Once you have conducted your initial research and eliminated market segments that are too small, have low profitability potential, do not have a communication network, and/or have members who are not easily identifiable and accessible, the remaining market segments should meet the strict definition of a target market. From these, select your best potential target markets and prepare to conduct a market survey. Surveys can provide a number of benefits. For example, you can get firsthand information about the members of the market, not just outdated statistics from a commercial or government source. Moreover, the members of the market you interview may notice your efforts, which will let them know that you can help solve their problems. This alone can build your prestige and create awareness of you in your role as an advisor. In fact, it is an excellent first step to prospecting within your target market. You can meet prospective clients and build advisor-client relationships.

Market Research Aids

An excellent resource is *The Lifestyle Market Analysis*, which gives demographic and psychographic information for 210 designated market areas all over the United States. One report gives demographic information about designated market areas such as the percentage of the population that has a certain occupation, household income, children, and so forth. Another report gives psychographic information about designated market areas such as the percentage of the population who invest, participate in certain sports, have certain hobbies and interests, and so on. You may be able to find a copy of *The Lifestyle Market Analysis* at your public library. For more information, see www.srds.com.

In addition, there are many other Internet resources:

Free Sites

U.S. Census Bureau	www.census.gov
Statistical Abstract of the U.S.	www.census.gov/prod/www/statistical-abstract-us.html
County and City Data Book	www.census.gov/statab/www/ccdb.html
The Social Statistics Briefing Room	www.whitehouse.gov/fsbr/ssbr.html
State Chamber of Commerce	(varies by state)

Search Engines (Free)

Google	www.google.com
Hotbot	www.hotbot.com

Pay Sites

The American Marketing Association	www.ama.org
ESRI Business Information Solutions	www.esribis.com
American Demographics	www.adage.com

The primary purpose of your market survey is to gather enough information to enable you to decide if the market is worth penetrating.

The primary purpose of your market survey is to gather enough information about the market to enable you to decide if it is worth penetrating. Thus, you must first determine exactly what information you need to collect. At a minimum, you should collect enough information to allow you to accomplish the following:

- Confirm the distinguishing characteristics of members of the target market.
- Understand the problems and goals common to most members, especially financial problems and goals.
- Determine how members communicate with one another, especially about financial problems and goals.
- Understand how members perceive the financial products and/or services you provide.
- Determine the competition's marketing efforts and success within the target market.

Therefore, design your survey questions accordingly. The survey should be thorough but concise; you do not want to overwhelm your participants. Keep the number of questions under 10 if you can. (A list of sample questions appears in the box below.)

Market Survey Sample Questions
<p>These sample questions have worked well in past market surveys.</p> <p>Questions regarding characteristics</p> <ul style="list-style-type: none"> • What attitudes and interests do you share with others in your market? • If an outsider went to a convention for members of your market, what impressions would he or she get from meeting members? • Is there something special or interesting that members in your market have in common? Why is this common to your market? <p>Questions regarding the common needs of market members</p> <ul style="list-style-type: none"> • What is your number one financial concern? What do people like you do to solve this concern? • What are your common problems and concerns? • If you could have a day's fee paid that would allow you to hire a good financial advisor to solve a problem for members of your market, what would you have that person do? Why? • What kind of articles or topics do you read about in your market's newsletter or magazine? • What type of financial articles would you like to see? Why? <p>Questions regarding how the market communicates within itself</p> <ul style="list-style-type: none"> • What do people in your market read to keep up with the latest information? • What industries, associations, or clubs support your market? • How often do you get together with other market members, and what do you do when that happens? <p>Questions about the perception of the products and services you sell</p> <ul style="list-style-type: none"> • How do you feel about [type of product or service]? How important do you feel it is? Why? • What determines how you buy [product or service]? Price? Quality? Brand name? Customer service? Convenience? Other? • Who or where would you go to find information about [product or service]? <p>Questions regarding competition</p> <ul style="list-style-type: none"> • Who comes to mind when members in your market think of [your products and services]? • How do you know about [name of a competitor]? Does [competitor] send you mail or e-mail? Does [competitor] advertise? Where? • What reputation does [competitor] have among members in your market?

Speak to individuals in your target market so your information comes directly from the source. Ask several market members to participate in your survey, assuring them that your purpose is not to sell them something but to find out more about them and the target market to which they belong. Offer each participant the opportunity to see the results of your survey. This may help you set up your first appointments with market members.

Write a Description of Your Potential Target Markets

Once you have completed your research, write a description of your potential target market. Your description should highlight common characteristics and needs and identify how members communicate with each other, as shown in the following example.

Example: *Target market:* math teachers in the Philadelphia area who are also parents
Common characteristics: analytical, concerned about their children's educations, and somewhat risk averse; average salary for Pennsylvania teachers around \$45,000 per year
Common needs: education planning and retirement planning
Communication network: 1,100-member organization for math teachers (ATMOPAV) that meets regularly and publishes a quarterly newsletter (focusing on teaching concepts and ideas) and has a website (www.atmopav.com)

Test Potential Target Markets

Before you spend time and money targeting a market in earnest, test it out. Identify several prospects in the market and approach them. Evaluate them as a sample of the market to determine the following:

Before you spend time and money targeting a market in earnest, test it out.

- How much income can you expect to generate from members of this market?
- How many referrals can you expect members of this market to provide?
- How responsive are the members of this market to your products and services?
- How accessible are the members of this market?

- What are the members' success ratios (calls per initial meetings, initial meetings per fact-finding sessions, and so forth)?
- How much do you enjoy working with members of this market?

In addition, you should keep gathering information about your potential target market to determine how to position your practice, effectively build prestige and create awareness, and prospect efficiently.

Position Your Practice

Thus far, you have defined the product, created an ideal client profile, and identified target markets. Now you need to decide how to position your practice in your target market.

Study the Competition

As part of your market research, you should inquire about your competition. Your position in the market is always relative to the competition. At a minimum, you need to know the following:

- Who is your competition?
- What are they identifying as their unique value? In other words, what are they giving as the reason to do business with them?
- How long have they been targeting this market?
- How are they gaining access to the market?
- How are they building prestige within the market?
- What are their strengths and weaknesses?
- How does the market view them?

Remember, your goal is to present a unique value to your target market that only you can offer. Be aware that if you are successful, your competition will try to mimic your approach. Therefore, stay on top of your competition so you can keep yourself distinct in your target market.

Define Your Unique Value

You are now ready to define how you will provide value to your target market. To do this, you need to determine what distinguishes you from the competition and what you can do that others cannot do. This is why you need to take inventory of all you bring to the table. The more your product (that is, the tangible written document(s), the solutions, and you) uniquely meets the needs of your target market, the more you will stand out from the competition.

What do you offer that distinguishes you from the competition? What can you do that others cannot do?

Another important way for you to offer value is through relationships with other professionals. At a basic level, you may be able to provide greater value through strategic alliances with other noncompeting financial advisors. You may be a gifted networker who seems to know everyone. If so, you can offer value by referring clients to professionals outside of the financial services arena. (See chapter 7 for more information about strategic alliances.)

The bottom line is that you must define yourself in a way that differentiates you from the competition in your target market.

Define How You Want to Be Perceived

Related to defining your unique value is defining how you want to be perceived in your target market. What do you want your reputation to be? It is important to establish yourself in the minds of the prospects in your target market as the advisor of choice. Identify personal characteristics and interests to which prospects in your target market will respond favorably. These are your personal brands for your target market.

Build Prestige and Create Awareness

After you have identified your unique value and defined what you want your reputation to be, you need to build your prestige and create awareness in your target market. The following are some of the standard ways to accomplish this.

Public Persona

Although your reputation is built over time, prospects typically decide whether to do business with you based on their first impression.

Although your reputation is built over time, prospects typically decide whether to do business with you based on their first impression. They judge you by your dress, posture, tone of voice, and behavior. Because you get only one chance to make a good first impression, know what image you want to present to your target market.

Start with your personal appearance. Look professional and successful with well-groomed hair, clean hands and nails, polished shoes, and well-kept clothes. However, the way you do this depends on your market. A Rolex wristwatch and expensive three-piece suit would not be appropriate if your target market consists of middle-class families.

Make sure that your office is professional and clean. Matching furniture and an organized desk communicate success and a businesslike persona. If your desk is cluttered, the prospect may be concerned about the safeguarding of his or her personal information.

Finally, and most important, the public perception of your character matters. This means that you must treat people with respect and dignity and

watch what you say. If you cannot say anything nice, do not say anything at all. Avoid questionable jokes and remarks that touch on topics that offend others. Always maintain the utmost integrity.

Personal Brochure

You may want to use a one-page personal brochure or résumé to introduce yourself to a prospect. In many cases, this is the prospect's first impression of you, so the brochure should not only communicate the desired perception you want projected, but it should also cater to your ideal client. To effectively do this, you need to understand what your ideal client would want to know.

Although no two brochures are exactly the same, there are some standard pieces of information you should have in yours:

- your name and contact information, including website, if applicable
- your biographical information (the length depends on what your ideal client would want to know about you)
- your professional experience and credentials (designations, business licenses, and so forth)
- the products and/or services you offer

10-Second Commercial

A response like “I am a financial planner” tells people how you make money and what you can do for them. However, it is neither interesting nor attention grabbing.

Socializing provides an opportunity for you to create awareness and interest in what you do. When people ask, “What do you do for a living?” you should have a short response that is relevant and interesting. A response like “I am a financial planner” tells people how you make money and what you can do for them. However, it is neither interesting nor attention grabbing. In contrast, consider a response like this, “Do you know what cartographers do? [People typically respond with a no, but even if they say yes, you give your answer.] They make maps that help people reach their destinations. Well, I do something similar for people. I make financial maps that help people reach their financial destinations. Do you have such a map?”

Here are some tips for creating a 10-second commercial:

- Ask a question that pertains to a prospect's need for your services. The question should position your response to be a solution to a problem or question that the prospect might be asking.
- Follow up your commercial by stating your value in terms of the results you achieve for clients.
- Be creative and interesting, but follow your company guidelines. They may restrict the way you can describe your work. Because of

today's compliance issues, exercise caution and do not misrepresent the products and/or services you sell or what you do.

- End with a question that measures the prospect's interest.
- Have a business card with you to give the prospect if you feel it is appropriate.

The key is to customize your commercial to the prospects and refer to a need that they might have. By doing so, you are not only creating awareness about your products and services; you are also creating interest—and interest will eventually get you an appointment.

Local Organizations

Get involved in a local civic or service organization about which you (and your target market) are passionate. Involvement can be at various levels, ranging from sponsorship to leadership. At a low end of the involvement continuum is sponsorship. It typically requires some monetary expenditure but minimal time commitment. In the middle of the involvement continuum is an active member. If you join an organization, you should be enthusiastic about its cause and make the necessary commitment of time, interest, and money. At the high end of the involvement continuum is leadership. Obviously, this requires a much higher level of commitment. Therefore, if you seek a leadership position in an organization, make sure your involvement will not hinder your business activities and other important personal relationships.

Local Media

Make yourself available to the local media (print, radio, and TV). Contact journalists and let them know that you can provide expert opinions and quotes on a list of financial planning issues. By helping them, you can showcase your expertise and competence. Furthermore, if you enjoy writing, see if local newspapers and organizations with newsletters need financial planning articles to fill their copy. You may be able to obtain reprints of these articles to send to prospects to build your prestige and credibility.

Mail

Mass mailing to the general public is expensive and inefficient. Mailing to prospects in your target market, however, can precondition them to meet with you when you approach them. Make sure that the message you are sending them is appropriate for their situation.

Speaking to Groups

If you have public speaking skills, giving speeches or teaching classes is a great way to showcase your financial planning expertise with minimal expense. In fact, in the case of adult education classes, you could even earn a few dollars to compensate you for your time and effort. The primary goals of these speaking and teaching engagements are to promote your reputation and expertise as a financial advisor who can help people solve their financial problems and/or attain their financial goals. It is important, however, not to overtly prospect or showcase your products while giving speeches or teaching classes. In fact, in many cases it would be inappropriate. However, placing your contact information on handouts is a subtle and acceptable way of marketing your practice.

Advertising

If you determine that specific advertising can reach your target market, it is money well spent. Otherwise, advertising to the undifferentiated general public is not a good use of your money.

Internet Website

Is an Internet presence critical to your success? Most likely it is, because the number of households with Internet access increases annually.

Is an Internet presence critical to your success? Most likely it is, because the number of households with Internet access increases every year. As a governing principle, your Internet presence should reflect the wants, needs, and tastes of your ideal client.

At a bare minimum, your website should contain information about you and your staff, your products and/or services, how to contact you, your philosophy on financial planning, and practical information that a prospect and client can use. This practical information can include helpful articles or links to articles on financial planning topics, as well as other items of interest for your target market such as

- a question-and-answer page (an advice column)
- case studies (describing the financial benefits you provided for a few of your ideal clients)
- worksheets (to help clients do budgeting, retirement planning, education planning, and so on)
- a calendar of events such as seminars, client appreciation days, community events you sponsor, and other events that may be of interest to your target market

As you (or a professional) design your website, you should be aware of any regulations that may apply. For example, if you are a registered

representative with a broker/dealer, you probably need to receive approval for the materials you plan to post on your website. Make sure you know any limitations that apply to you.

The Right Methods to Build Prestige and Create Awareness

The methods you choose to build prestige and create awareness depend on several factors, including access to the target market, receptiveness of the methods, cost in both time and money, and your personal abilities. To gain access to your target market, begin by asking yourself several questions about its members, such as the following:

- Where do they shop?
- Where do they exercise?
- To which organizations do they belong?
- What publications and newspapers do they read?
- Who is influential in their financial decision-making process?

With this information, identify possible methods to use, rejecting those that would not be well received or that would be cost prohibitive in time or money. In general, work toward your strengths and passions; avoid using methods that are inconsistent with who you are. The inconsistencies will be obvious and will have a negative effect on your reputation.

Select Prospecting Methods

There are several tried-and-true prospecting methods. With your creativity, you should be able to adapt them to fit your market and personality. The guiding principle for selecting methods is to use those methods that generate the best clients. All things being equal, the most effective method over the years has been referrals.

Referrals

Successful advisors have found referrals, or recommendations, to be a very efficient and effective means to generate an endless list of prospects. *Referrals* are people to whom you are introduced by someone who knows and values your work. In their highest form, referrals are unsolicited and come to you because of the enthusiastic recommendations they received from your satisfied clients. Until your practice evolves to this level, you will have to ask for referrals.

You should pave the way for referrals early on in the selling/planning process by creating the expectation of receiving them from the prospect if he

referral

The best time to ask the prospect for referrals is when he or she indicates an appreciation for you and/or your products and services.

or she appreciates what you are doing. For example, during the initial meeting, you might say, “Mr. and/or Ms. Prospect, as we work together, if you find what we are talking about to be important and valuable, then give me the opportunity to meet with people you know and care about so that I may help them, too.” Then when you ask the prospect for referrals, it will not come as a surprise.

The best time to ask the prospect for referrals is when he or she indicates an appreciation for you and/or your products and services. It could be after the plan is implemented. Or it could be anytime during the planning process after the prospect makes a positive comment like, “I am so glad you told me that. I did not know that mutual fund was available to me.” Even if the prospect does not implement the plan, ask him or her about the value of the process. If he or she has a favorable opinion of you and the process, ask for referrals.

When you ask the prospect for referrals, use your ideal client profile to indicate the type of referral you are looking for. You could even give the prospect a copy of your client profile and explain that this is the type of client you service best. In addition, you may find it helpful to describe several life events to the prospect that cause people to be more open to discussing financial matters. Ask the prospect if he or she knows any people who are experiencing one of these life events. If the prospect knows someone, ask him or her for a referral.

Life Events

There are certain life events that create a heightened awareness of financial needs. These events are

- graduating from college
 - starting the first job
 - receiving a promotion
 - changing employers
 - getting married
 - purchasing a home
 - having children
 - getting a divorce
 - starting a business
 - retiring
-

Center of Influence (COI)

**center of influence
(COI)**

By definition, a *center of influence (COI)* is an influential person who knows you favorably and agrees to introduce or recommend you to others. Although a client may become an effective COI, just as a COI may become a client, neither is necessary for your relationship with a COI to be beneficial.

In general, you will find that COIs

- are active in the community or a sphere of influence
- are sought out for advice by the community or within their sphere of influence
- seek to communicate with others
- are givers, not takers

Good COIs know the people in your target market regardless of their occupation or profession. However, there are some occupations and professions that deal directly with your target market and finding COIs in these could prove very profitable. Examples include

- attorneys
- CPAs
- other advisors whose products do not compete with yours
- members of a golf club
- members of a volunteer organization

After you have identified some possible COIs, you will need to set up meetings with them. These meetings are as important as appointments with clients. Therefore, plan your presentation. Keep it brief and consistent with your approach. For example, if you are meeting with a community leader, the goal of your presentation should be to show how the COI can help others by referring them to you. To accomplish this objective, be prepared to do the following:

- Explain the negative impact that the particular issue you are highlighting will have on individuals and, if applicable, society as a whole.
- Illustrate the impact of the issue with personal stories.
- Explain how purchasing your products and/or services can prevent people from experiencing this negative impact.
- Give the COI some practical actions that he or she can take to help.

You will probably want to ask the COI for referrals. If so, give him or her a copy of your ideal client profile. Although referrals are important, there may be other ways the COI can help you. For example, if the COI is the leader of a local business association, you can approach him or her about giving an educational presentation to the association.

Networking

networking

Networking is the mutual sharing of ideas and clients with other professionals whose work does not compete with yours. For networking to be successful, there must be open lines of communication among all parties.

Most networking groups have the same general rules. Membership is limited to one person from each profession, whether insurance, real estate, stock brokerage, and so forth. Each person attending the meeting is required to bring a prescribed number of names.

If you can find an existing networking group in your community, it might be worthwhile to investigate joining it to provide you with a steady stream of prospects.

Seminars

Seminars are a prospecting method in which you conduct an educational and motivational meeting for a group of people who are interested in your topic. They generally are effective because they accomplish three key objectives. First, they enable you to increase participants' awareness of their financial needs. Second, they cast you in the role of a financial expert who can help the participants meet those financial needs. Third, and most important, because of your success in accomplishing the first two objectives, seminars enable you to identify several prospects at one time from among the participants.

If you recall from our earlier discussion, it may be inappropriate to ask attendees at group presentations for contact information. Seminars, however, are different from group presentations. Seminar participants expect you to ask them for contact information so you can follow up and approach them for appointments.◇

APPROACH THE PROSPECT

Until you have the luxury of a constant stream of prospects calling for appointments, you will have to be proactive.

Until you have the luxury of a constant stream of prospects calling you for appointments, you will have to be proactive. Thus, the second step in the selling/planning process is approaching the prospect. This step requires you to contact the prospects you identified so you can set up appointments with them for initial meetings. The tasks involved in completing this step are to

- send a preapproach letter
- determine an approach method
- write an approach script
- implement the approach

Send a Preapproach Letter

The purpose of sending a preapproach letter to the prospects you identified is to create awareness of who you are and what you can do for them. You want to precondition them to meet with you when you call. They will be less inclined to do so if they have no idea who you are and what you can do for them.

How do you feel when you receive a call without any prior warning? If you react like most people, you are suspicious and defensive and do not listen to what the caller says. You are too busy thinking, “Who is this and how can I get rid of him or her?” The use of a preapproach letter introduces you to the prospect before you call.

In cases where the prospect’s name is a referred lead, the preapproach letter should also mention the name of the referrer, if possible. This will give more legitimacy to your phone call.

Determine an Approach Method

There are two main ways to approach a prospect for an appointment: by telephone and face-to-face. The most common (and the one that we will spend time discussing) is the telephone approach. Everyone has a telephone, and in the time you contact one prospect using a face-to-face approach, you could have contacted several prospects using a telephone approach. Note, however, that a face-to-face approach may work better for prospecting small businessowners.

Write an Approach Script

Many advisors feel that a script will restrict them or cause them to sound mechanical. Actually, the opposite is true.

In either case, you will need to know what you will say. Many advisors balk at the words “telephone script.” They feel that a script will restrict them or cause them to sound mechanical. Actually, the opposite is true. Scripts help you feel more comfortable and enable you to project a more confident phone personality. They free you to focus on the prospect and listen for clues to gauge his or her level of interest in what you are saying.

The remainder of this section will focus on the basics of writing an approach script. Keep in mind that your objective for calling the prospect is to get an appointment. With this in mind, put together a script that has a greeting, creates interest, asks for the appointment, and ends the call. In addition, be prepared for resistance to your call. Be ready to exit gracefully should resistance persist.

Your conversation should last only a few minutes. A good script is short and generates interest. As always, remember to follow company guidelines, obtain any necessary compliance approval, and observe all federal and state do-not-call rules.

Know the Objective

Your objective in making the call is to more thoroughly introduce yourself to the prospect and set the appointment. Obviously, you will not need to introduce yourself to existing clients, but you will want to reestablish rapport if you have not spoken to them for some time. If you are calling new prospects, your preapproach letter should have preconditioned them to who

you are. Also, they may have some idea of who you are from having attended one of your seminars where they gave you contact information.

Sometimes a prospect or client may ask you a question related to a product or service. One you probably hear often is, “How much will this cost me?” Some advisors cannot resist the temptation to answer these questions over the telephone. Resist it. Save your answers for when you meet with the prospect. Remember, your objective in making the call is simply to get the appointment.

Greet the Prospect

You want to make a good first impression. Open your conversation with something upbeat like, “Good morning/good afternoon.” Identify yourself and the company you represent. Consider adding a phrase such as “I will only take a moment of your time” or “Do you have a moment to speak?” This demonstrates that you are sensitive to the prospect’s busy schedule.

Create Interest

Remember, you are trying to motivate the prospect or client to see you. Tell why you are calling. Cite an example of how you helped other people in your target market solve their financial problems and/or achieve their goals.

Ask for the Appointment

This is why you are calling. Explain the purpose of the meeting in terms of the results you hope to achieve for him or her. Personalize these results. Avoid using the word “appointment.” Use “meet,” “see,” or “get together.”

End the Call

First and most recent impressions are memorable. Therefore, it is important that you know how to end the call. There are some things you must do, such as give directions (if the prospect is unfamiliar with the location of your office). In addition, reconfirm the appointment and affirm your desire to meet the prospect or client. The following example illustrates how to end a prospecting call effectively.

Example: “Good afternoon, Prospect, this is Joe Advisor from ABC Financial. I will take only a moment of your time. I work with people like you who dream about a comfortable retirement. I would like to meet with you to see if I could help you create a plan so you can realize your dream. Would some time during the day work for you, or are evenings better?”

Managing Prospect Resistance

Unfortunately, some people may have objections to purchasing your products and/or services. You will find that these objections usually fall into one of four categories:

- no hurry
- no money
- no need
- no trust

Rather than being caught off guard with no idea how to handle objections, write a script for each category that makes you sound confident. The perception of confidence will help you address their resistance. Although resistance is covered in more depth in chapter 7, here are some general guidelines:

- Acknowledge the concern. Let the prospect know that it is okay to feel the way he or she feels.
- Clarify the concern. Ask a question if needed.
- Resolve the concern. Make sure you have answered the concern before you request an appointment again.
- Reposition your request for an appointment.

Keep the Door Open

Sometimes the prospect's resistance remains after your best attempt to overcome it. In these situations, you need a way to end the call that leaves the door open. While high pressure and badgering may get you an appointment, you should not try to debate someone into an appointment. If you detect that the prospect has no interest after you have attempted twice to schedule an appointment, make sure that you

- acknowledge the prospect's position
- keep the door open by asking the prospect if there is a better time to call or if he or she would be interested in receiving mail. Most important, let the prospect know that if he or she should change his or her mind to give you a call.
- thank the prospect for his or her time and end the call

Example:

“Okay. If you change your mind or know someone who needs help understanding how to protect his or her financial future, give me a call. I am in the phone book under Kelly Martin Financial. Thanks for your time. Have a good evening.”

Caller ID and Voice Mail

You have new challenges with caller ID and voice mail. These technologies have increased the number of calls you need to make to actually talk to someone. For caller ID, the solution after one attempt at calling with no answer and no voice mail is to send a follow-up preapproach letter in which you again explain who you are and that you will be calling to set up a meeting. If this does not work, then you have to assume that this prospect is not interested in your products and/or services.

For voice mail, you need to be creative. One approach is to utilize the 10-second commercial concept and describe the results you can help your client achieve. The easiest thing to do is to use the positioning statement you were going to use in asking for the appointment. For example, you could leave a message like this.

Example: “Good evening, Jane. This is Kelly Martin from ABC Financial. I specialize in helping young adults like you create strong foundations on which to build their financial dreams. I would love to get together with you to see if you may want to use my services. I will give you a call back sometime next week.”

Most advisors would not leave their own number with the request that the prospect return the call. Initiating the contact helps you feel more confident and comfortable because you know what you will say. If the prospect initiates the call, you may not remember where the lead came from or you may be tempted to ad lib rather than follow your script.

Practice, Practice, Practice

Once you have written your scripts, practice them. Read them to other advisors and get their feedback. You can also record yourself and hear what you sound like. Does it sound like you are reading?

Implement the Approach

After you have sent out preapproach letters and practiced your scripts, it is time to pick up the phone and call. Once you have set the appointment, send out a confirmation letter, along with your personal brochure (if you have not already sent a brochure). A few days prior to the appointment, call to confirm it.◇

SUMMARY

In the first two steps of the selling/planning process, you work with prospects, first to identify them and then to approach them. Technically, the prospect does not become a client until after he or she purchases a product and/or service from you. For commission-based advisors, the transition occurs in step 7 of the process when the plan is implemented. For fee-based advisors, the transition typically occurs in step 3 or 4 of the process when the fee is paid. However, for the sake of simplicity, in this book we refer to the prospect as a client beginning in chapter 2 where we discuss step 3 of the process.◇

CHAPTER ONE REVIEW

Key Terms and Concepts are explained in the Glossary. Answers to the Review Questions and Self-Test Questions are found in the back of the textbook in the Answers to Questions section.

Key Terms and Concepts

financial planning	life cycle financial planning
selling/planning process	target market
comprehensive approach	natural market
multiple-purpose approach	market segment
single-purpose approach	referral
financial planning pyramid	center of influence (COI)
financial life cycle	networking

Review Questions

- 1-1. Define financial planning.
- 1-2. What are the steps of the selling/planning process?
- 1-3. Identify the major planning areas to include in a comprehensive financial plan.
- 1-4. What is the multiple-purpose approach to financial planning?
- 1-5. What are the advantages of creating an ideal client profile?
- 1-6. What are the steps for identifying target markets?
- 1-7. List seven questions to answer when studying your competition.

- 1-8. List nine ways to build prestige and create awareness.
- 1-9. List four prospecting methods.
- 1-10. What are the four categories of objections?

Self-Test Questions

Instructions: Read chapter 1 first, then answer the following questions to test your knowledge. There are 10 questions; circle the correct answer, then check your answers with the answer key in the back of the book.

- 1-1. Tasha is working with a young couple who have no emergency savings and only mandatory coverages for auto insurance. On which stage of the financial planning pyramid will Tasha help her clients focus?
 - (A) protecting against risks
 - (B) accumulating wealth
 - (C) paying off debt
 - (D) managing retirement and the estate

- 1-2. Which of the following best fits the definition of a target market?
 - (A) single women ages 20–35
 - (B) parents of children who go to the same school as your daughter
 - (C) brain surgeons in Podunk, a small town
 - (D) subscribers to the *Daily Planet*, the local newspaper

- 1-3. The objection “I’m too young to worry about planning for retirement” falls into which category of objections?
 - (A) no hurry
 - (B) no money
 - (C) no trust
 - (D) no value

- 1-4. Which of the following advertisements is the most cost effective for a target market of young parents?
 - (A) a commercial spot on a local radio show about computers
 - (B) personal brochures at the local senior center
 - (C) an ad in a private school’s newsletter to parents
 - (D) a full-page ad in the national magazine *Tomorrow’s Parents*

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- 1-5. Which of the following major planning areas is (are) addressed in a comprehensive financial plan?
- I. investment planning
 - II. income tax planning
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
- 1-6. Which of the following is a way to build prestige and create awareness?
- I. Speak about personal finances at a Rotary Club meeting.
 - II. Buy a list of members in your target market.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
- 1-7. Which of the following is an approach method?
- I. sending a postcard
 - II. calling on a telephone
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
- 1-8. All the following are guidelines for handling resistance when contacting a prospect for an appointment EXCEPT:
- (A) Acknowledge the prospect's concern.
 - (B) Clarify the prospect's concern.
 - (C) Review features and benefits of your product.
 - (D) Reposition your request for an appointment.
- 1-9. You will generally find all of the following characteristics in centers of influence EXCEPT:
- (A) They are active in the community.
 - (B) They seek to communicate with others.
 - (C) They are takers, not givers.
 - (D) They are sought for advice within their sphere of influence.

- 1-10. All the following are distinct phases in an individual's financial life cycle EXCEPT
- (A) early career
 - (B) peak accumulation
 - (C) preretirement
 - (D) generation X

NOTES

1. Shelley A. Lee, "What Is Financial Planning, Anyway?" *Journal of Financial Planning*, December 2001, pp. 36–46.
2. The pure form of comprehensive financial planning occurs when the financial advisor (and his or her team of specialists) completes a comprehensive plan for the client all at one meeting or, more realistically, at several meetings that take place over a relatively short period of time.
3. Peter Montoya and Tim Vandehey, *The Brand Called You*. (Costa Mesa, CA: Millennium Advertising, 1999), p. 30.