



Research: Communication Issues in Life Planning

DEFINING KEY FACTORS IN DEVELOPING SUCCESSFUL PLANNER-CLIENT RELATIONSHIPS

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Chapter 1: Study Overview

I. Introduction

Within the financial planning community, there is growing interest in a holistic, client-centered, values-based approach to developing successful client relationships. Although anecdotal evidence supports the efficacy of this approach, there is a lack of scientific research to verify its benefits. Furthermore, in order to identify best practices, the financial planning profession recognizes the importance of learning more about how various aspects of communication can contribute to the development of trust and commitment in planner-client relationships. The research we present in this report is an effort to meet these needs.

In 2006, members of the Life Planning Consortium¹ developed and conducted the “Survey of Specific Elements of Communication that Affect Trust and Commitment in the Financial Planning Process.” The Financial Planning Association (FPA) co-sponsored this research and has been an invaluable partner by endorsing the project, conducting the survey, and disseminating the results. In a letter of support for this research, Sean Walters, then managing director of knowledge and market development for FPA, wrote: “The primary aim of FPA is to be the community that fosters the value of financial planning and advances the financial planning profession. FPA is committed to exploring new ways for FPA members to provide more client-centered planning. And, FPA is interested in the development and identification of skills and competencies that are inherent in these planners.”

Certified Financial Planner Board of Standards, Inc., provided funding for our research. In the award letter, a representative of CFP Board wrote, “Practicing financial planners, as well as the academic community, should benefit from the results of this research. It addresses certain qualitative skills needed by financial advisers.”

A. GOAL OF RESEARCH

Our goal in designing this study was to identify and statistically validate specific communication topics, tasks, and skills that contribute to building client trust and

commitment in the context of a professional financial planning relationship. In particular, we explored elements of communication that are associated with a life planning approach to service delivery. We also examined the influence of selected communication variables on important indicators of successful planner-client relationships, including client retention, satisfaction, cooperation, openness, and referrals.

B. DEFINITIONS OF TERMS

To help establish clarity and focus in our research, we adopted the following working definitions of client trust, client commitment, and life planning:

Client trust: The belief of the financial planning client that the financial planner can be relied on to behave in such a manner that the long-term interest of the financial planning client will be served.²

Client commitment: The intent and assurance of a financial planning client (implicitly and explicitly expressed) to have an ongoing relationship with his or her current financial planner.³

Life planning: A process conducted by a financial planner to help financial planning clients to (1) focus on the true values and motivations in their lives, (2) determine the goals and objectives they have as they see their lives develop, and (3) use these values, motivations, goals, and objectives to guide the planning process and provide a framework for making choices and decisions in life that have financial and non-financial implications or consequences.⁴

II. Developing Successful Planner-Client Relationships

Results of a recent CFP Board consumer survey indicated that the top three criteria for choosing a financial adviser

were that the adviser be “trustworthy,” “someone who listens,” and “more interested in meeting needs than selling products.”⁵ Obviously, clients want more than technical competence when working with a financial planner. But how does a financial planner earn a client’s trust? What is involved in *real* listening, and how does a client define “meeting needs”?

In an attempt to answer these questions and to also form a solid foundation for our study, we reviewed previous research that explored the role of communication in developing successful financial planner-client relationships.

A. CLIENT TRUST AND CLIENT COMMITMENT

Research conducted by Christensen and DeVaney⁶ established that communication had a positive, strong, and significant relationship with client trust in a planner. Results of their research also indicated that higher levels of trust, in turn, had a positive and significant relationship with higher levels of commitment to the planner-client relationship. They concluded that planners who were more successful in developing client relationships were also more likely to experience higher levels of commitment than planners who did not attend to the interpersonal aspects of their businesses.

Similarly, Kirchmajer and Patterson⁷ examined interpersonal communication as an antecedent of trust and closeness. They subdivided interpersonal communication into communication clarity, social communication, and provision of information. In the context of their research, trust consisted of credibility trust—trust in the financial adviser’s technical competence, and benevolence trust—confidence that the financial adviser will act in the client’s best interest. Analyzing survey data from financial planning clients, they found that communication clarity—described as listening, enthusiasm, and open and honest discussion—had the largest impact on a client’s perception of a financial adviser’s technical competence—credibility trust—and level of closeness to the financial adviser.

State Street Global Advisors and the Wharton School of Business interviewed industry experts and surveyed financial advisers and clients to explore how trust is cultivated and preserved.⁸ In the resulting report,

Bridging the Trust Divide: The Financial Adviser-Client Relationship, the authors identified three levels of trust:

1. **Trust in Technical Competence and Know How**—This is the belief of the client that his or her financial adviser is experienced, knowledgeable, and able to help him or her to make difficult financial and personal decisions.
2. **Trust in Ethical Conduct and Character**—This level of trust is primarily a function of personal and/or industry ethics and is highly influenced by the reputation of the adviser and the company with which he or she is associated.
3. **Trust in Empathic Skills and Maturity**—This level of trust focuses on the “relationship competence” of the financial adviser and his or her ability to handle the client’s personal issues and sensitive information with empathy and tact.

Results of the State Street/Wharton study indicated that advisers who build and maintain trust on all three levels—competence, ethics, and empathic skills—will be in a better position to build longer lasting and more satisfying relationships with their clients. In addition, the authors concluded that advisers should make every effort to move toward a consultative approach that blends the financial aspects of the relationship with the personal:

In this way, with the right communication skills and tools, the adviser adds real value by focusing not only on a client’s financial well-being, but also on the underlying personal and familial issues that could further promote or cripple the client’s financial health.

In a 2000 study titled “Switching Costs, Alternative Attractiveness, and Experience as Moderators of Relationship Commitment in Professional, Consumer Services,” Sharma and Patterson⁹ investigated the strength of association between trust, service satisfaction, and relationship commitment. They found a stronger association between satisfaction and relationship commitment than between trust and relationship commitment. In addition, switching costs, attractiveness of an alternative, and expectations based on prior experience moderated

the relationships between relationship commitment and antecedents of trust and service satisfaction. Sharma and Patterson concluded that financial advisers should be especially careful to nurture client relationships when the costs (real or emotional) of switching to another adviser are low, when other alternatives are attractive, and when working with a client who is very experienced in using financial services.

B. COMMUNICATION AND PERCEPTION OF SERVICE QUALITY

An earlier study conducted by Sharma and Patterson, “The Impact of Communication Effectiveness and Service Quality on Relation Commitment in Consumer, Professional Services,”¹⁰ was particularly helpful in developing the conceptual design of our research project. They found that communication effectiveness was the single most powerful determinant of a client’s *perception* of service quality, which influenced the client’s level of trust in and commitment to his or her financial planner.

Furthermore, Sharma and Patterson explained that perception of service quality is composed of two fundamental components: *technical quality* and *functional quality*. They explained that technical quality, is the “core or promised service in financial planning” and refers, in particular, to the “competency of the adviser in achieving the best return on investment for their client at acceptable levels of risk, thus assisting the clients to achieve their financial goals.”

Functional quality, in contrast, is related to how the core service is delivered. According to Sharma and Patterson, “It is concerned with the courtesy and friendliness shown to the client, making efforts toward understanding his or her circumstances, displaying empathy, giving prompt service, and responding to queries and complaints in a responsible, courteous, and timely manner.”

C. GROWING IMPORTANCE OF COMMUNICATION IN THE “FUNCTIONAL QUALITY” DIMENSIONS

Without argument, it is the financial planner’s quantitative skills and knowledge that form the foundation of a successful financial planning practice. Quantitative skills and knowledge also establish the basis for developing client trust and commitment in the financial planning

relationship. The biggest challenge, explained Sharma and Patterson, is that most clients do not possess the level of technical knowledge and expertise required to intelligently and objectively evaluate the quality of financial advice delivered.

Furthermore, financial planning is a process where the core service (technical performance) unfolds over time. Therefore, the true success of a financial plan can only be realized over the long term and in the context of an enduring planner-client relationship. In contrast, when a client’s focus is on short-term performance, a competitor’s promise of higher returns may weaken his or her commitment to the current planner relationship and undermine the success of his or her financial plan.

Therefore, Sharma and Patterson warned that as the core service becomes commoditized, competition increases, and the industry matures, “it is the functional quality dimensions that become increasingly important as a means of creating a sustainable competitive advantage.” They expressed concern that, in the financial services industry, the central role of effective interpersonal communications in developing successful and long-term planner-client relationships has been largely ignored.

III. The Emerging Role of Life Planning

Recently, the financial planning profession has emphasized the importance of actively engaging clients in a “more personal and holistic focus on their financial and non-financial needs”¹¹ using an approach known variously as “life planning,” “financial life planning,” and “interior finance.” This model of service delivery utilizes a collaborative, client-centered approach to communication that integrates a client’s values-based life goals with their financial goals. In light of the growing importance of the functional or qualitative aspects of developing long-term client relationships, we felt it was important to explore the efficacy of the life planning approach as a means of addressing this need.

A. DIVERSE PERSPECTIVES

The topic of life planning has long been a source of debate among financial planners. Bob Veres, publisher and

futurist for the financial planning community, seemed to capture the central issues surrounding the life planning approach in his interview¹² with Paul Fragala, “a thoughtful planner with sympathies in both directions”:

Fragala thinks that the proponents and opponents of life planning have, thus far, been engaging in monologues rather than dialogues—talking to themselves rather than each other. And so he proposes that we lay some common ground.

On the “traditional” (*anti* life planning) side of the debate, he sees people who are unwilling to entertain new ideas, and who hold a view of life planning that is “more caricature than reality.” But, he says, “I also see a desire to protect financial planning from veering away from the financial side of the service into something that has nothing to do with finances. And these traditionalists see life planning as intrusive to clients, treading on places in the client’s life where we don’t belong.”

Among life planning proponents, Fragala sees “a desire to expand the role of financial planning, and grow the influence and impact that we have. I see the desire to make client goals (the true purpose of financial planning) the real center of the work, and to develop them on a deeper, more meaningful level. And to make financial planning more than a sales job and more of a profession—a profession with (dare I say it?) a soul.”

However, Fragala also thinks that life planning proponents sometimes fail to grasp the magnitude of the change they are proposing for the financial planning profession. “It is not merely changing *how* we work; it is redefining what financial planning is. It changes what it means to be a financial planner.”

On the other hand, others hold that life planning is not a new or different approach to financial planning. One such individual is William Anthes, who has played an integral role in the growth and development of financial planning as a profession. He was the president of the College for Financial Planning from 1979 to 1997 and then directed the National Endowment for Financial Education® (NEFE®) until his retirement in 2005. On the occasion

of receiving FPA’s 2001 P. Kemp Fain, Jr., Award, he was interviewed by the *Journal of Financial Planning* and asked to share his thoughts about life planning:¹³

“Is life planning new?” asks Anthes. “I don’t think so. Clearly there are aspects of life planning in the original concept of financial planning—that is, you have to understand your clients, their goals, and so forth. I think we’re seeing a re-emergence of life planning, perhaps somewhat more in depth, with a new vitality.”

“There’s always been the notion that financial planning is holistic—that it’s more than insurance, stocks, and bonds, and that the starting point is goals. Life planning is even more holistic, in that you are really talking about sitting down with the client and putting off financial discussions until you are further down the road of understanding the client and their motivations and goals.”

Still others consider the interest in life planning to be emblematic of a maturing financial planning profession. In the September 2002 issue of the *Journal of Financial Planning*, Lewis J. Walker wrote, “Financial life planning may seem to be the ‘new, new thing,’ but it is not. The concept is more evolutionary than it is revolutionary.”¹⁴ Lewis explained that as individuals reach midlife and contemplate their future, many move from preoccupation with success to reflection on and pursuit of significance.

Significance reflects a vision of a legacy, during lifetime and after one transcends at death to hopefully a higher order where character counts and net worth means nothing. A man or woman of true depth recognizes that all earthly blessings are merely loans. All must be left behind. “Significance” is a desire to give back now and beyond death, to make a difference. The question is, “How?”

These are the “soft issues” regarding money. It is questions and probing in the deeper areas beyond money and surface simplicities that will set you apart from other advisers and those looking for quick sales. Matters of significance require money, but money is not the point.

B. LIFE PLANNING DEFINED

In November 2000, NEFE, a non-profit foundation, hosted a day-long meeting to explore the concept of life planning. The invited participants comprised a diverse group of professionals, including CFP® certificants, researchers, consultants, academics, human resources executives, etc., who were proponents or practitioners of life planning.

Facilitator Steven S. Shagrin, J.D., CFP®, CRPC, CRC, offered the following thoughts on the integration of financial planning and life planning:

[Financial planning's accepted definition] presents the establishing of personal and financial goals as the first step. It is my belief that life planning is the process of bringing a deeper structure and framework to this very important step. It does so with an approach that the client tends to appreciate, understand, and, most importantly, revisit over time—more so than a standard financial plan.

Incorporating both life planning's philosophy and desired outcomes, the participants agreed on the following definition of life planning for financial planners: "Life planning is the process of (1) helping people focus on the true values and motivations in their lives, (2) determining the goals and objectives they have as they see their lives develop, and (3) using these values, motivations, goals, and objectives to guide the planning process and provide a framework for making choices and decisions in life that have financial and non-financial implications or consequences."¹⁵

IV. What is Good Communication?

Good communication is effective in achieving desired ends, connecting needs with resources, resolving problems and issues, and strengthening relationships. In the context of financial planning, we believe the elements of effective communication can be classified as 1) communication topics, 2) communication tasks, and 3) communication skills.

A. COMMUNICATION TOPICS

Topics of planner-client conversations can be categorized as either quantitative or qualitative. Quantitative topics are technical in nature. Planner-client communication based on quantitative topics tends to be focused on the planner's ability to deliver financial information to the client in a clear and effective manner.

In contrast, qualitative topics are subjective in nature. Planner-client communication based on qualitative topics tends to focus more on the planner's ability to make an emotional connection with the client and to gather personal information from the client (via observation and inquiry) that increases understanding of the client's personal expectations, needs, life circumstances, values, and priorities.

Certainly, the quantitative aspects of financial issues will always be central to financial planner-client conversations. However, the literature indicates that discussion of qualitative topics can be just as important. For example, the Financial Planning Practice Standards document directs planners to initiate conversations about "the client's values, attitudes, expectations, and time horizons as they affect the client's goals, needs, and priorities."¹⁶ The rationale given for this standard is that clients' personal values and attitudes shape their goals and objectives and the priority they place on them. In addition, it is the qualitative issues that create the emotional buy-in to the financial plan. Lacking that, a client is unlikely to make the commitment necessary to achieve his or her goals and objectives. It is for this reason and others that advocates of the life planning perspective encourage exploration of the qualitative aspects of clients' lives.

B. COMMUNICATION TASKS

Most often, it is the planner, rather than the client, who sets the tone and direction of initial planner-client conversations. Some planners believe that stating their own values, priorities, and expectations will help a prospective client to decide if the relationship would be a good fit.¹⁷ Others prefer to focus on collecting the client's financial and demographic data.¹⁸ In contrast,

advocates of the life planning approach make a point of gathering information beyond a client's financial and demographic characteristics. Communication tasks for these planners are likely to include learning about the client's personality, cultural background, values, attitudes, and beliefs about money.¹⁹

In addition, professional guidelines established by CFP Board outline various communication tasks the financial planner is expected to undertake in fulfillment of the six-step financial planning process. For example, the Financial Planning Practice Standards document states, "The financial planning practitioner and the client shall mutually define the scope of the engagement before any financial planning service is provided."

Other communication tasks defined by CFP Board seem particularly supportive of a life planning approach to planner-client communication. These include:

1. The financial planning practitioner and the client shall mutually define the client's personal and financial goals, needs, and priorities that are relevant to the scope of the engagement before any recommendation is made and/or implemented.
2. The practitioner will need to explore the client's values, attitudes, expectations, and time horizons as they affect the client's goals, needs, and priorities.
3. The role of the practitioner is to facilitate the goal setting process in order to clarify with the client goals and objectives.

Still other guidelines in the practice standards document stress the importance of communicating in a way that is clear, client-focused, and easily understood.

1. When presenting a recommendation, the practitioner shall make a reasonable effort to assist the client in understanding the client's current situation, the recommendation itself, and its impact on the ability to meet the client's goals, needs, and priorities.
2. It is important to determine clear and measurable objectives that are relevant to the scope of the engagement.

C. Communication Skills

Facilitative Skills

In *Financial Counseling: A Strategic Approach*,²⁰ the authors identify three categories of "facilitative communication skills": nonverbal, verbal, and spatial arrangement. They contend that deliberate, specific, and tactical use of these elements of communication will increase efficiency and effectiveness in the financial advisory relationship and enhance development of trust and commitment.

1. In *nonverbal communication*, messages are conveyed without words. Openness to an idea or unspoken emotions such as fear or anger can be evident in a client's body posture or facial expressions. In addition, a planner can convey acceptance, warmth, and interest by eye contact or leaning toward the client when listening.
2. *Verbal communication* consists of "verbal pacing" and asking questions. Verbal pacing tactics include restating, paraphrasing, or summarizing a client's statements. The focus of each of these approaches can be on factual content or on the underlying emotional themes communicated by the client, and provides the financial adviser an opportunity to check for understanding. In addition, using words that reflect a client's preferred learning style (visual, auditory, and kinesthetic) is an example of an advanced verbal pacing technique. Strategic use of questions can encourage client openness, clarify meaning of client statements, or direct the gathering of important client information.
3. *Spatial arrangement* of the environment in which planner-client conversations take place can also enhance client comfort and encourage openness. It is important to create a space for planner-client conversations that is comfortable, non-threatening, and assures privacy.

Listening Skills

Ironically, the most fundamental skill of good communication is not about how well we talk, but how well we listen. In *The 7 Habits of Highly Effective People*, Stephen Covey describes the first step to effective communication as "seek

first to understand, and then to be understood.” This is the essence of “empathic listening,” which goes beyond the techniques of active and reflective listening.

Empathic (from “empathy”) listening gets inside another person’s frame of reference. You look out through it, you see the world the way they see the world, you understand their paradigm, you understand how they feel.²¹

In financial planning, empathic listening can help a planner not only learn the hows and whys of the client’s financial status, but also gain insight regarding the client’s attitudes, beliefs, values, needs, concerns, and hopes. In an article he titled “Those with Ears to Hear,” Richard B. Wagner, financial planner and life planning advocate, wrote:

“Hearing” is a rather more personalized and sophisticated undertaking than engaging in a sales process (even a sensitive, sophisticated one). Truly understanding the client’s personal issues requires that extra piece that separates humans from computers and tape recorders. “Hearing” enables us to expand from the simple and obvious to the full amplitude of our clients’ financial contexts even as we work diligently at the job of “hearing” the full measure of their meaning.”²²

Therefore, it seems reasonable to expect that a financial planner who attends to a client’s “inner world” first will be better equipped to develop a financial plan that will be particularly relevant and meaningful to that client.

V. What’s Next?

It is our hope that the information presented in this report will provide greater understanding regarding the importance of *specific* communication topics, tasks, and skills in developing client trust and client commitment. In addition, our research offers new insight regarding the affect of communication on important and desirable outcomes of planner-client relationships: 1) client retention, 2) client satisfaction with planner-client relationship, 3) client cooperation with financial planning recommendations, 4) client openness in disclosing financial

information, 5) client openness in disclosing personal information, and 6) client referrals.

This information should be valuable in confirming to you which of your current communication practices are particularly effective in developing successful client relationships. In addition, this report will point out areas of communication where you will want to focus your attention and increase your effectiveness. We also believe that this report will be useful in guiding the development of communication curricula and training for financial planners.

We have organized the remaining pages of this report as follows: In Chapter 2, we give a synopsis of the research design and methodology employed in conducting this study. In Chapter 3, we provide a description of the financial planners and the financial planning clients who participated in our research. In Chapters 4, 5, and 6, we present the survey responses and results of statistical analyses in regard to communication topics, tasks, and skills. Each of these three chapters is divided into three main sections: Introduction, Findings, and Discussion & Conclusions. Finally, in Chapter 7, we provide a summary of the preceding six chapters and offer recommendations based on the research findings.

ENDNOTES

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Chapter 2: Research Design

I. Introduction

Within the financial planning community, there is growing interest in a holistic, client-centered, values-based approach to developing successful client relationships. Although anecdotal evidence supports the efficacy of this approach, there is a lack of scientific research to verify its benefits. Furthermore, in order to identify best practices, the financial planning profession recognizes the importance of learning more about how various aspects of communication can contribute to the development of trust and commitment in planner-client relationships. The research we present in this report is an effort to meet these needs.

A. GOAL OF RESEARCH

In 2006, members of Life Planning Consortium¹ developed and conducted the “Survey of Specific Elements of Communication that Affect Trust and Commitment in the Financial Planning Process.” Our goal in designing this study was to identify and statistically validate specific communication topics, tasks, and skills that contribute to building client trust and commitment in the context of a professional financial planning relationship. In particular, we explored elements of communication that are associated with a life planning approach to service delivery. We also examined the influence of selected communication variables on important indicators of successful planner-client relationships including client retention, satisfaction, cooperation, openness, and referrals.

B. DEFINITION OF TERMS

The concepts of client trust, client commitment, and life planning were central to our research. Therefore, to establish clarity and focus in our scientific inquiry, we adopted the following working definitions of client trust, client commitment, and life planning:

Client trust: The belief of the financial planning client that the financial planner can be relied on to

behave in such a manner that the long-term interest of the financial planning client will be served.²

Client commitment: The intent and assurance of a financial planning client (implicitly and explicitly expressed) to have an ongoing relationship with his or her current financial planner.³

Life planning: A process conducted by a financial planner to help financial planning clients to (1) focus on the true values and motivations in their lives, (2) determine the goals and objectives they have as they see their lives develop, and (3) use these values, motivations, goals, and objectives to guide the planning process and provide a framework for making choices and decisions in life that have financial and non-financial implications or consequences.⁴

II. Survey Development

Members of the Life Planning Consortium designed two Web-based survey instruments—one for CERTIFIED FINANCIAL PLANNER™ practitioners and one for clients of these CERTIFIED FINANCIAL PLANNER™ practitioners—to investigate our variables of interest.

We developed content for the survey items based on financial planning practice standards,⁵ instructional material on facilitative communication skills,⁶ prior research on the antecedents of client trust and commitment,⁷ and the professional expertise of life planning practitioners and coaches. In general, the survey items included on the planner questionnaire mirrored those included on the client questionnaire. For example, one item on the client survey read, “I am very committed to maintaining a relationship with my financial planner.” The matching statement on the planner survey read, “My clients are very committed to maintaining a relationship with me.” This questionnaire structure allowed us to assess the congruence of planner and client responses.

In general, survey responses were constructed to conform to a six-point Likert scale format anchored at “strongly disagree” and “strongly agree.” When appropriate for certain survey items, we used a response format based on a five-point Likert scale anchored at “never” and “always.”

In addition to designing survey items that focused on communication and outcome variables, we developed questions for the purpose of gathering demographic information from both planners and clients. The planner survey also included questions that specifically related to their professional practices. Once the design was complete for both surveys, we conducted pilot tests with a small group of planners and clients and made revisions as needed.

III. Data Collection

In the first step of our data collection process, FPA sent an e-mail message to a random sample of FPA members, describing this research project and inviting these individuals to participate. Those receiving invitations who were not CERTIFIED FINANCIAL PLANNER™ practitioners were asked to disqualify themselves. CERTIFIED FINANCIAL PLANNER™ practitioners who chose to participate were asked to click on an electronic link that directed them to the Web-based planner survey. The data collection was conducted in the first quarter of 2006 and resulted in 554 usable surveys. The response rate for the planner survey was 11.08 percent, a rate comparable to other research that surveyed financial planners.⁸

Toward the end of the electronic survey, an item was included that asked planner respondents to indicate whether or not they would be willing to invite 10 to 15 of their clients to participate in the client component of this research project. Planner respondents who agreed to this request were sent an e-mail invitation that they, in turn, could forward to a selection of their client base.

Clients who received the e-mail invitation and agreed to participate were also asked to click on a link that directed them to the Web-based client survey. Data collection based on client responses also took place in the first quarter of 2006 and resulted in 128 usable surveys. Since it was the planner participants who extended the invitation to their clients (rather than being e-mailed by FPA, like the planner invitation), the total number

of clients who actually received invitations is unknown. Consequently, it was not possible to calculate a response rate for the client survey.

IV. Data Analysis

Our primary interest in conducting this research was to examine the benefits of using a holistic, client-focused, values-based approach to building client trust and commitment and in promoting client retention, satisfaction, cooperation, openness, and referrals.

Our research design included a planner survey and a client survey that provided two separate data sets and the opportunity to compare and contrast the opinions of each group of respondents on complimentary survey items. We chose a descriptive and correlation framework for conducting our analyses and for examining our variables of interest.

A. VARIABLES OF INTEREST

Dependent Variables: Desired Outcomes of Planner-Client Relationships

Client Trust and Client Commitment: We used Chronbach's alpha⁹ to construct four additive scales: 1) client trust from the clients' perspective, 2) client trust from the planners' perspective, 3) client commitment from the clients' perspective, and 4) client commitment from the planners' perspective. This strategy followed the approach of previous research conducted by Christensen and DeVaney and Sharma and Patterson.¹⁰

Other Important Outcomes: Other outcome variables used as dependent variables in our analyses included 1) client retention, 2) client satisfaction with planner-client relationship, 3) client cooperation with financial planning recommendations, 4) client openness in disclosing financial information, 5) client openness in disclosing personal information, and 6) client referrals.

Independent Variables: Elements of Communication

Previous research established that a significant and positive relationship exists between communication and client trust and commitment. However, communication

was defined in broad, general terms and was largely focused on the exchange of factual information about such things as return on investment or effect of tax law change. Although useful in many ways, this knowledge did not provide direction on what specific elements of communication, if practiced, might improve the professional relationship between financial planner and client. Our research is intended to build on previous research by identifying specific elements of communication that are correlated with higher levels of client trust and commitment.

We based our selection of communication variables on CFP Board’s Financial Planning Practice Standards,¹¹ instructional material on facilitative communication skills,¹² prior research on antecedents of client trust and commitment,¹³ and the professional expertise of life planning practitioners and coaches. Our review of professional financial planning and related literature indicated that planner-client communication could be subdivided into three categories: communication topics, communication tasks, and communication skills.

From the results of our preliminary analyses of all communication variables included in the planner and client surveys, we selected the following subsets of variables for the more in-depth analyses that we present in Chapters 4, 5, and 6 of this report:

Communication Topics—Quantitative and qualitative content of planner-client conversations:

1. Communicating recommendations to clients in terms and language that clients can understand
2. Keeping clients well informed about performance of their investments, especially when the market is down
3. Explaining the pros and cons of recommended investments to clients
4. Not hesitating to give clients as much information as they like about financial matters
5. Trying to understand what clients want in relationship with planner
6. Communicating the importance of linking financial recommendations to personal goals, needs, and priorities
7. Believing that consideration of all areas of life is important in creating a financial plan for client

8. Contacting clients on a regular basis to see what life changes may affect their financial plans

Communication Tasks—The planner’s communication responsibilities in conducting the financial planning process:

1. Planner and client mutually define scope of engagement before provision of financial planning services
2. Planner helps client identify meaningful personal and financial goals and objectives
3. Planner uses a systematic process to help client clarify values and priorities
4. Planner makes effort to explore and learn about the client’s cultural expectations/biases, personality type/traits, money attitudes/beliefs, and family history/values
5. Planner explains how financial advice aligns with and supports client values, goals, needs, and priorities

Communication Skills—Techniques and abilities thought to enhance the effectiveness of planner-client communication:

1. Planner asks specific questions to make sure client understands recommendations
2. Planner asks the right questions to allow clients to open up
3. Planner uses strategic questions to gather important information about the client
4. Planner restates or paraphrases factual content of client conversations
5. Planner restates or paraphrases emotional themes underlying what client states
6. Planner is comfortable with clients expressing strong emotion
7. Planner tries to facilitate communication between spouses or partners about sensitive financial issues
8. Planner maintains eye contact with client
9. Planner watches body language to help understand client
10. Planner arranges office furniture to create an open and comfortable environment

B. STATISTICAL TESTS

The first step of our data analysis was to examine the frequency distributions of all the variables of interest.

We discovered that a relatively large number of responses were skewed toward “agree” and “strongly agree” or “usually” and “always.” Given that our sample was drawn exclusively from the FPA membership, this result was not surprising. As noted by the authors of the *FRC/FPA Adviser Study 2006: Alternative Practice Benchmarks Study*:

...advisers who affiliate with FPA are not the typical “garden variety” product pushers. In fact, they aren’t product pushers at all. Instead, they take a holistic, needs-based planning approach with their clients.¹⁴

The authors go on to say, “they operate today the way we expect the majority of advisers will operate in the future.” We wholeheartedly agree. We believe that studying FPA members and their clients provides a unique opportunity to identify best practices in planner-client communication.

Because of the skewness of both planner and client responses, we chose Spearman Correlation, a nonparametric method of analysis, as the most appropriate statistical test to identify significant relationships between the variables of interest. Separate analyses were conducted on planner and client responses. When any given correlation of client responses proved to be significant at the .05 level or higher, we conducted cross-tabulation analysis to examine the nature of those relationships more closely. We report the results of our in-depth analyses in Chapters 4, 5, and 6.

ENDNOTES

¹ Members of the Life Planning Consortium, in alphabetical order, are: Carol Anderson, president, Money Quotient; Susan Galvan, president, Galvanic Communications; Deanna L. Sharpe, Ph.D., CFP®, associate professor, Personal Financial Planning Department, University of Missouri-Columbia; Martin Siesta, CFP®, ChFC, senior financial planner, Compass Wealth Management LLC; Andrea White, MCC, president, Financial Conversations.®

² Adapted from Crosby, L. A., Evans, K. R., and Cowles, D. (1990). “Relationship Quality in Services Selling: An Interpersonal Influence Perspective.” *Journal of Marketing*, 54, 68–81, and Sharma, N., and Patterson, P. G. (1999).

“The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer, Professional Services.” *Journal of Services Marketing*, 13(2), 151–171.

³ Adapted from Morgan, R. M. and Hunt, S. D. (1994). “The Commitment-Trust Theory of Relationship Marketing.” *Journal of Marketing*, 58(3), 20–38, and Sharma and Patterson. (1999).

⁴ Anthes, W. L., and Lee, S. A. (2001) “Experts Examine Emerging Concept of ‘Life Planning.’” *Journal of Financial Planning*. Retrieved from www.fpanet.org/journal/articles/2001_Issues/jfp0601-art11.cfm on September 29, 2006.

⁵ Certified Financial Planner Board of Standards, Inc. (2003). “Financial Planning Practice Standards.” and (2006). *Guide to CFP® Certification*. Denver, CO: Certified Financial Planner Board of Standards, Inc.

⁶ Pulvino, C. J., Lee, J. L., and Pulvino, C. A. (2002). *Financial Counseling: A Strategic Approach, 2nd Edition*. Madison, WI: Instructional Enterprises.

⁷ Christiansen, T., and DeVaney, S. A. (1998). “Antecedents of Trust and Commitment in the Financial Planner-Client Relationship.” *Financial Counseling and Planning*, 9(2) 1–10.

⁸ Ibid.

⁹ Hatcher, L., and Stepanski, E. J. (2001). “A Step-by-Step Approach to Using the SAS System for Univariate and Multivariate Statistics.” Cary, NC: SAS Institute.

¹⁰ Christiansen, T., and DeVaney, S. A. (1998).

“Antecedents of Trust and Commitment in the Financial Planner-Client Relationship.” *Financial Counseling and Planning*, 9(2) 1–10. and Sharma, N., and Patterson, P. G. (1999). “The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer, Professional Services.” *Journal of Services Marketing*, 13(2), 151–171.

¹¹ Certified Financial Planner Board of Standards, Inc. (2003). “Financial Planning Practice Standards.” and (2006). *Guide to CFP® Certification*. Denver, CO: Certified Financial Planner Board of Standards, Inc.

¹² Pulvino, C. J., Lee, J. L., and Pulvino, C. A. (2002). *Financial Counseling: A Strategic Approach, 2nd Edition*. Madison, WI: Instructional Enterprises.

¹³ Christiansen, T., and DeVaney, S. A. (1998). “Antecedents of Trust and Commitment in the Financial Planner-Client Relationship.” *Financial Counseling and*

Planning, 9(2) 1–10. and Sharma, N., and Patterson, P. G. (1999). “The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer, Professional Services.” *Journal of Services Marketing*, 13(2), 151–171.

¹⁴ FPA Press. (2006). *FRC/FPA Adviser Study 2006: Alternative Practice Benchmarks Study*.

Chapter 3: Participant Profiles

I. Introduction

Our study surveyed a random sample of FPA members. Those in the sample who were not CERTIFIED FINANCIAL PLANNER™ certificants were asked to disqualify themselves. CERTIFIED FINANCIAL PLANNER™ certificants who chose to participate were asked to click on an electronic link that directed them to the Web-based planner survey. The data collection was conducted in the first quarter of 2006 and resulted in 554 usable surveys.

Toward the end of the electronic survey, an item was included that asked planner respondents to indicate whether or not they would be willing to invite 10–15 of their clients to participate in the client component of this research project. Planner respondents who agreed to this request were sent an e-mail invitation that they, in turn, could forward to a selection of their client base. Clients who received the e-mail invitation and agreed to participate were also asked to click on a link that directed them to the Web-based client survey. Data collection based on client responses also took place in the first quarter of 2006 and resulted in 128 usable surveys.

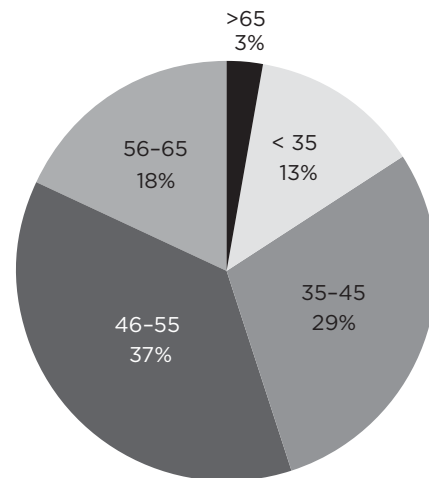
II. Planner Sample

The following information provides a description of the financial planners who participated in the “Survey of Specific Elements of Communication that Affect Client Trust and Commitment.”

A. DEMOGRAPHICS

In general, we found that the planners who participated in this study were seasoned, well educated professionals. Over one-half (54.8 percent) were between the ages of 46 and 65, and another 3.4 percent were over 65 years old (see Figure 3-1). Another 29.2 percent were between 35 and 45, and 13 percent were under 35 years of age. Nearly 73 percent of the planner respondents were male.

Figure 3-1: Planner Age



Virtually all of the planner respondents had completed some higher education (see Figure 3-2). Almost half had a bachelor’s degree (48.9 percent). Another third (35.4 percent) had a master’s degree. In addition, 4.2 percent had a doctoral degree and 3 percent selected “other” as their response choice for highest level of education. Of the “other” group, six planners had earned law degrees (J.D. or LL.M.), four had completed some graduate education, two were CPAs, one was a Doctor of Chiropractic, and one had earned two master’s degrees.

B. PROFESSIONAL TRAINING

Nearly one-fourth of the planners in this study met the CFP® certification education requirement through either a certificate program (24.6 percent) or through coursework at a college or university (22.9 percent) (see Figure 3-3). A few planners with either a graduate degree in finance-related areas or another related professional designation (for example Chartered Financial Consultant (ChFC)) had taken a challenge exam instead of completing CFP Board’s education requirement.

Over half (56.9 percent) of the planners in this study used a self-study or online course to meet the CFP

Figure 3-2: Education Level of Planner Participants

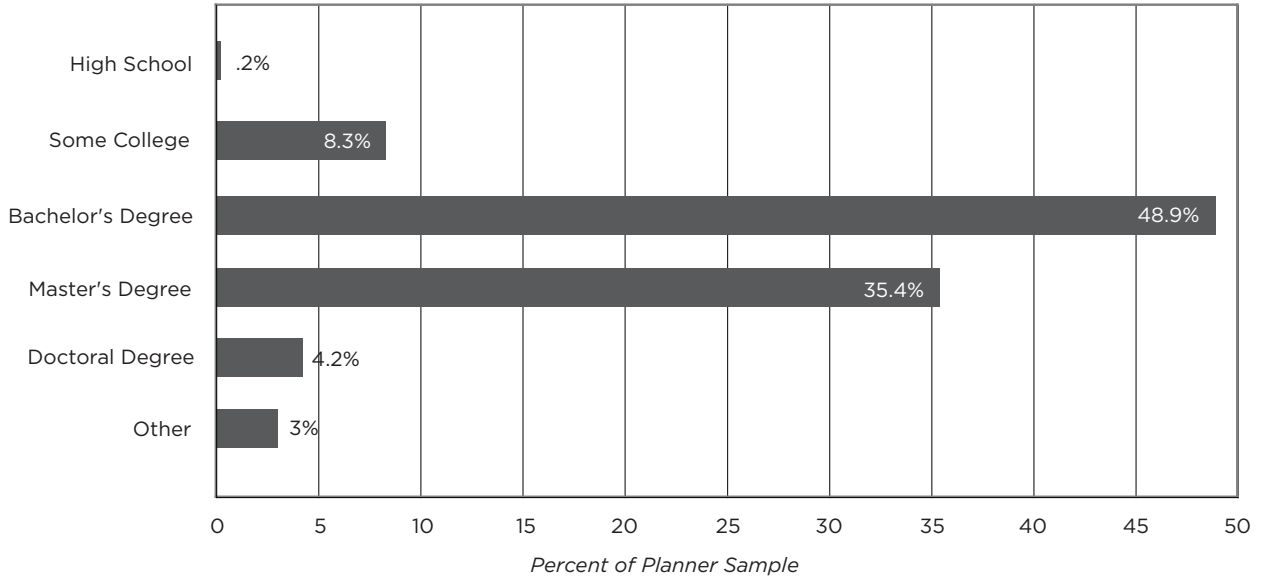


Figure 3-3: How Completed CFP Board Education Requirement

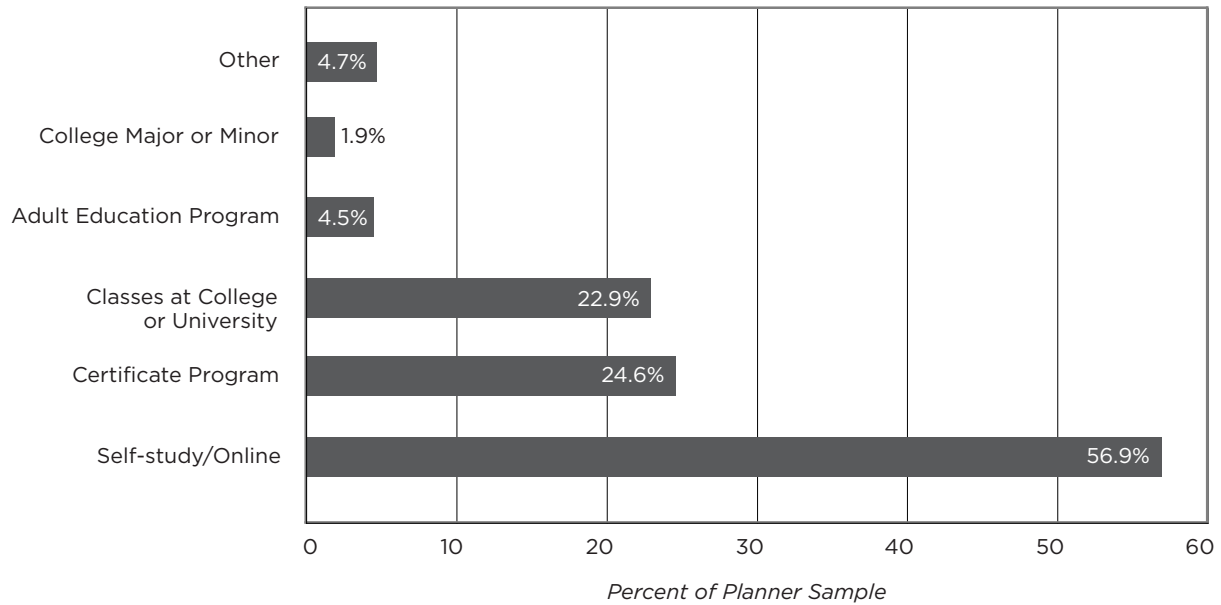
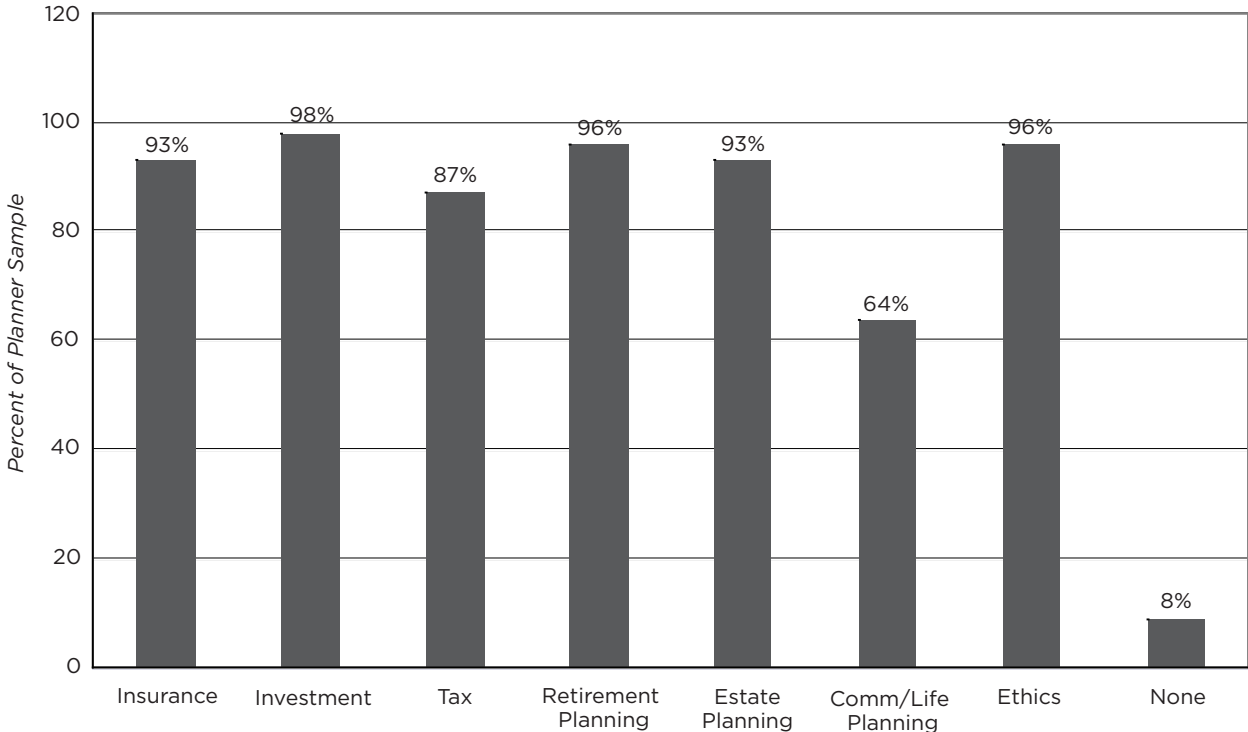


Figure 3-4: Proportion of Planners Completing Various Types of Continuing Education



certification education requirement. Normally, this format for CFP certification education offers little or no focus on communication skills. Perhaps recognizing this gap in their profession training, nearly 82 percent of planners in this study indicated that it was important or very important to have training in client communication. In addition, when asked how important it was to them as individuals to have training in life planning, 74.4 percent responded that it was important or very important.

C. CONTINUING EDUCATION

Planners in this study were asked to report whether or not they had completed any continuing education during the past two years in ethics, insurance, investment, tax, retirement planning, estate planning, or client communication skills/life planning.

CFP Board mandates 30 hours of continuing education (CE) every two years, and two of those hours must focus on ethics. Therefore, of those who reported earning CE hours, it was not surprising that 96 percent reported having completed continuing education in ethics (see

Figure 3-4). In addition, a substantial proportion of those reporting CE focused on the core technical areas of financial planning: investment (98 percent), retirement planning (96 percent), estate planning (93 percent), or insurance (93 percent). A somewhat smaller proportion of planners had completed CE in tax planning (87 percent). In line with the importance that many planners indicated on receiving training in communication and life planning, close to

Figure 3-5: Years Have Worked as Financial Planner

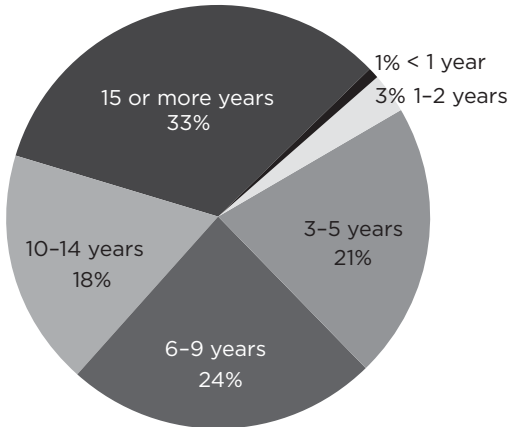


Figure 3-6: Length of Time Held CFP Certification

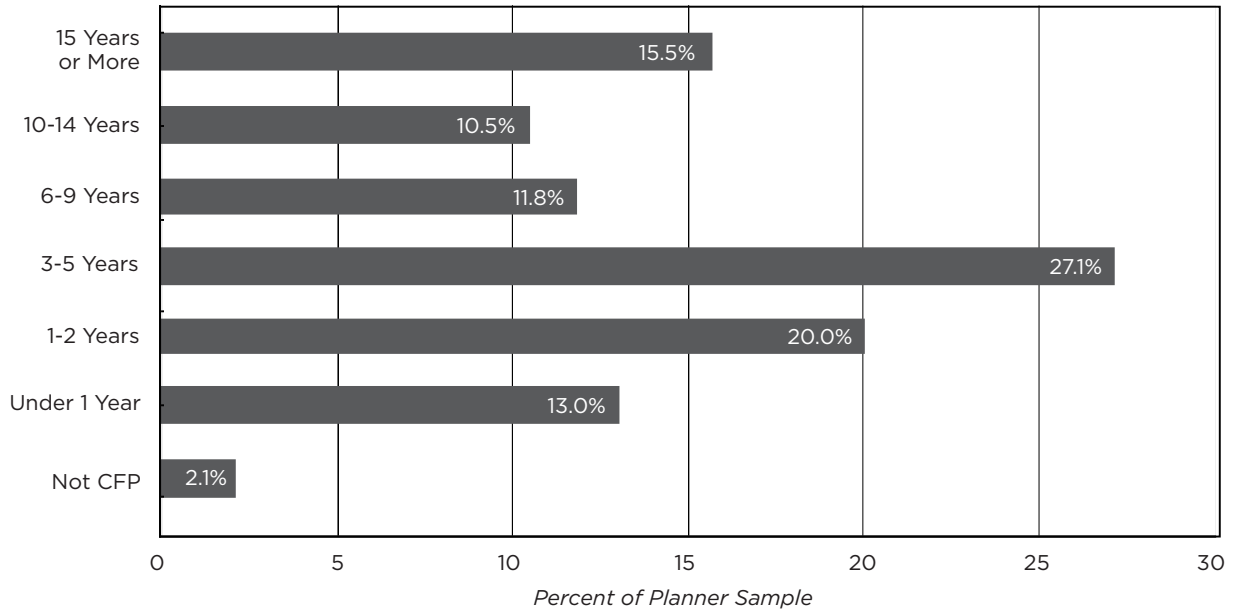
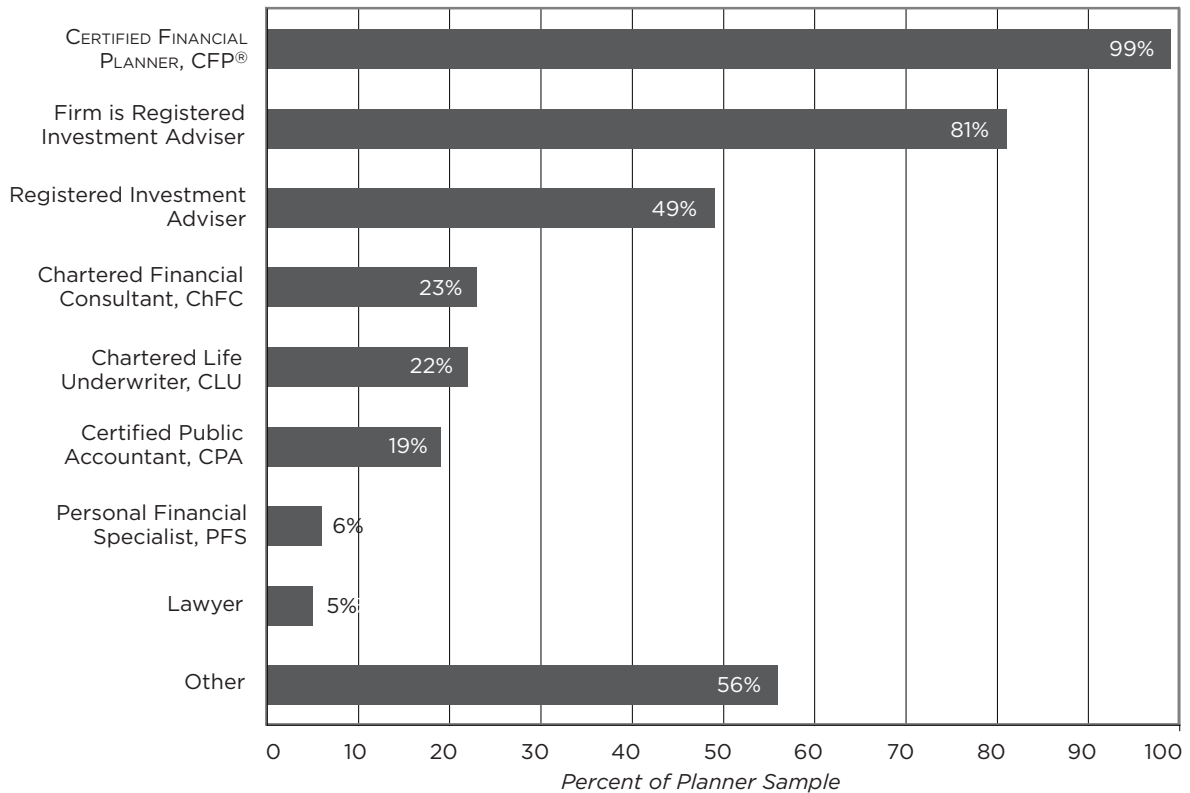


Figure 3-7: Professional Designations



two-thirds of planners (64 percent) had completed continuing education in one of these two topic areas during the past two years.

In light of the high percentages of planners who responded to each topic area, it is clear that many planners earned CE in more than one area. Nearly half of those reporting CE (47.9 percent) had earned credits in all seven topic areas. Another 30 percent had earned CE in six of the seven topic areas, and 10.8 percent had CE in five of the seven topic areas.

D. PROFESSIONAL EXPERIENCE

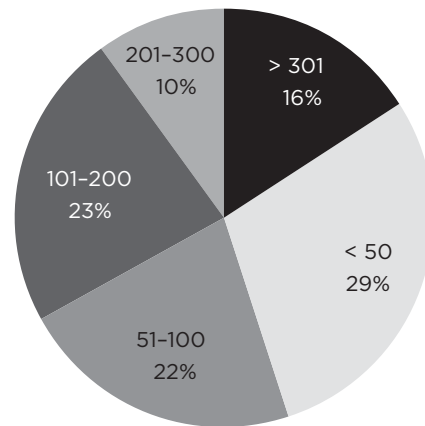
The planner respondents were asked how many years they had worked as a financial planner. The largest percentage of planners (33 percent) reported 15 years or more (see Figure 3-5). Relatively few planners in our sample had worked as a financial planner less than one year (0.6 percent) or between one and two years (3.4 percent). The remainder of the sample was fairly evenly distributed between the other response categories: 3 to 5 years (21.3 percent), 6 to 9 years (23.8 percent), and 10 to 14 years (17.9 percent).

E. PROFESSIONAL DESIGNATIONS

Planners who participated in this study were CFP practitioners. The number of years these respondents had held this certification is reported in Figure 3-6. Most of the planners in our sample were also Registered Investment Advisers (49 percent) or worked in a firm that was a Registered Investment Adviser (81 percent) (see Figure 3-7). About one in five was also a Chartered Life Underwriter (CLU)—22 percent, a Chartered Financial Consultant (ChFC)—23 percent, or a Certified Public Accountant (CPA)—19 percent. As we expected, a large proportion of the sample held more than one professional designation: 50.6 percent reported having two professional designations, 25 percent had three, and 15 percent had four or five. The remainder of the sample (9 percent) held only one professional designation.

In addition, over half of the planner sample (56 percent) indicated that they held a professional designation other than the ones previously listed. The list of other designations was quite varied, indicating the growing

Figure 3-8:
Number of Clients



number of accreditations, certifications, and degrees related to financial planning. Some of the more common designations listed under “other” were Chartered Adviser for Senior Living (CASL)—six respondents, Masters of Business Administration (MBA)—six respondents, and Certified Financial Analyst (CFA)—seven respondents. Also listed by one participant each were Economist, Masters of Education, Certified College Planning Specialist, and Medical Doctor.

F. CLIENTS AND COMPENSATION STRUCTURE

In general, the planners worked with relatively few clients: 28.8 percent had 50 or fewer clients, 22.2 percent had between 51 and 100 (see Figure 3-8). Over half of the respondents (52.2 percent) had assets under management (AUM) between \$3 and \$50 million (see Figure 3-9).

Financial planners typically base their compensation on either exclusive use of fees, commissions, percentage of AUM, or some combination of those options. Planners in this survey tended to use more than one method, as evidenced by the fact that the proportions using various methods total far more than 100 percent (see Figure 3-10). Most of the planners surveyed (53.5 percent) based their compensation on a percentage of assets under management. Somewhat less than half (44.6 percent) assessed a fee and a commission. Close to three in ten charged a fee per project (30.9 percent) or an hourly fee (32.4 percent). About a fourth of the sample used a retainer fee (24.5 percent).

Figure 3-9: Total Assets Under Management

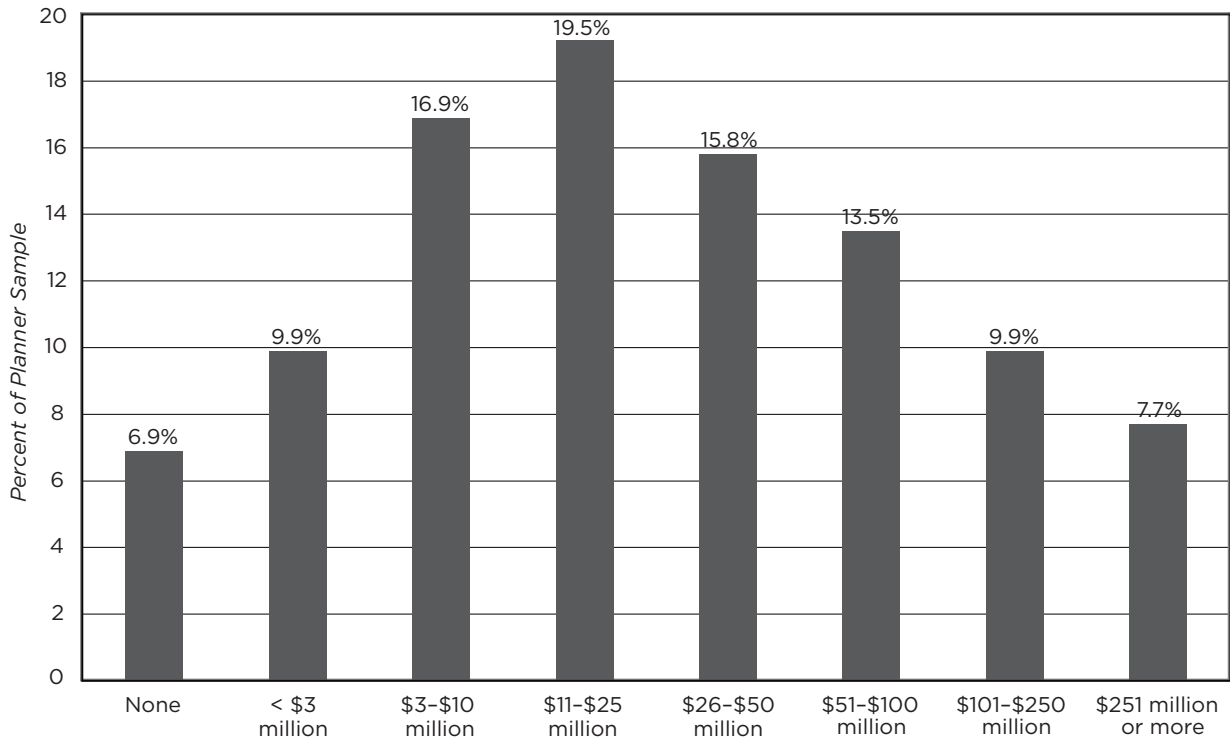


Figure 3-10: Methods of Compensation

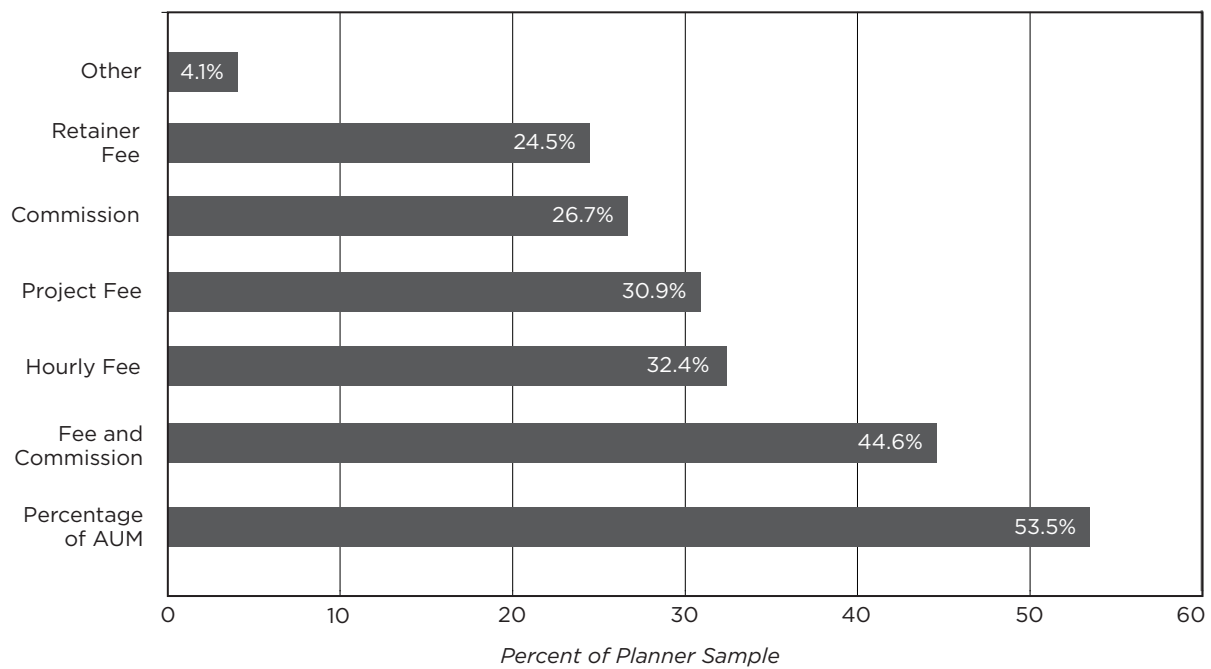
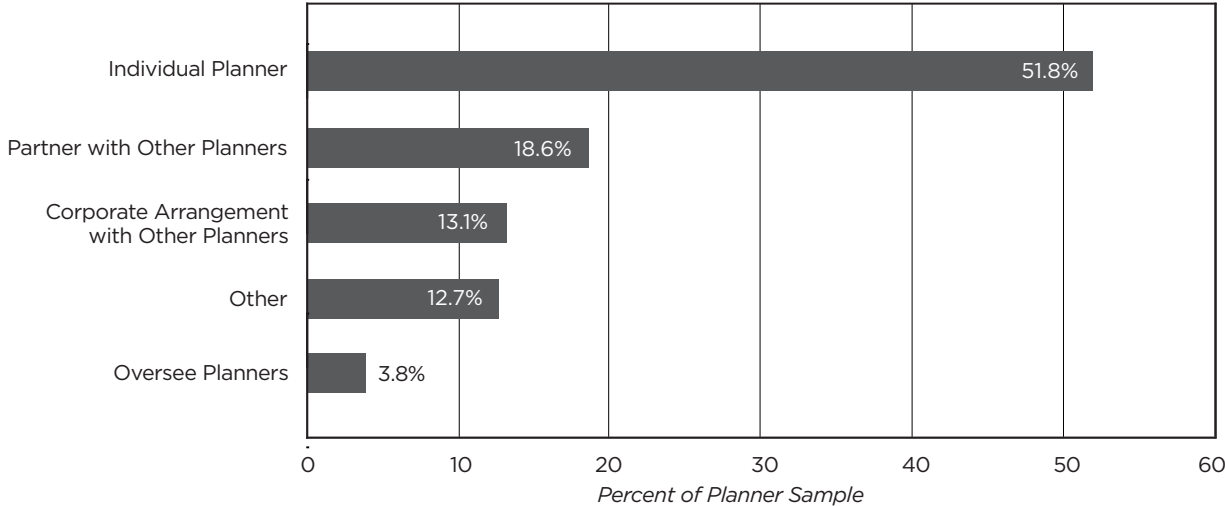


Figure 3-11: Practice Structure



G. PRACTICE STRUCTURE

Planners in our sample reported using a variety of structures for their practices (see Figure 3-11). Over half of the planners in the study (51.8 percent) had an independent practice, close to one-fifth (18.6 percent) had a partnership with other planners, and a little over a tenth (13.1 percent) had a corporate arrangement with other planners. A small percent of the planners (3.8 percent) provided oversight of other planners. Of the 21.7 percent of planner respondents that stated “other” as a practice structure, most were either broker-dealers or insurance agents who also offered financial planning services to their clients. In addition, a few of the respondents worked in bank trust departments or were part of a team in a CPA practice.

III. Client Sample

The following information provides a description of the financial planning clients who participated in the “Survey of Specific Elements of Communication that Affect Client Trust and Commitment.”

A. DEMOGRAPHICS

Most of the individuals who responded to the client survey were male (68.1 percent) and married (83.3 percent). The age distribution of the clients suggested that most were

either in their peak earning years or had transitioned to retirement (see Figure 3-12). A little over half of the clients were between ages 46 and 65 (56.1 percent). One-fourth of the client sample was over age 65 (25.4 percent). Younger clients represented less than 20 percent of the sample: 13.2 percent were between age 35 and 45, and only 5.3 percent of were younger than age 35.

The client sample was highly educated (see Figure 3-13). Close to one-third had earned either a bachelor’s degree (33.3 percent) or a master’s degree (30.7 percent), and nearly one-fifth had earned a doctoral degree (16.7 percent).

Figure 3-12: Client Age Distribution

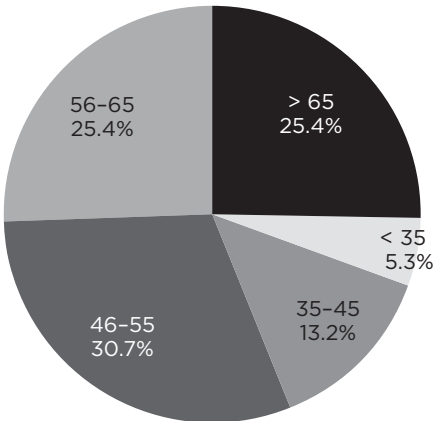


Figure 3-13: Client Education Level

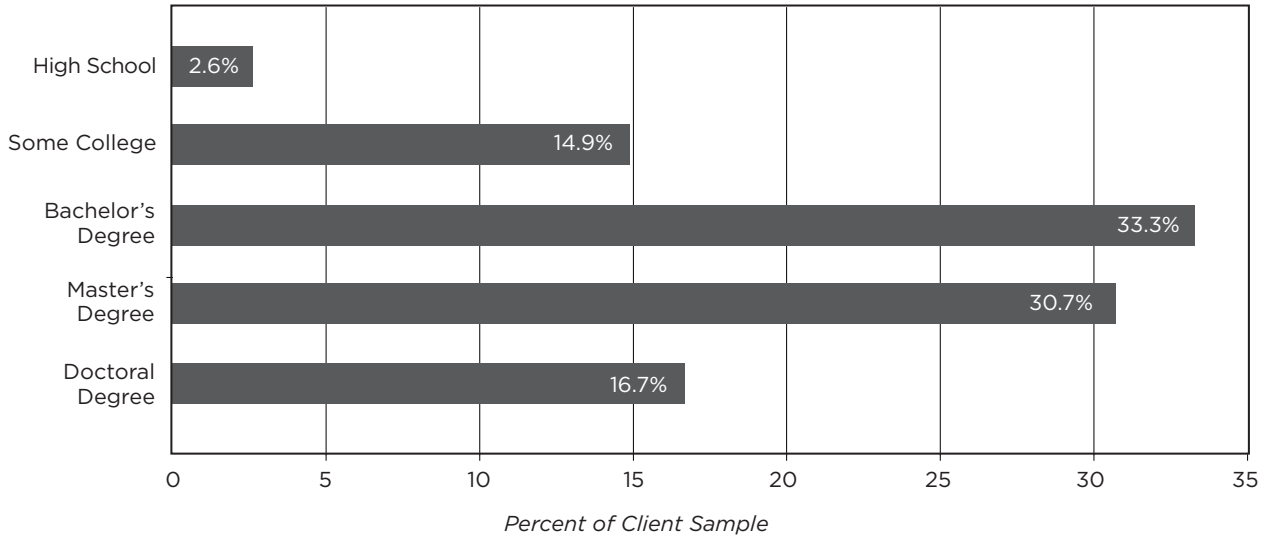
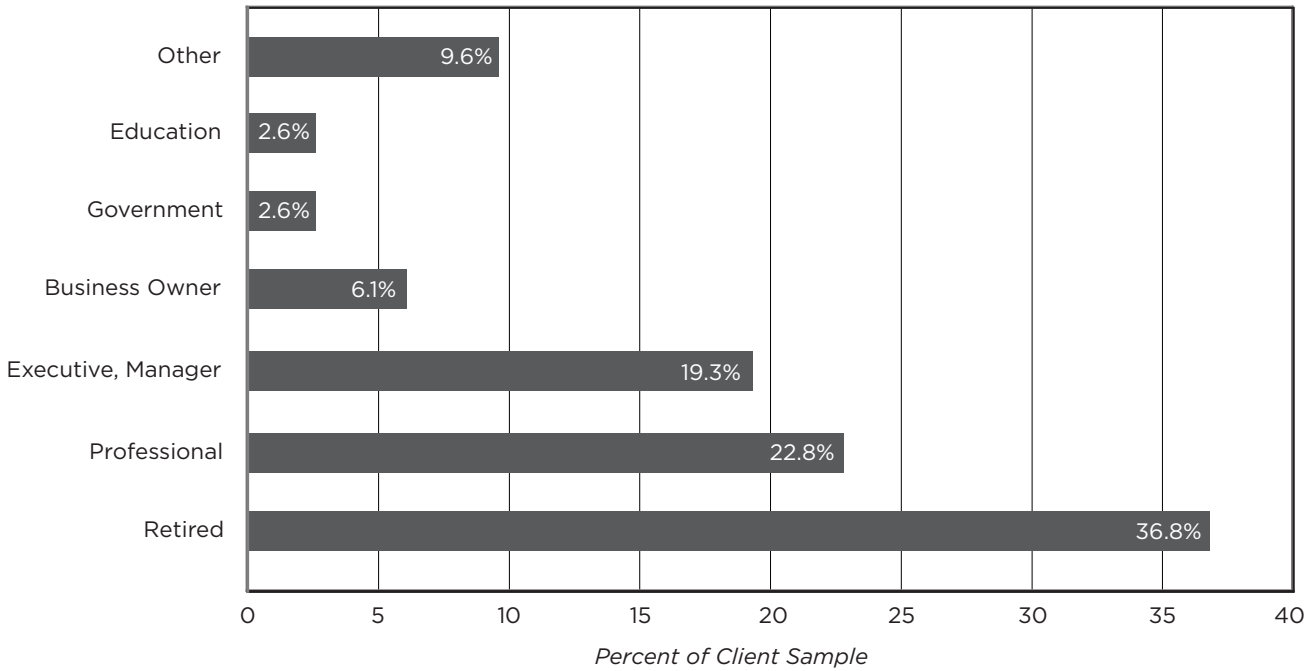


Figure 3-14: Client Occupation



Over a third of the clients in the study were retired (36.8 percent) (see Figure 3-14). Of those still in the labor market, 22.8 percent were professionals and 19.3 percent were executives or managers. Business owners (6.1 percent) were a relatively small proportion of the client group, as were those employed in government (2.6 percent) or education (2.6 percent).

B. BEFORE-TAX ANNUAL INCOME

Interestingly, most clients reported rather modest levels of annual income (see Figure 3-15). It may be that those who were retired were spending down previously saved and invested assets and did not consider those dollars to be “income” per se. Slightly more than ten percent of the

Figure 3-15: Client Annual Household Income

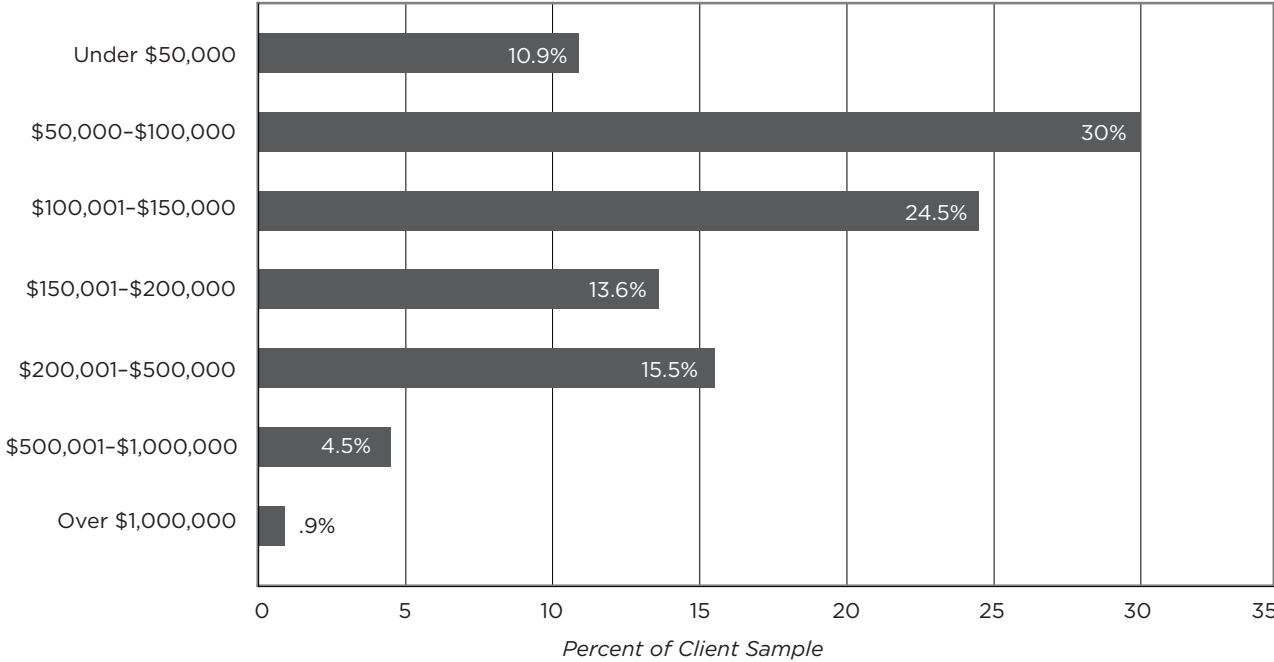


Figure 3-16: Proportion Worked With Other Financial Planners Past Five Years

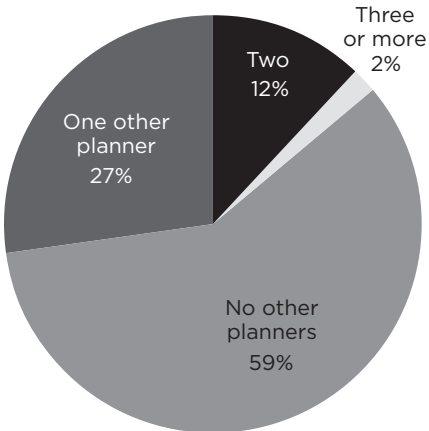
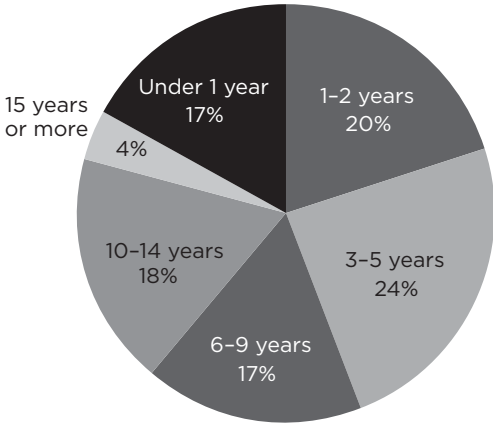


Figure 3-17: Length of Time With Current Financial Planner



client group had annual incomes under \$50,000. Less than a third of the sample (30 percent) had income between \$50,000 and \$100,000. Close to one-fourth (24.5 percent) had incomes between \$100,001 and \$150,000. The proportions with annual income between \$150,001 and \$200,000 or \$200,001 and \$500,000 were about equal (13.6 percent and 15.5 percent, respectively). Only one client reported before-tax annual income of more than \$1 million.

C. CLIENT EXPERIENCE WITH FINANCIAL PLANNER

In general, these were loyal clients. Many appear to have developed a long-term relationship with their planners: 58.8 percent had not worked with another financial planner in the last five years, and 27.2 percent had worked with one other financial planner (see Figure 3-16). Years of experience with their current financial planners were

rather evenly distributed (see Figure 3-17). About one-fourth of the client sample (24.3 percent) had been with their current financial planner between three and five years. Almost four in ten had been with their planner for more than five years. Of this group of clients, 17.4 percent had worked with their planner six to nine years, 18.3 percent had a 10- to 14-year history with their planner; and 3.5 percent of clients had been with their financial planner for 15 years or more. In contrast, 20 percent of the sample had been with their planner 1 to 2 years and 16.5 percent for less than a year.

Chapter 4: Communication Topics

I. Introduction

In this section, we present the context and conceptual framework we used to explore the efficacy of certain topics of financial planning conversations in developing client trust and commitment and in promoting other important outcomes of successful planner-client relationships.

A. EFFECTIVE COMMUNICATION AND PERCEPTION OF SERVICE QUALITY

A study conducted by Sharma and Patterson¹ was particularly helpful in developing the conceptual design of our research project. They found that communication effectiveness was the single most powerful determinant of a client's *perception of service quality* which, in turn, influenced the client's level of trust in and commitment to his or her financial planner.

Furthermore, Sharma and Patterson explained that perception of service quality is composed of two fundamental components: technical quality and functional quality. They describe technical quality as the “core or promised service in financial planning” and refer, in particular, to the “competency of the adviser in achieving the best return on investment for their client, at acceptable levels of risk, thus assisting the clients to achieve their financial goals.”

On the other hand, functional quality is related to how the core service is delivered. According to Sharma and Patterson, “It is concerned with the courtesy and friendliness shown to the client, making efforts towards understanding his or her circumstances, displaying empathy, giving prompt service, responding to queries and complaints in a responsible, courteous, and timely manner.”

B. GROWING IMPORTANCE OF FUNCTIONAL QUALITY REALM

Without argument, the quantitative skills and knowledge that financial planners possess and use to serve their clients are what form the foundations of their practices. Quantitative skills and knowledge also establish the basis for developing trusting and committed client relationships.

The biggest challenge, explained Sharma and Patterson, is that most clients do not possess the level of technical knowledge or expertise required to intelligently and objectively evaluate the quality of financial advice delivered.

Furthermore, financial planning is a process in which the core service, technical performance, unfolds over time. Therefore, the true success of a financial plan can only be realized over the long term and in the context of an enduring planner-client relationship. In contrast, when a client's focus is on short-term performance, a competitor's promise of higher returns may weaken his or her commitment to the current planner relationship and undermine the success of his or her financial plan.

Therefore, Sharma and Patterson warned that as the core service becomes commoditized, competition increases, and the industry matures, “it is the functional quality dimensions that become increasingly important as a means of creating a sustainable competitive advantage.” They expressed concern that, in the financial services industry, the central role of effective interpersonal communications in developing successful and long-term planner-client relationships has been largely ignored.

C. QUANTITATIVE AND QUALITATIVE TOPICS OF COMMUNICATION

The primary objective of this research was to identify specific elements of communication that engender trust and commitment in planner-client relationships. One of the areas examined was topics of planner-client communication that can be categorized as either quantitative or qualitative.

Quantitative topics are technical in nature. Planner-client conversations based on quantitative topics tend to be focused on the planner's ability to deliver financial information to the client in a clear and effective manner. Within the quantitative realm, this study gathered frequency data from both the planner and client surveys regarding several quantitative topics of planner-client conversations.

In-depth analysis focused on the effectiveness of the following four quantitative topics of financial

planning conversations in developing client trust and client commitment:

1. Communicating recommendations to clients in terms and language that clients can understand
2. Keeping clients well informed about performance of their investments, especially when the market is down
3. Explaining the pros and cons of recommended investments to clients
4. Not hesitating to give clients as much information as they like about financial matters

In contrast, qualitative topics are subjective in nature. Planner-client conversations based on qualitative topics tend to focus more on the planner's ability to make an emotional connection with the client and to gather personal information from the client (through observation and inquiry) that increases the planner's understanding of the client's personal expectations, needs, life circumstances, values, and priorities.

An important objective of our study was to explore the efficacy in the life planning approach as a way of addressing the growing importance of the functional or more qualitative realm of financial planning communication and service delivery. In this context, life planning is viewed as a methodology for how the core service is delivered.

Therefore, for the purpose of this study, qualitative topics were selected that were particularly representative of a life planning approach to service delivery (see "The Emerging Role of Life Planning" in Chapter 1), and analyses were conducted to explore their effectiveness in developing client trust and client commitment:

1. Trying to understand what client wants in relationship with planner
2. Communicating the importance of linking financial recommendations to personal goals, needs, and priorities
3. Believing that consideration of all areas of life is important in creating a financial plan for client
4. Contacting clients on a regular basis to see what life changes may affect their financial plans

In addition to assessing the statistical relationship of both quantitative and qualitative topics of communication

with client trust and client commitment, this study also explored the effect of selected quantitative and qualitative topics on six other important outcomes of successful planner-client relationships:

1. Client retention
2. Client satisfaction with planner-client relationship
3. Client cooperation with financial planning recommendations
4. Client openness in disclosing financial information
5. Client openness in disclosing personal information
6. Client referrals

II. Findings

In this section we present the responses of both planners and clients regarding four quantitative topics and four qualitative topics of planner-client communication. We also present the results of analyses that allow us to identify statistically significant variable relationships and to compare and contrast the perspectives of financial planners with financial planning clients.

A. EFFECTIVE COMMUNICATION: QUANTITATIVE TOPICS

Communicating Recommendations in Understandable Terms

Opinions of Planners and Clients. The vast majority of planners (96 percent) indicated that they either agreed or strongly agreed with the statement "I work hard at communicating my recommendations to clients in terms and language that they can understand." (See Figure 4-1.) Similarly, 94 percent of clients expressed agreement or strong agreement with the matching statement in the client survey.

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. These findings indicate, from the perspectives of both planners and clients, that a direct and positive relationship exists between higher levels of this quantitative topic of communication (communicating recommendations in

Figure 4-1: Communication Effectiveness: Quantitative Topics

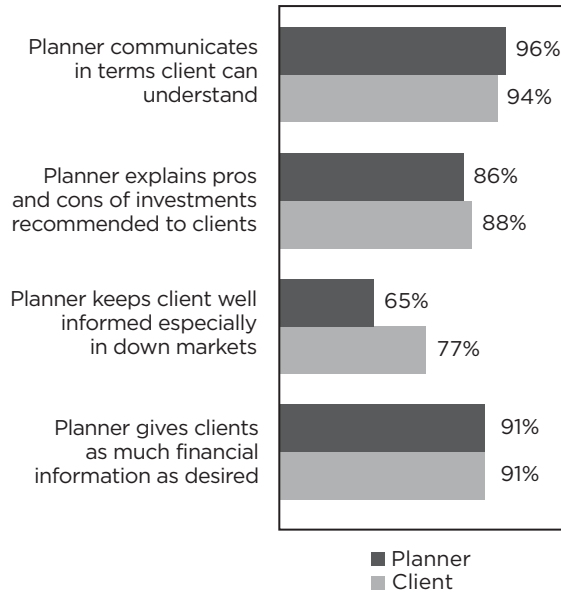
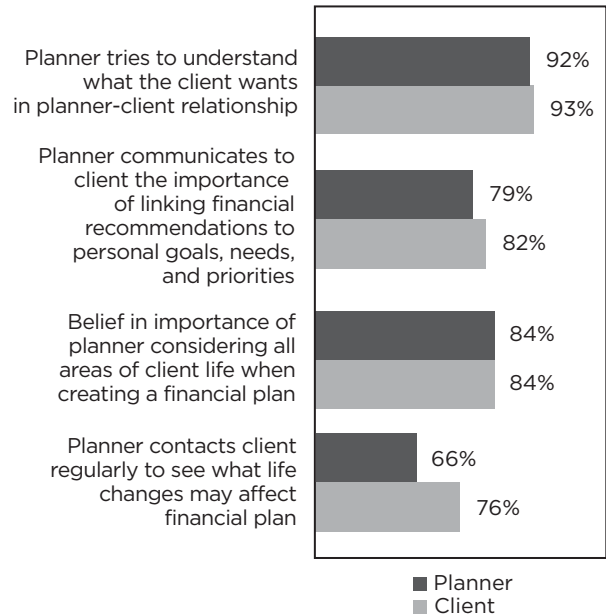


Figure 4-2: Communication Effectiveness: Qualitative Topics



understandable terms) and higher levels of client trust and commitment (see Table 4-1).

Relationship with Other Important Outcomes. With one slight exception, statistically significant correlations were found between client and planner responses regarding “communicating recommendations in understandable terms and language” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing

personal goals, needs, and priorities, and 6) recommending planner to others (see Table 4-2). The exception noted refers to the statistical relationship between planner responses and client referrals, which was very nearly significant, with a *p* value slightly above the threshold established for this study (*p* = .0545 vs. *p* < .05).

Cross-tabulation analyses of client responses revealed notable examples of the direct and positive relationship of this quantitative topic (communicating recommendations in understandable terms) and other desired outcomes of planner-client relationships. Clients who strongly agreed

Table 4-1: Statistically Significant Correlations between Quantitative Topics and Client Trust and Commitment

Quantitative Topics	Communicate recommendations in terms clients understand		Explain pros and cons of recommended investments		Keep clients informed especially in down markets		Gives as much financial information as desired	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Trust Scale	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .01	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001
Commitment Scale	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001	<i>p</i> < .001

In statistics, a result is called **statistically significant** if it is unlikely to have occurred by chance. Therefore, the *p* values (*p* < .05, *p* < .01, and *p* < .001) are **probabilities** and refer to **levels of significance**. These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.

versus agreed with the statement “My financial planner does a good job of communicating his or her recommendations to me using terms and language that I can understand” were:

1. Nearly 2.3 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Nearly 1.8 times more likely to indicate being very satisfied with the relationship they have with their financial planners (client satisfaction)
3. Nearly 4.2 times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)
4. Nearly 2.2 times more likely to strongly agree that they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
5. Over 2.7 times more likely to strongly agree that they are open to sharing personal goals, needs, and priorities with their financial planners (client openness/personal)

6. Over 3.2 times more likely to strongly agree that they frequently recommend their financial planners to others (client referrals)

Explaining Pros and Cons of Recommended Investments

Opinions of Planners and Clients. Eighty-six percent of planners indicated that they either agreed or strongly agreed with the statement “I always explain the pros and cons of the investments that I recommend to a client.” Similar results were reported on the client survey with 88 percent of respondents agreeing or strongly agreeing that their financial planners always explain the pros and cons of investments they recommend (see Figure 4-1).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists

Table 4-2: Statistically Significant Relationships between Quantitative Topics and Important Outcomes of Planner-Client Relationships

Quantitative Topics	Communicate recommendations in terms clients understand		Explain pros and cons of recommended investments		Keep clients informed especially in down markets		Gives as much financial information as desired	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Retention	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .001$	$p < .001$
Satisfaction w/Relationship	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .001$	$p < .01$
Cooperation w/Recommendations	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .001$	$p < .05$
Openness—Financial	$p < .001$	$p < .001$	$p < .001$	&.0648	$p < .001$	$p < .05$	$p < .001$	$p < .01$
Openness—Personal	$p < .001$	$p < .001$	$p < .001$	$p < .05$	$p < .001$	$p < .05$	$p < .001$	$p < .01$
Referrals	&.0545	$p < .01$	NS	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .01$
NS—Not significant at the 0.05 level &—Nearly significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

between higher levels of this quantitative topic of communication (explaining pros and cons of recommended investments) and higher levels of client trust and commitment (see Table 4-1).

Relationship with Other Important Outcomes.

Planner Responses: Statistically significant correlations were found between planner responses regarding “explaining pros and cons of recommended investments” and higher levels of five of the six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities (see Table 4-2).

Client Responses: Statistically significant correlations were also found between client and planner responses regarding “explaining pros and cons of recommended investments” and higher levels of five of the six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness to sharing personal goals, needs, and priorities, and 5) recommending planner to others (see Table 4-2). In addition, the statistical relationship between client responses and “openness to disclosing financial information” was nearly significant, with a p value slightly above the threshold established for this study ($p = .0648$ vs. $p < .05$).

Cross-tabulation analyses of client responses revealed one notable example of the direct and positive relationship of this quantitative topic (explaining pros and cons of recommended investments) and other desired outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “My financial planner always explains the pros and cons of the investments that he/she recommends to me” were nearly 1.9 times more likely to strongly agree that they fully cooperate with their planner by following through on all financial planning recommendations (client cooperation).

Keeping in Touch When Markets Are Down

Opinions of Planners and Clients. Sixty-five percent of planners indicated that they either agreed or strongly

agreed with the statement, “I keep my clients well informed about performance of their investments, especially when the market is down.” Interestingly, a higher percentage of clients (77 percent) responded that they either agreed or strongly agreed to the matching statement in the client survey (see Figure 4-1).

Relationship with Client Trust and Commitment.

Not surprisingly, statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this quantitative topic of communication (“keeping clients informed, especially in down markets”) and higher levels of client trust and commitment. (see Table 4-1).

Relationship with Other Important Outcomes. In addition, statistically significant correlations were found between client and planner responses regarding “keeping clients informed, especially in down markets” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 4-2).

Give as Much Financial Information as Desired

Opinions of Planners and Clients. The vast majority of planners (91 percent) indicated that they either agreed or strongly agreed that they do not hesitate to give their clients as much financial information as they desire. Interestingly, the same percentage of client (91 percent) respondents expressed agreement or strong agreement to the matching statement on the client survey (see Figure 4-1).

Relationship with Client Trust and Commitment.

Statistically significant correlations were found between both planner and client responses and scales that measured levels of client trust and commitment. These findings indicate, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this quantitative topic of

communication (giving as much financial information as desired) and higher levels of client trust and commitment (see Table 4-1).

Relationship with Other Important Outcomes. In addition, statistically significant correlations were found between client and planner responses regarding “giving as much financial information as desired” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 4-2).

Cross-tabulation analyses of client responses revealed these notable examples of the direct and positive relationship of this quantitative topic (giving as much financial information as desired) and other indicators of successful planner-client relationships. Clients who strongly agreed versus agreed with the statement “My financial planner does not hesitate to give me as much information as I like about financial matters” were:

1. Over 1.8 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Two times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)

3. Nearly 2.2 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

B. EFFECTIVE COMMUNICATION: QUALITATIVE TOPICS

Try to Understand what Client Wants in Relationship

Opinions of Planners and Clients. The vast majority of planners (92 percent) indicated that they either agreed or strongly agreed with the statement “I really try to understand what my clients want in their planner-client relationship.” Similarly, 93 percent of clients expressed agreement or strong agreement with the matching statement in the client survey (see Figure 4-2).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. These findings indicate, from the perspectives of both planners and clients, that a direct and positive relationship exists between higher levels of this qualitative topic of communication (trying to understand what client wants in relationship) and higher levels of client trust and commitment (see Table 4-3).

Relationship with Other Important Outcomes. In addition, statistically significant correlations were found between client and planner responses in regard to “trying to understand what client wants in relationship” and higher levels of all six selected indicators of successful

Table 4-3: Statistically Significant Correlations between Qualitative Topics and Client Trust and Commitment

Qualitative Topics	Try to understand what client wants in relationship		Important to link financial recommendations to personal goals, needs, and priorities		Important to consider all areas of life when creating financial plan		Contact clients on a regular basis to see what changes in lives may affect financial plan	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Trust Scale	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .05$	$p < .001$	$p < .001$
Commitment Scale	$p < .001$	$p < .001$	$p < .001$	NS	$p < .001$	$p < .001$	$p < .001$	$p < .001$
NS—Not significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 4-4).

Cross-tabulation analyses of client responses revealed these examples of the direct and positive relationship of this qualitative topic (trying to understand what a client wants in relationship) and other desired outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “I feel that my financial planner really tries to understand what I want in the financial planner-client relationship” were:

1. Nearly 3.7 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Nearly 2.3 times more likely to indicate that they were very satisfied with the relationship they have with their financial planners (client satisfaction)
3. Nearly 9.7 times more likely to strongly agree they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)
4. Over 3.4 times more likely to strongly agree they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
5. Nearly 5.9 times more likely to strongly agree that they are open to sharing personal goals, needs, and priorities with their planners (client openness/personal)
6. Over 4.1 times more likely to strongly agree that they frequently recommend their financial planners to others (client referrals)

Communicating Importance of Linking Financial Recommendations to Personal Goals, Needs, and Priorities

Opinions of Planners and Clients. Seventy-nine percent of planners indicated that they either agreed or strongly agreed with the statement “I communicate to my clients that it is very important for me to link my financial recommendations to their personal (non-financial) goals, needs,

and priorities.” A somewhat larger proportion of client respondents (82 percent) expressed agreement or strong agreement with the matching statement in the client survey (see Figure 4-2).

Relationship with Client Trust and Commitment.

Planner Responses: Statistically significant correlations were found between planner responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of planners, that a direct and positive relationship exists between higher levels of qualitative topics of communication (communicating importance of linking financial recommendations of personal goals, needs, and priorities) and higher levels of client trust and commitment (see Table 4-3).

Client Responses: A statistically significant correlation was found between client responses and the scale that measured levels of client trust. However, a statistically significant correlation was not found between client responses and the scale that measured levels of client commitment. Therefore, from the perspective of clients, a direct and positive relationship exists between higher levels of this qualitative topic of communication (communicating importance of linking financial recommendations of personal goals, needs, and priorities) and higher levels of client trust, but not higher levels of client commitment (see Table 4-3).

Relationship with Other Important Outcomes.

In addition, statistically significant correlations were also found between client and planner responses regarding “communicating importance of linking financial recommendations to personal goals, needs, and priorities” and higher levels of all six indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) client referrals (see Table 4-4).

Cross-tabulation analyses revealed a notable example of the direct and positive relationship of “planner communicating importance of linking financial recommendations to personal goals, needs, and priorities”) and one indicator of successful planner-client relationships: Clients who strongly agreed versus agreed with the statement “my financial planner communicated to me that it is very

important to link his or her financial recommendations to my personal goals, needs, and priorities” were also 1.8 times more likely to fully cooperate with their planners’ financial recommendations.

Importance of Considering All Areas of Life When Creating a Financial Plan

Opinions of Planners and Clients. Eighty-four percent of planners indicated that they either agreed or strongly agreed with the statement “I believe it is important to consider all areas of life when creating a financial plan for a client.” Interestingly, the same percentage of clients (84 percent) expressed agreement or strong agreement with the matching statement in the client survey (see Figure 4-2).

Relationship with Client Trust and Commitment.

Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and client commitment. These findings indicate, from the perspectives of both planners and clients, that a direct and positive relationship exists between higher levels of this qualitative topic of

communication (importance of considering all areas of life when creating a financial plan for a client) and higher levels of client trust and client commitment (see Table 4-3).

Relationship with Other Important Outcomes.

Statistically significant correlations were found between client and planner responses regarding “importance of considering all areas of life when creating a financial plan” and higher levels of all six indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 4-4).

In addition, cross-tabulation analyses of client responses revealed notable examples of the direct and positive relationship of this qualitative topic (importance of considering all areas of life when creating a financial plan) and important outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “I believe it is important for my financial planner to consider all areas of my life when creating a financial plan for me” were:

Table 4-4: Statistically Significant Relationships between Qualitative Topics and Important Outcomes of Planner-Client Relationships

Qualitative Topics	Try to understand what client wants in relationship		Important to link financial recommendations to personal goals, needs, and priorities		Important to consider all areas of life when creating financial plan		Contact clients on a regular basis to see what changes in lives may affect financial plan	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Retention	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .001$	$p < .001$
Satisfaction w/Relationship	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .001$
Cooperation w/ Recommendations	$p < .001$	$p < .01$	$p < .001$	$p < .05$	$p < .001$	$p < .001$	$p < .001$	$p < .01$
Openness—Financial	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	& .0577
Openness—Personal	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$
Referrals	$p < .001$	$p < .01$	$p < .01$	$p < .01$	$p < .001$	$p < .001$	$p < .01$	$p < .01$
&—Nearly significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

1. 2.2 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Nearly 1.7 times more likely to indicate being very satisfied with the relationship they have with their financial planners (client satisfaction)
3. 26 times more likely to strongly agree they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)
4. Nearly 2.3 times more likely to strongly agree they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
5. 2.2 times more likely to strongly agree that they are open to sharing personal goals, needs, and priorities with their individual financial planners (client openness/personal)
6. Nearly 3.9 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

Contacting Clients Regularly Regarding Life Changes that May Affect Financial Plan

Opinions of Planners and Clients. Sixty-six percent of planners indicated that they either agreed or strongly agreed with the statement “I contact my clients on a regular basis to see what changes in their lives may affect their financial plans.” In contrast, a higher percentage (76 percent) of clients expressed agreement or strong agreement with the matching statement on the client survey (see Figure 4-2).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and client commitment. These findings indicate, from the perspectives of both planners and clients, that a direct and positive relationship exists between higher levels of this qualitative topic of communication (contacting clients regularly regarding life changes that may affect financial plan) and higher levels of client trust and commitment (see Table 4-3).

Relationship with Other Important Outcomes. *Planner Responses:* Statistically significant correlations

were also found between planner responses regarding “planner contacting client regularly to find out what life changes may affect financial plan” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 4-4).

Client Responses: For clients, significant correlations were found between “planner contacting client regularly to find out what life changes may affect financial plan” and five of six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness to sharing personal goals, needs, and priorities, and 5) recommending planner to others (see Table 4-4).

In addition, the statistical relationship between client responses and “openness to disclosing financial information priorities” was nearly significant with a p value slightly above the threshold established for this study ($p = .0577$ vs. $p < .05$).

Cross-tabulation analyses of client responses also revealed a notable example of the direct and positive relationship of “planner contacting client regularly to find out what life changes may affect financial plan” and one indicator of successful planner-client relationships: Clients who strongly agreed versus agreed with the statement “My financial planner keeps in touch with me to see what changes in my life may affect my financial plan” were nearly 2.8 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals).

III. Discussion and Conclusions

We agree with the authors of the “2006 FRC/FPA Adviser Study: Alternative Practice Benchmarks:” who wrote:

...advisers who affiliate with FPA are not the typical “garden variety” product pushers. In fact, they aren’t product pushers at all. Instead, they take a holistic, needs-based planning approach with their clients.

Managing investments is a vital part of what they do and the revenues they generate from managing investments is the lifeblood of their business. But they deliver investment management within the framework of a comprehensive plan that uncovers and addresses all of the client's concerns and goals, looking at both the short term as well as the long. In short, they operate today the way we expect the majority of advisers will operate in the future.²

FPA members tend to be leaders in adopting client-centered service models and raising the bar in standards of practice. Therefore, it was not a surprise that high percentages of FPA members indicated that they work hard at communicating effectively in both the quantitative and qualitative realms; and, their clients agreed. A review of Figures 4-1 and 4-2 show very little discrepancy in the frequency of planner and client responses to complimentary survey items. In fact, in the two areas where the difference was more than 10 percentage points, the planners actually rated themselves lower than the clients did in “keeping client well informed, especially in down markets” and in “contacting client(s) regularly to see what life changes may affect their financial plans.”

A. QUANTITATIVE TOPICS OF CLIENT COMMUNICATION

In addition, a review of Table 4-1 shows that both planner and client responses regarding the quantitative topics selected for this analysis demonstrated highly significant correlations with both client trust and client commitment. In other words, planner-client conversations focused on 1) communicating recommendations in terms clients understand, 2) explaining pros and cons of recommended investments, 3) keeping clients informed, especially in down markets, and 4) giving as much financial information as desired are all highly influential in developing client trust and commitment.

In addition, a review of the large number of statistical relationships between the selected quantitative topic areas and all six indicators of successful planner-client relationships (see Table 4-2) verify that clients highly value planners who understand they want be educated and kept informed about the financial matters that affect

their lives. In addition, they want to be involved with their planners in making important financial decisions.

The only variable relationships that did not demonstrate statistical significance were between planner responses regarding 1) “communicating recommendation in terms that clients understand” and client referrals and 2) “explaining pros and cons of recommended investments” and client referrals. This finding may indicate that planners underestimate the value that clients place on receiving this kind of financial information and how that will influence the frequency with which clients will refer them to others.

B. QUALITATIVE TOPICS OF CLIENT COMMUNICATION

The result of our analyses of qualitative topics demonstrated strong support for including a holistic, client-centered, values-based approach to communicating with clients. The results also indicated that the inclusion of life planning subject matter in financial planning conversations is highly valued by both planners and clients.

With one exception, both planner and client responses demonstrated highly significant correlations between the qualitative topics and measures of client trust and client commitment (see Table 4-3). In other words, planner-client conversations focused on 1) trying to understand what client wants in planner-client relationship, 2) communicating importance of linking financial recommendations to personal goals, needs, and priorities, 3) considering all areas of life when creating a financial plan, and 4) contacting clients on a regular basis to see what life changes may affect their financial plans are very likely to engender client trust and commitment. The only exception was the relationship between client responses regarding “planner communicating importance of linking financial recommendations to personal goals, needs, and priorities” and the measure of client commitment.

In addition, both planner and client responses demonstrated highly significant correlations between the qualitative topics and all six indicators of successful relationships (see Table 4-4). Only one variable combination was slightly above the significance threshold established for this study. In addition to engendering client trust and commitment, these results make a strong business case for

including, on a regular basis, the more personal, life planning topics of planner-client communication.

C. CONCLUSIONS

The results of our study confirm the importance of communication effectiveness in both the quantitative/technical and qualitative/functional realms of planner-client relationships. Planners who focus on addressing both areas will foster client trust and commitment as well as influence higher levels of other important outcomes such as client satisfaction, cooperation, and referrals. Clients want and need planners who can communicate effectively in both realms and are able to integrate the two in financial planning conversations. Communication that is focused on collecting financial data or on delivering financial advice is no longer enough.

Our conclusions are further supported by recent financial industry research. In a survey conducted by Ameriprise Financial,³ survey respondents were asked to describe an ideal relationship with a financial adviser when planning or managing retirement. Eighty-eight percent reported that being “able to achieve competitive returns on my money” was extremely or very important. In addition, the very same percent of respondents (88 percent) also reported that having an adviser who “understands what is important to me” was extremely or very important to them. The authors of the study offered this explanation:

Historically, the financial services industry has focused on the quantitative, with less regard for the purpose and dreams behind wealth accumulation. As participation by Boomers in investing increased with the advent of 401(k) plans in the 1980s and the waning of traditional pensions, this generation was forced to take greater responsibility for their own retirement security and future success. However, now as retirement nears for Boomers, they want an adviser who really understands what is important to them.

In the “Bridging the Trust Divide”⁴ report compiled by State Street and Wharton, Richard Marston, professor of finance at Wharton, explained that clients are increasingly placing the value of financial advice not on money

management, but on the “softer” advisory elements of personal counseling and instruction. In the same report, James Grubman, a psychologist who specializes in training financial professionals, was quoted as saying that clients are more comfortable and more likely to continue their relationship with advisers who are able to integrate the financial and the personal into their financial advising practices. “Those advisers who don’t will likely face limitations in the adviser-client relationship and may find that they are ultimately unable to satisfy the client.”

ENDNOTES

¹Sharma, N., & Patterson, P. G. (1999). “The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer, Professional Services.” *Journal of Services Marketing*, 13(2), 151–171.

²FPA Press (2006). *FRC/FPA Adviser Study 2006: Alternative Practice Benchmarks Study*.

³Ameriprise Financial (2006). *The New Retirement Mindscapes*.SM

⁴State Street Global Advisors and Wharton (2007). “Bridging the Trust Divide: The Financial Advisor-Client Relationship.”

Chapter 5: Communication Tasks

I. Introduction

In this section, we present the context and conceptual framework we used to explore the efficacy of financial planning communication tasks in developing client trust and commitment and in promoting other important outcomes of successful planner-client relationships.

A. COMMUNICATION IN ACTION

The word “task” is defined as “a function to be performed, an objective.” Therefore, for the purposes of this study, we consider a communication task to be one that requires effective communication in order to implement and complete the financial planning process. In this context, we think of a communication task as “communication in action,” and the place where the art and science of financial planning meet.

B. PRACTICE STANDARDS

In designing this portion of our research, we relied heavily on the professional guidelines developed by Certified Financial Planner Board of Standards, Inc., (CFP Board) “for the ultimate benefit of consumers of financial planning services.”¹ In *Financial Planning Practice Standards*, the authors wrote, “A Practice Standard establishes the level of professional practice that is expected of CFP Board designees engaged in financial planning.” From this document, we selected the following Practice Standards that describe specific communication tasks and which we used as a framework for our inquiry:

1. *Practice Standard 100-1: Defining Scope of Engagement*—The financial planning practitioner and the client shall mutually define the scope of the engagement before any financial planning service is provided.

The rationale given for this standard is that “mutually defining the scope of the engagement serves to establish realistic expectations for the client and practitioner.” The

authors also noted that this practice will provide a framework for the financial planning process and enhance the potential for positive results.

The profession benefits when clients are satisfied. This is more likely to happen when clients have expectations of the process, which are both realistic and clear, before services are provided.

2. *Practice Standard 200-1: Determining a Client’s Personal and Financial Goals, Needs, and Priorities*—The financial planning practitioner and the client shall mutually define the client’s personal and financial goals, needs and priorities that are relevant to the scope of the engagement before any recommendation is made and/or implemented.

CFP Board established two Practice Standards for Step 2 of the financial planning process, “gather client data.” Practice Standard 200-1, quoted above, addresses inquiry into the more qualitative aspects of a client’s life. In contrast, Practice Standard 200-2 addresses the need to “obtain sufficient quantitative information and documents about a client relevant to the scope of the engagement.”

For the purposes of our study, we chose to focus on the lesser known Practice Standard 200-1 because it is more subjective in nature and because it is closely aligned with aspects of the life planning approach to delivering financial services and developing planner-client relationships (see the “Emerging Role of Life Planning” in Chapter 1).

In explaining Practice Standard 200-1, CFP Board identifies more than one communication task that it requires. For example, CFP Board specifies that in order to mutually define the client’s personal and financial goals, needs, and priorities, the practitioner must also explore the client’s values, attitudes, expectations, and time horizons. The reason? “Personal values and attitudes shape the client’s goals and objectives and the priority placed on them.”

In addition, CFP Board states that the role of the practitioner “is to facilitate the goal-setting process in order to clarify, with the client, goals and objectives.” The reason? “Goals and objectives provide focus, purpose, vision and direction for the financial planning process.”

3. *Practice Standard 400-3: Presenting the Financial Planning Recommendation(s)*—The financial planning practitioner shall communicate the recommendation(s) in a manner and to an extent reasonably necessary to assist the client in making an informed decision.

CFP Board specifies that, when presenting a recommendation, “the practitioner shall make a reasonable effort to assist the client in understanding the client’s current situation, the recommendation itself, and its impact on the ability to meet the client’s goals, needs, and priorities.” As a result, according to CFP Board, consumers are better served because strategies and recommendations are clearly communicated to specifically meet each client’s individual financial planning goals, needs, and priorities. In addition, this practice increases likelihood that a client will accept the recommendations and act upon them. This, in turn, will contribute to client satisfaction.

C. FINANCIAL PLANNING COMMUNICATION TASKS

The primary objective of our research was to identify specific elements of communication that engender trust and commitment in planner-client relationships. One of the areas we examined was the various communication tasks that planners undertake in completing the six-step financial planning process. In particular, we examined the following five financial planning communication tasks that we felt were also representative of a client-centered, life planning approach to service delivery (see “Emerging Role of Life Planning” in Chapter 1):

1. Planner and client mutually define scope of engagement before provision of financial planning services
2. Planner helps client identify meaningful personal and financial goals and objectives
3. Planner uses a systematic process to help client clarify values and priorities

4. Planner makes effort to explore and learn about the client’s cultural expectations/biases, personality type/traits, money attitudes/beliefs, and family history/values
5. Planner explains how financial advice aligns with and supports client values, goals, needs, and priorities

In addition to assessing the statistical relationship of these communication tasks with client trust and client commitment, we also explored their effect on six other important outcomes of successful planner-client relationships:

1. Client retention
2. Client satisfaction with planner-client relationship
3. Client cooperation with financial planning recommendations
4. Client openness in disclosing financial information
5. Client openness in disclosing personal information
6. Client referrals

II. Findings

We developed survey items based on the Practice Standards discussed in the Introduction section of Chapter 5. In the Findings section, we present the responses of both planners and clients regarding the fulfillment of the five financial planning communication tasks. We also present the results of analyses that allow us to identify statistically significant variable relationships and to compare and contrast the perspectives of financial planners with those of financial planning clients.

A. DEFINE THE SCOPE OF THE ENGAGEMENT

Planner and Client Mutually Define Scope of Engagement before Provision of Financial Planning Services

Opinions of Planners and Clients. Eighty-three percent of planners indicated that they either agreed or strongly agreed with the statement “Before providing any financial planning service, I make sure that the client and I have mutually defined and agreed upon the scope of the engagement.” Interestingly, a higher percent of clients (91 percent) expressed agreement or strong agreement with the matching statement in the client survey (see Figure 5-1).

Relationship with Client Trust and Commitment.

With one very slight exception, statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment (see Table 5-1). The exception was the statistical relationship between client responses regarding mutually defining scope of engagement and the scale measuring client trust, which was slightly above the threshold established for this study ($p = .0502$ vs. $p < .05$).

Nonetheless, these results indicate, from the perspectives of both planners and clients, that a direct and positive relationship exists between higher levels of fulfilling the communication task “mutually defining scope of engagement” and higher levels of client trust and commitment.

Relationship with Other Important Outcomes.

Statistically significant correlations were also found between client and planner responses regarding mutually defining scope of engagement and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 5-2).

In addition, cross-tabulation analyses of client responses revealed notable examples of the direct and positive relationship between this communication task (mutually defining scope of engagement) and five important outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “Before providing any financial planning service, my financial planner and I mutually defined and agreed upon the scope of the work/project he or she would complete for me” were:

1. Over 1.8 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Nearly 5.2 times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)

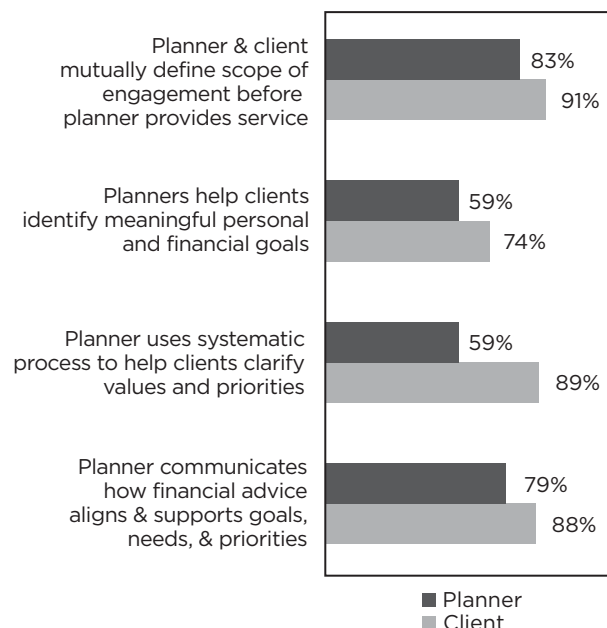
3. Over 2.2 times more likely to strongly agree they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
4. Nearly 3.2 times more likely to strongly agree that they are open to sharing personal goals, needs, and priorities with their individual financial planners (client openness/personal)
5. Three times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

B. GATHER QUALITATIVE DATA

Planners Help Clients Identify Meaningful Personal and Financial Goals and Objectives

Opinions of Planners and Clients. Fifty-nine percent of planners indicated that they either agreed or strongly agreed with the statement “I use a goal setting process with my clients to help them identify meaningful personal and financial goals and objectives.” The complementary statement in the client survey was less specific by not including the phrase “goal setting process.” This may

Figure 5-1: Standards of Practice: Communication Tasks



account for the fact that a higher percentage of clients (74 percent) indicated agreement or strong agreement with this statement on the client survey: “My financial adviser helped me to identify meaningful personal and financial goals and objectives” (see Figure 5-1).

Relationship with Client Trust and Commitment.

With one slight exception, statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment (see Table 5-1). The exception was the statistical relationship between client responses regarding helping client(s) identify meaningful personal and financial goals and objectives and the scale measuring client trust was slightly above the threshold established for this study ($p = .0652$ vs. $p < .05$). Nonetheless, these results indicate, from the perspectives of both planners and clients, that a direct and positive relationship exists between higher levels of fulfilling the communication task “helping client(s) identify meaningful personal and financial goals and objectives” and higher levels of client trust and commitment.

Relationship with Other Important Outcomes.

Statistically significant correlations were also found between client and planner responses regarding helping client(s) identify meaningful personal and financial goals and objectives and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information,

5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 5-2).

In addition, cross-tabulation analyses of client responses revealed notable examples of the direct and positive relationship between this communication task (planner helps client to identify meaningful personal and financial goals and objectives) and other desired outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “My financial adviser helped me to identify meaningful personal and financial goals” were:

1. Nearly 1.8 times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)
2. Nearly 1.8 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

Planner Uses a Systematic Process to Help Clients Clarify Values and Priorities

Opinions of Planners and Clients. Fifty-nine percent of planners indicated that they either agreed or strongly agreed with the statement “I use a systematic process (set of worksheets, series of questions, etc.) to help my clients clarify their values and priorities.” Surprisingly, a much higher percent of clients (89 percent) expressed agreement or strong agreement with the matching statement in the client survey (see Figure 5-1).

Table 5-1: Statistically Significant Correlations between Communication Tasks and Client Trust and Commitment

Element of Communication	Planner and client mutually define scope of engagement before planner provides service		Planner helps clients identify meaningful personal and financial goals		Planner uses systematic process to help clients clarify values and priorities		Planner communicates how financial advice aligns and supports client’s values, goals, and priorities	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Trust Scale	$p < .001$	$\&.0502$	$p < .001$	$\&.0652$	$p < .01$	$p < .05$	$p < .001$	$p < .001$
Commitment Scale	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$
&—Nearly significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

Relationship with Client Trust and Commitment.

Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this communication task (using a systematic process to help clients clarify values and priorities) and higher levels of client trust and commitment (see Table 5-1).

Relationship with Other Important Outcomes.

Statistically significant correlations were also found between client and planner responses regarding using a systematic process to help clients clarify values and priorities and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 5-2).

In addition, cross-tabulation analyses of client responses revealed notable examples of the direct and

positive relationship of this communication task (using a systematic process to help clients clarify values and priorities) and other important outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “My financial planner used a systematic process (set of worksheets, series of questions, etc.) to help me clarify my values and priorities” were:

1. Nearly 3.2 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Over 1.8 times more likely to indicate being very satisfied with the relationship they have with their individual financial planners (client satisfaction)
3. Nearly 4.2 times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)
4. Over 2.1 times more likely to strongly agree they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
5. Nearly 3.2 times more likely to strongly agree that they

Table 5-2: Statistically Significant Correlations between Communication Tasks and Important Outcomes of Planner-Client Relationships

Element of Communication	Planner and client mutually define scope of engagement before planner provides service		Planner helps clients identify meaningful personal and financial goals		Planner uses systematic process to help clients clarify values and priorities		Planner communicates how financial advice aligns and supports client’s values, goals, and priorities	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Retention	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$
Satisfaction w/Relationship	$p < .001$	$p < .01$	$p < .001$	$p < .001$	$p < .05$	$p < .001$	$p < .001$	$p < .001$
Cooperation w/Recommendations	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .01$	$p < .001$	$p < .001$
Openness—Financial	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .05$	$p < .001$	$p < .001$
Openness—Personal	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$
Referrals	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .01$	$p < .001$	$p < .001$
NS—Not significant at the 0.05 level &—Nearly significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

are open to sharing personal goals, needs, and priorities with their individual financial planners (client openness/personal)

6. Over 2.5 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

C. EXPLORES VALUES AND ATTITUDES, EXPECTATIONS, AND TIME HORIZONS

Planner Makes Effort to Learn about 1) Cultural Expectations/Biases, 2) Personality Type/Traits, 3) Money Attitudes/Beliefs, and 4) Family History/Values

Opinions of Planners and Clients. *Planner Responses:* Fifty-three percent of financial planners reported that, when gathering client data, they make every effort to learn about cultural expectations or bias. Interestingly, much higher percentages of planner respondents reported making an effort to learn about personality type/traits (89 percent), attitudes and beliefs about money (96 percent), and family history and values (80 percent) (see Figure 5-2).

Client Responses: Client responses to matching survey statements showed similar results. Sixty-five percent of clients reported that, when gathering data about them, their

planners made an effort to learn about cultural expectations and bias. In addition, much higher percentages of client respondents reported that their planners made an effort to learn about personality type/traits (91 percent), attitudes and beliefs about money (97 percent), and family history and values (79 percent) (see Figure 5-2).

Relationship with Client Trust and Commitment.

Planner Responses: No statistically significant correlations were found between the scales that measured client trust and commitment and planners' responses regarding gathering data about 1) cultural expectations or biases, 2) personality type/traits, 3) attitudes and beliefs about money, and 4) family history/values (see Table 5-3).

Client Responses: No statistically significant correlations were found between the scale that measured client trust and client responses regarding planners gathering data about 1) cultural expectations or biases and 2) attitudes and beliefs about money. However, statistically significant correlations were found between the scale that measured client trust and planners gathering data about 1) personality type/traits and 2) family history/values. These findings indicate, from the perspective of clients only, that a direct and positive relationship exists between gathering data about 1) personality type/traits and 2) family history/value and higher levels of client trust (see Table 5-3).

No statistically significant correlations were found between the scale that measured client commitment and client responses regarding planners gathering data about attitudes and beliefs about money. However, statistically significant correlations were found between the scale that measured client commitment and gathering data about 1) cultural expectations or biases, 2) personality type/traits, and 3) family history/values. These findings indicate, from the perspective of clients only, that a direct and positive relationship exists between gathering data about 1) cultural expectations or biases, 2) personality type/traits, and 3) family history/values and higher levels of client commitment (see Table 5-3).

Relationship with Other Important Outcomes.

Planner Responses: A statistically significant correlation was found between planner responses regarding gathering data about cultural expectations and biases and higher levels of one indicator of successful planner-client relationships: recommending planner to others. (See Table 5-4).

Figure 5-2: Percent Who Responded "Yes"

When gathering client data, planner made an effort to learn about

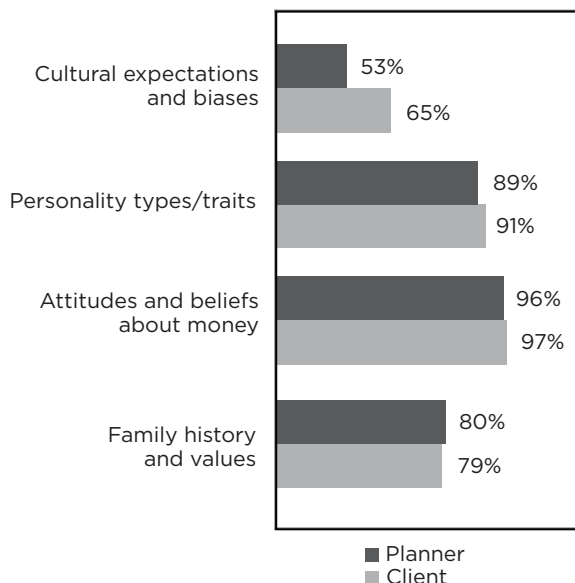


Table 5-3: Statistically Significant Correlations between Qualitative Data Gathering and Client Trust and Commitment

Planner made effort to learn about	Cultural expectations and biases		Personality types/traits		Attitudes and beliefs about money		Family history and values	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Trust Scale	NS	NS	NS	$p < .01$	NS	NS	NS	$p < .05$
Commitment Scale	NS	$p < .001$	NS	$p < .001$	NS	NS	NS	$p < .05$
NS—Not significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

A statistically significant correlation was found between planner responses regarding gathering data about personality type/traits and higher levels of one indicator of successful planner-client relationships: openness to sharing personal goals, needs, and priorities.

Statistically significant correlations were found between planner responses regarding gathering data about attitudes and beliefs about money and higher levels of two indicators of successful planner-client relationships: 1) recommending planner to others and 2) openness to sharing personal goals, needs, and priorities.

Statistically significant correlations were found between planner responses regarding gathering data about family history and values and higher levels of two indicators of successful planner-client relationships: 1) recommending planner to others and 2) openness to sharing personal goals, needs, and priorities.

Client Responses: A statistically significant correlation was found between client responses regarding planner gathering data about cultural expectations and biases and higher levels of three indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, and 3) openness to sharing personal goals, needs, and priorities (See Table 5-4).

Statistically significant correlations were found between client responses regarding planner gathering data about personality type/traits and higher levels of five of the six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with

planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, and 5) openness to sharing personal goals, needs, and priorities.

No statistical correlations were found between client responses regarding planner gathering data about attitudes and beliefs about money and any of the six selected indicators of successful planner-client relationships.

Statistically significant correlations were found between client responses regarding planner gathering data about family history and values and higher levels of two indicators of successful planner-client relationships: 1) satisfaction with planner-client relationship and 2) openness to sharing personal goals, needs, and priorities.

D. PRESENT FINANCIAL PLANNING RECOMMENDATIONS

Planner Explained How Financial Advice Aligns with and Supports Client Values, Goals, Needs, and Priorities

Opinions of Planners and Clients. Seventy-nine percent of planners indicated that they either agreed or strongly agreed with the statement “I make a point of communicating to my clients how my recommendations are aligned with and support their personal and financial goals, needs, and priorities.” In addition, 88 percent of clients expressed agreement or strong agreement with the matching statement in the client survey (see Figure 5-1).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between

both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this topic of communication (planner explains how financial advice aligns with and supports client values, goals, needs, and priorities) and higher levels of client trust and commitment (see Table 5-1).

Relationship with Other Important Outcomes.

Statistically significant correlations were found between client and planner responses regarding “planner explains how financial advice aligns with and supports client values, goals, needs, and priorities” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 5-2).

In addition, cross-tabulation analyses of client responses revealed notable examples of the direct and positive relationship of this communication task (planner explains how financial advice aligns with and supports client values, goals, needs, and priorities) and important outcomes of planner-client relationships. Clients who strongly agreed versus agreed with the statement “My financial planner explained to me how his or her financial planning recommendations align with and support my personal and financial goals, needs, and priorities” were:

1. Over 2.6 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Over 3.4 times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation)
3. Over 2.1 times more likely to strongly agree they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
4. Over 3.2 times more likely to strongly agree that they are open to sharing personal goals, needs, and

priorities with their individual financial planners (client openness/personal)

5. Over 3.6 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

III. Discussion and Conclusions

The following is a summary of the results presented in the Findings section. In addition, we offer our conclusions based on the Communication Tasks component of our research project.

A. PLANNER VS. CLIENT VIEWPOINTS

A review of Figure 5-1 reveals that higher percentages of clients perceived their planners to be fulfilling these communication tasks than did the planners themselves. One reason could be that the client sample was the result of invitations from planner participants and not a random selection by our research team. It is likely, then, that planners who did agree to invite 10–15 clients to participate in this study would send the invitation to a selection of their favorite clients.

We must also point out that in the planner survey, respondents were asked questions in regard to their group of clients as a whole. Therefore, the planners’ responses had to be more generalized. In contrast, client responses were specific to one person, their individual financial planners. However, with that said, Figure 5-2, which summarizes areas of data gathering and exploration, indicated very little discrepancy between planner and client responses.

B. INFLUENCE OF COMMUNICATION TASKS

Client Trust and Commitment

Both planner and client responses demonstrated statistically significant and very nearly significant correlations between the following communication tasks and measures of client trust and commitment (see Table 5-1):

1. Planner and client mutually define scope of engagement before provision of financial planning services

Table 5-4: Statistically Significant Correlations between Qualitative Data Gathering and Important Outcomes of Planner-Client Relationships

Planner made effort to learn about	Cultural expectations and biases		Personality types/traits		Attitudes and beliefs about money		Family history and values	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Retention	NS	$p < .05$	NS	$p < .01$	NS	NS	&.0575	&.0674
Satisfaction w/Relationship	NS	$p < .05$	NS	$p < .001$	NS	NS	NS	$p < .05$
Cooperation w/Recommendations	NS	NS	NS	$p < .01$	NS	NS	NS	NS
Openness—Financial	NS	NS	NS	$p < .01$	NS	NS	NS	NS
Openness—Personal	NS	$p < .05$	$p < .05$	$p < .01$	$p < .05$	NS	$p < .001$	$p < .001$
Referrals	$p < .01$	NS	NS	NS	$p < .05$	NS	$p < .05$	NS
NS—Not Significant at the 0.05 level &—Nearly significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.					

2. Planner helps client identify meaningful personal and financial goals and objectives
3. Planner uses a systematic process to help client clarify values and priorities
4. Planner explains how financial advice aligns with and supports client values, goals, needs, and priorities

Results were more mixed when looking at the relationships between trust and commitment and the four specified areas of qualitative exploration and data gathering (see Table 5-3). In fact, planner responses revealed no statistically significant relationships between these variables and client trust and commitment.

In contrast, client responses indicated a statistically significant relationship between cultural expectations/biases and client commitment. In addition, client responses revealed statistically significant relationships between personality types/traits, and family history/values and both measures of client trust and commitment. These findings indicate that planners don't recognize the value of exploration in these areas. It should be noted that clients evidently view this type of

inquiry as an attempt to get to know and understand the client in a deeper and more personal way. And it makes sense that purposeful inquiry in these areas will provide insight into what shapes the client's frame of reference and influences his or her values, attitudes, expectations, and time horizons.

Other Important Outcomes. With one exception, both planner and client responses also demonstrated statistically significant relationships between the same four communication tasks previously listed and six indicators of successful planner-client relationships (see Table 5-2):

1. Client retention
2. Client satisfaction with planner-client relationship
3. Client cooperation with financial planning recommendations
4. Client openness in disclosing financial information
5. Client openness in disclosing personal information
6. Client referrals

Again, results were more mixed when looking at relationships between the indicators listed above and the four

specified areas of qualitative exploration and data gathering. A review of Table 5-4 reveals very few significant relationships between planner responses and the areas of qualitative exploration and data gathering.

The results indicate several more significant relationships between client responses and areas of qualitative exploration and data gathering. In particular, client responses regarding personality types/traits demonstrated significant relationships with five of the six indicators of successful planner-client relationships. It is also interesting to note that client responses regarding attitudes and beliefs about money demonstrated no significant relationships with those indicators.

C. CONCLUSIONS

Overall, our findings give strong support for the value of specific financial planning communication tasks in developing client trust and commitment as well as promoting other important outcomes of successful client relationships such as client satisfaction, retention, and referrals. In addition, we believe that our discussion of life planning within this context supports the opinion of those who do not view this approach as something new or different, but rather as one that is inherent in the six-step financial planning process and also aligns with the Financial Planning Practice Standards developed by CFP Board.

In short, we believe that putting more emphasis on the communication tasks we examined in this portion of our study can move a financial planning relationship and a financial planning practice from good to great.

ENDNOTE

¹ Certified Financial Planner Board of Standards, Inc. (2003). "Financial Planning Practice Standards."

Chapter 6: Communication Skills

I. Introduction

In this section, we present the context and conceptual framework we used to explore the efficacy of certain communication skills related to developing client trust and commitment and in promoting other important outcomes of successful planner-client relationships.

A. CLIENT-CENTERED COMMUNICATION

In *Communicating with Clients: A Guide for Financial Professionals*,¹ authors Pulvino, Lee, and Forman proclaim that there is no best way to communicate. They do, however, offer two guidelines for distinguishing effective, professional communication from less effective communication. These are:

1. Humanistic, growth-producing treatment—This refers to communication that maximizes a person’s own potential and that treats that person as worthwhile.
2. Efficiency and parsimony—Effective communication attempts to achieve goals as quickly and effortlessly as possible.

In addition, these authors and communication experts contend, “An important first step in communication is for you to understand the client’s map of the world and how it is similar to and dissimilar from your own.” They describe “maps” as each person’s package of experiences:

As people grow and develop, they store their life experiences and their reactions to those experiences. A person’s experiences are gradually woven into a personal representation of the world. These finely woven representations have been called perceptions, tapes, personal rules, and maps.

They further explain that by understanding clients’ maps, you have a better basis for communicating with them:

“Clients’ maps affect how they make decisions; how they use money; how willing and capable they are to take risks; and how they view their personal, business, or financial goals.”

B. LISTENING FOR UNDERSTANDING

In *The 7 Habits of Highly Effective People*,² Stephen Covey declares, “Communication is the most important skill in life.” He also points out that—in relationship to the number of years spent in learning how to read, write, and speak—we spend relatively little time learning how to listen. To prove his point, Covey challenges his readers with this question: “What training or education have you had that enables you to listen so that you really, deeply understand another human being from that individual’s own frame of reference?” This, he says, is *empathic listening*—the highest level of listening. It is not *active listening* or *reflective listening*, but rather listening with the intent to understand the other person’s view of the world and how they feel. Covey explained, “In empathic listening, you listen with your ears, but you also, and more importantly, listen with your eyes and with your heart.”

Getting to know financial planning clients at this deeper level is also at the core of the life planning approach. George Kinder, pioneer in applying life planning principles to the financial planning process, wrote, “it is only in an atmosphere of trust that a client is willing to share stories in a way that leaves nothing significant out.”³ He further explained:

If our financial planning recommendations don’t relate to who the client is, the client will find a way to sabotage the process we have, in fact, already blown. Who your clients are has to involve and include the deeper aspects of their being. It involves their vision of freedom and their vision of what makes a good world as well as their experiences of their own limitations and vulnerabilities.

C. FACILITATIVE COMMUNICATION SKILLS: BRIDGES TO UNDERSTANDING

In *Financial Counseling: A Strategic Approach*,⁴ the authors identified three categories of “facilitative communication skills”: nonverbal, verbal, and spatial arrangement. They believe that deliberate, specific, and tactical use of these elements of communication will increase efficiency and effectiveness in the financial advisory relationship and enhance development of trust and commitment.

Nonverbal Communication: In nonverbal communication, messages are conveyed without words. Openness to an idea or unspoken emotions such as fear or anger can be evident in a client’s body posture or facial expressions. In addition, a planner can convey acceptance, warmth, and interest by eye contact or leaning toward the client when listening.

Nonverbal pacing requires the planner to model or copy the nonverbal behavior of the client. In *Communicating with Clients: A Guide for Financial Professionals*,⁵ Pulvino, Lee, and Forman explained, “When one person deliberately paces (matches) another person’s behavior, the second person usually reports feeling listened to, understood, and accepted.”

Verbal Communication: Verbal communication consists of pacing and asking questions. Verbal pacing tactics include restating, paraphrasing, or summarizing a client’s statements. Focus can be on factual content or on the underlying emotional theme. Using words that reflect a client’s learning style (visual, auditory, and kinesthetic) is an example of an advanced verbal pacing technique. In addition, Pulvino, Lee, and Forman wrote that “verbal pacing skills are used to help you get in touch with the client’s representational map, which in turn helps you to establish open trusting relationships based on understanding the client.”⁶ Furthermore, strategic use of questions can encourage client openness, clarify meaning of client statements, and direct the gathering of important client information.

Spatial Arrangement: Spatial arrangement of the environment in which planner-client conversations take place can also enhance client comfort and encourage openness. It is important to create a space for planner-client conversations that is comfortable, non-threatening, and assures privacy. For example, Pulvino, Lee, and Forman point out that round, square, and oval tables or

desks can be used to create atmospheres of equality. In contrast, “rectangular tables or desks are more likely to create status differentiation.”

D. FINANCIAL PLANNING COMMUNICATION SKILLS

The primary objective of our research was to identify specific elements of communication that engender trust and commitment in planner-client relationships. One of the areas we examined was the various communication skills that planners employ in developing client relationships and in completing the six-step financial planning process. In particular, our research focused on the efficacy of the following ten communications skills in developing client trust and commitment:

1. Planner asks specific questions to make sure client understands recommendations
2. Planner asks the right questions to allow clients to open up
3. Planner uses strategic questions to gather important information about the client
4. Planner restates or paraphrases factual content of client conversations
5. Planner restates or paraphrases emotional themes underlying what client states
6. Planner is comfortable with clients expressing strong emotion
7. Planner tries to facilitate communication between spouses/partners about sensitive financial issues
8. Planner maintains eye contact with client
9. Planner watches body language to help understand client
10. Planner arranges office furniture to create an open/comfortable atmosphere

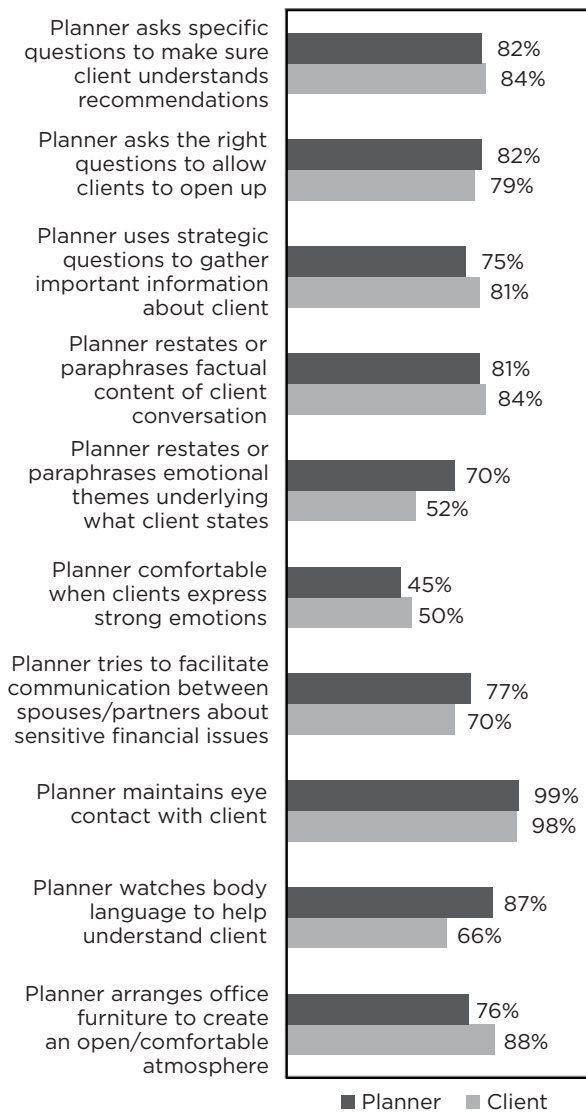
We selected these variables because we felt they represented the skills identified by communication experts as especially important in facilitating good communication. We also believe these same skills are representative of the type of holistic, client-centered, values-based communication that is the hallmark of the life planning approach (see “Emerging Role of Life Planning” in Chapter 1).

In addition to assessing the statistical relationship of this list of skills with client trust and commitment, we also

explored their effect on six other important outcomes of successful planner-client relationships:

1. Client retention
2. Client satisfaction with planner-client relationship
3. Client cooperation with financial planning recommendations
4. Client openness in disclosing financial information
5. Client openness in disclosing personal information
6. Client referrals

Figure 6-1: Communication Skills



II. Findings

In this section, we present the responses of both planners and clients regarding communication skills generally thought to enhance planner-client relationships and engender client trust and commitment. We also present the results of analyses that allow us to identify statistically significant variable relationships and to compare and contrast the perspectives of financial planners and financial planning clients.

A. USE OF QUESTIONS

Planner Asks Specific Questions to Make Sure Clients Understand Recommendations

Opinions of Planners and Clients. Eighty-two percent of planners indicated that they either agreed or strongly agreed with the statement “I ask my clients specific questions to make sure they understand the recommendations I have made to them.” A somewhat higher percent of clients (84 percent) expressed agreement or strong agreement with the matching statement in the client survey (see Figure 6-1).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this communication skill (planner asks specific questions to make sure clients understand recommendations) and higher levels of client trust and commitment (see Table 6-1).

Relationship with Other Important Outcomes. Statistically significant correlations were also found between client and planner responses regarding “planner asks specific questions to make sure clients understand recommendations” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

In addition, cross-tabulation analyses of client responses revealed one notable example of the direct and

Table 6-1: Statistically Significant Correlations between Communication Skills and Client Trust and Commitment**Part 1**

Element of Communication	Planner asks specific questions to make sure client understands recommendations		Planner asks the right questions to allow clients to open up		Planner uses strategic questions to gather important information about client		Planner restates or paraphrases factual content of client conversation		Planner restates or paraphrases emotional themes underlying what client states	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Trust Scale	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .01$	NS	$p < .05$	NS	$p < .05$	NS
Commitment Scale	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .001$	$p < .01$	$p < .05$

Part 2

Element of Communication	Planner is comfortable with client expressing strong emotion		Planner tries to facilitate communication between spouses/partners about sensitive financial issues		Planner maintains eye contact with client		Planner watches body language to help understand client		Planner arranges office furniture to create an open/comfortable atmosphere	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Trust Scale	NS	$p < .001$	$p < .001$	$p < .05$	$p < .01$	$p < .01$	$p < .01$	NS	$p < .001$	$p < .001$
Commitment Scale	NS	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .05$	$p < .001$	$p < .01$
NS—Not significant at the 0.05 level			In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are probabilities and refer to levels of significance . These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.							

positive relationship of this communication task (planner asks specific questions to make sure clients understand recommendations) and other important outcomes of planner-client relationships. Clients who strongly agreed rather than agreed with the statement “My financial planner asks me questions to make sure I understand his/her recommendations” were over 2.4 times more likely to strongly agree that they fully cooperate with their planners by following through on all financial planning recommendations (client cooperation).

Planner Asks the Right Questions to Allow Clients to Open Up

Opinions of Planners and Clients. Eighty-two percent of planners indicated that they either agreed or strongly agreed with the statement “I work hard at asking the right questions that will allow my clients to open up to me.” A somewhat lower percent of clients (79 percent) expressed agreement or strong agreement with the matching statement in the client survey (see Figure 6-1).

Relationship with Client Trust and Commitment.

Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this communication skill (planner asks the right questions that allow clients to open up) and higher levels of client trust and commitment (see Table 6-1).

Relationship with Other Important Outcomes.

Statistically significant correlations were also found between client and planner responses regarding “planner asks the right questions that allow clients to open up” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

Table 6-2: Statistically Significant Correlations between Communication Skills and Important Outcomes of Planner-Client Relationships

Part 1

Element of Communication	Planner asks specific questions to make sure client understands recommendations		Planner asks the right questions to allow clients to open up		Planner uses strategic questions to gather important information about client		Planner restates or paraphrases factual content of client conversation		Planner restates or paraphrases emotional themes underlying what client states	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Retention	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .01$	NS	$p < .001$	NS	$p < .01$	NS
Satisfaction w/ Relationship	$p < .01$	$p < .001$	$p < .01$	$p < .01$	$p < .01$	NS	$p < .01$	$p < .01$	$p < .05$	$p < .05$
Cooperation w/ Recommendation	$p < .001$	$p < .001$	$p < .001$	$p < .01$	NS	$p < .01$	$p < .05$	$p < .001$	$p < .05$	$p < .01$
Openness—Financial	$p < .001$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	NS	$p < .001$	NS	$p < .05$	NS
Openness—Personal	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$	NS	$p < .001$	NS	$p < .001$	NS
Referrals	$p < .05$	$p < .01$	$p < .001$	$p < .01$	NS	$p < .001$	&.0582	$p < .001$	$p < .001$	NS

Part 2

Element of Communication	Planner is comfortable with client expressing strong emotion		Planner tries to facilitate communication between spouses/partners about sensitive financial issues		Planner maintains eye contact with client		Planner watches body language to help understand client		Planner arranges office furniture to create an open/comfortable atmosphere	
	Planner	Client	Planner	Client	Planner	Client	Planner	Client	Planner	Client
Retention	NS	$p < .05$	$p < .001$	$p < .01$	$p < .001$	&.0656	&.0548	NS	$p < .001$	$p < .01$
Satisfaction w/ Relationship	&.0549	NS	$p < .05$	&.0510	$p < .001$	&.0542	NS	$p < .05$	$p < .01$	$p < .05$
Cooperation w/ Recommendation	NS	$p < .05$	$p < .001$	$p < .01$	$p < .001$	$p < .05$	$p < .01$	$p < .01$	$p < .001$	&.0578
Openness—Financial	&.0507	$p < .05$	$p < .001$	NS	$p < .001$	NS	$p < .01$	NS	$p < .001$	NS
Openness—Personal	$p < .01$	$p < .001$	$p < .001$	$p < .01$	$p < .001$	$p < .01$	$p < .001$	$p < .05$	$p < .001$	$p < .05$
Referrals	&.0535	$p < .01$	$p < .001$	$p < .01$	$p < .01$	&.0631	$p < .01$	NS	$p < .001$	NS

&—Nearly significant at the 0.05 level
 NS—Not significant at the 0.05 level

In statistics, a result is called **statistically significant** if it is unlikely to have occurred by chance. Therefore, the p values ($p < .05$, $p < .01$, and $p < .001$) are **probabilities** and refer to **levels of significance**. These mean that the chances of obtaining the measured associations due to sampling error are less than 5 in 100, 1 in 100, and 1 in 1,000, respectively.

Planner Uses Strategic Questions to Gather Important Information about Client(s)

Opinions of Planners and Clients. Seventy-five percent of planners indicated that they usually or always use questions strategically to guide client disclosure of relevant information. A somewhat higher percent of clients (81 percent) indicated that their financial planners usually or always practice this communication skill (see Figure 6-1).

Relationship with Client Trust and Commitment.

Planner Responses: Statistically significant correlations were found between planner responses and the scales that measured levels of client trust and commitment. This finding

indicates, from the perspective of planners, that a direct and positive relationship exists between higher levels of this communication skill (planner uses strategic questions to gather important information about clients) and higher levels of client trust and commitment (see Table 6-1).

Client Responses: A statistically significant correlation was not found between client responses and the scale that measured levels of client trust. However, a statistically significant correlation was found between client responses and the scale that measured levels of client commitment. Therefore, from the perspective of clients, a direct and positive relationship exists between higher levels of this communication skill (planner uses strategic questions to

gather important information about clients) and higher levels of client commitment, but not higher levels of client trust (see Table 6-1).

Relationship with Other Important Outcomes.

Planner Responses: Statistically significant correlations were also found between planner responses regarding “planner uses strategic questions to gather important information about client” and higher levels of five of the six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) openness in disclosing financial information, 4) openness to sharing personal goals, needs, and priorities, and 5) recommending planner to others (see Table 6-2). The one outcome that did not demonstrate a significant relationship with this communication skill was “cooperation with financial planning recommendations.”

Client Responses: Interestingly, the results for clients were the exact opposite of the results for planners. For clients, the only significant correlation was found between “planner uses strategic question to gather important information about client” and “cooperation with financial planning recommendations.” This finding indicates, from the perspective of clients, that a direct and positive relationship exists between a planner practicing this communication skill and higher levels of client cooperation (see Table 6-2).

B. VERBAL PACING TECHNIQUES

Planner Restates or Paraphrases Factual Content of Client Conversation

Opinions of Planners and Clients. Eighty-one percent of planners indicated that they usually or always “restate or paraphrase the factual content of my client’s conversation.” In response to the matching statement on the client survey, 84 percent of respondents agreed that their financial planner usually or always restates or paraphrases the factual content of their conversations (see Figure 6-1).

Relationship with Client Trust and Commitment.

Planner Responses: Statistically significant correlations were found between planner responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of planners, that a direct and

positive relationship exists between higher levels of practicing this communication skill (restating or paraphrasing the factual content of conversations) and higher levels of client trust and commitment (see Table 6-1).

Client Responses: A statistically significant correlation was found between client responses and the scale that measured levels of client commitment. However, a statistically significant correlation was not found between client responses and the scale that measured levels of client trust. Therefore, from the perspective of clients, a direct and positive relationship exists between higher levels of this communication skill (planner restates or paraphrases the factual content of client conversations) and higher levels of commitment, but not higher levels of client trust (see Table-6-1).

Relationship with Other Important Outcomes.

Planner Responses: Statistically significant correlations were also found between planner responses regarding “planner restates factual content of client conversations” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

Client Responses: For clients, significant correlations were found between “planner restates factual content of client conversations” and only two of six selected indicators of successful planner-client relationships: 1) satisfaction with planner-client relationship, and 2) cooperation with planning recommendations (See Table 6-2). In addition, the statistical relationship between client responses and “recommending planner to others” was nearly significant, with a p value slightly above the threshold established for this study ($p = .0582$ vs. $p < .05$).

Planner Restates or Paraphrases Emotional Themes Underlying What Client States

Opinions of Planners and Clients. Seventy percent of planners indicated that they usually or always “restate or

paraphrase the emotional themes underlying the things my client says to me.” To the matching statement on the client survey, only 52 percent of clients responded that their planner usually or always restates or paraphrases the emotional themes underlying the things the client says to him or her (see Figure 6-1).

Relationship with Client Trust and Commitment.

Planner Responses: Statistically significant correlations were found between planner responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of planners, that a direct and positive relationship exists between higher levels of practicing this communication skill (restating or paraphrasing the emotional themes underlying what client states) and higher levels of client trust and commitment (see Table 6-1).

Client Responses: A statistically significant correlation was found between client responses and the scale that measured levels of client commitment. However, a statistically significant correlation was not found between client responses and the scale that measured levels of client trust. Therefore, from the perspective of clients, a direct and positive relationship exists between higher levels of this communication skill (planner restates or paraphrases the emotional themes underlying what client states) and higher levels of client commitment, but not higher levels of client trust (see Table 6-1).

Relationship with Other Important Outcomes.

Planner Responses: Statistically significant correlations were also found between planner responses regarding “planner restating emotional themes of client conversations” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

Client Responses: For clients, significant correlations were found between “planner restates or paraphrases the emotional themes underlying what client states” and only two of six selected indicators of successful planner-client relationships: 1) satisfaction with planner-client relationship and 2) cooperation with planning recommendations, (See Table 6-2).

C. DEALING WITH EMOTIONS / SENSITIVE ISSUES

Planner Comfort with Strong Emotions

Opinions of Planners and Clients. Forty-five percent of planners indicated that they disagree or strongly disagree with the statement “I am very uncomfortable when my clients express strong emotion (for example, cry, get angry).” A somewhat higher percent of clients (50 percent) indicated that they disagree or strongly disagree to the matching statement on the client survey: “I think my financial planner would be very uncomfortable if I were to express strong emotion (for example, cry, get angry)” (see Figure 6-1).

Relationship with Client Trust and Commitment.

Planner Responses: No statistically significant correlation was found between planner responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of planners, that no relationship exists between higher levels of comfort when clients express strong emotion and higher levels of client trust and commitment (see Table 6-1).

Client Responses: In contrast, statistically significant correlations were found between client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of clients, that a direct and positive relationship exists between their planners’ level of comfort with strong emotion and higher levels of client trust and commitment (see Table 6-1).

Relationship with Other Important Outcomes.

Planner Responses: A statistically significant correlation was found between planner responses regarding planner comfort with client emotions and only one of the six selected indicators of successful planner-client relationships: openness to sharing personal goals, needs, and priorities (see Table 6-2).

However, the statistical relationship between planner responses and three other important outcomes were slightly above the threshold of significance established for this study ($p < .05$): 1) satisfaction with planner-client relationship ($p = .0549$), 2) openness in disclosing financial information ($p = .0507$), and 3) recommending planner to others ($p = .0535$).

Client Responses: For clients, significant correlations were found between planner comfort with client emotions and five of the six selected indicators of successful planner-client relationships: 1) client retention, 2) cooperation with financial planning recommendations, 3) openness in disclosing financial information, 4) openness to sharing personal goals, needs, and priorities, and 5) recommending planner to others (see Table 6-2).

Planner Tries to Facilitate Communication between Spouses/Partners about Sensitive Financial Issues

Opinions of Planners and Clients. Seventy-seven percent of planners indicated that they agree or strongly agree with the statement “I try hard to facilitate communication between spouses/partners about sensitive financial issues.” A somewhat lower percent of clients (70 percent) indicated that they agree or strongly agree to the matching statement on the client survey: “My financial planner tries hard to facilitate communication between my spouse/partner and me about sensitive financial issues” (see Figure 6-1).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this communication skill (facilitating communication between spouses/partners about sensitive financial issues) and higher levels of client trust and commitment (see Table 6-1).

Relationship with Other Important Outcomes. *Planner Responses:* Statistically significant correlations were also found between planner responses regarding “facilitating communication between spouses/partners about sensitive financial issues” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

Client Responses: For clients, significant correlations were found between “facilitating communication between spouses/partners about sensitive financial issues” and four of the six selected indicators of successful planner-client relationships: 1) client retention, 2) cooperation with financial planning recommendations, 3) openness to sharing personal goals, needs, and priorities, and 4) recommending planner to others (see Table 6-2). In addition, the statistical relationship between client responses and one other important outcome, satisfaction with planner-client relationship, was just slightly above the threshold of significance established for this study ($p = .0510$ vs. $p < .05$).

D. NON-VERBAL COMMUNICATION

Planner Maintains Eye Contact with Client

Opinions of Planners and Clients. Ninety-nine percent of planners indicated that they usually or always “maintain eye contact with my client.” In response to the matching statement in the client survey, 98 percent of respondents reported that their planner usually or always “maintains eye contact with them” (see Figure 6-1).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between both planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of both planners and clients, that a direct and positive relationship exists between higher levels of this communication skill (planner maintains eye contact with client) and higher levels of client trust and commitment (see Table 6-1).

Relationship with Other Important Outcomes. *Planner Responses:* Statistically significant correlations were also found between planner responses regarding “planner maintains eye contact with client” and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

Client Responses: For clients, significant correlations were found between “planner maintains eye contact with

client(s)” and two of six selected indicators of successful planner-client relationships: 1) cooperation with financial planning recommendations and 2) openness to sharing personal goals, needs, and priorities (see Table 6-2). In addition, the statistical relationship between client responses and three other important outcomes were slightly above the threshold established for this study ($p < .05$): 1) client retention ($p = .0656$), 2) satisfaction with planner-client relationship ($p = .0542$), and 3) recommending planner to others ($p = .0631$).

In addition, cross-tabulation analyses of client responses revealed notable examples of the direct and positive relationship of this communication task (planner maintains eye contact with client) and other important outcomes of planner-client relationships. Clients who responded that their financial planner usually or always maintains eye contact with them were:

1. Nearly 3.8 times more likely to strongly agree that they have no interest in transferring to a different planner (client retention)
2. Over 2.7 times more likely to indicate that they are very satisfied with the relationship they have with their individual financial planners (client satisfaction)
3. Six times more likely to agree that they cooperate with their financial planners’ recommendations
4. Over 4.3 times more likely to strongly agree that they are open to sharing personal goals, needs, and priorities with their individual financial planner (client openness/personal)
5. Over 4.1 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

Planner Watches Body Language to Help Understand Client

Opinions of Planners and Clients. Eighty-seven percent of planners indicated that they usually or always “watch my clients’ body language.” In response to the matching statement on the client survey, a very high percentage of respondents (66 percent) reported that their planner usually or always “watches my body language to help him or her understand me” (see Figure 6-1).

Relationship with Client Trust and Commitment.

Planner Responses: Statistically significant correlations were found between planner responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of planners, that a direct and positive relationship exists between higher levels of this communication skill (planner watches body language to help understand client) and higher levels of client trust and commitment (see Table 6-1).

Client Responses: Statistically significant correlations were found between client responses and the scales that measured levels of client commitment only. This finding indicates, from the perspective of clients, that a direct and positive relationship exists between higher levels of this communication skill (planner watches body language to help understand client) and higher levels of client commitment, but not client trust (see Table 6-1).

Relationship with Other Important Outcomes.

Planner Responses: Statistically significant correlations were also found between planner responses regarding “watching body language to help understand client” and higher levels of four of the six selected indicators of successful planner-client relationships: 1) cooperation with financial planning recommendations, 2) openness in disclosing financial information, 3) openness to sharing personal goals, needs, and priorities, and 4) recommending planner to others. In addition, the correlation between “watching body language to help understand client” and satisfaction with planner-client relationship was very near the statistical significance threshold established for this study ($p = .0548$ vs. $p < .05$) (see Table 6-2).

Client Responses: Statistically significant correlations were also found between client responses regarding “planner watches my body language to help him or her understand me” and higher levels of three of the six selected indicators of successful planner-client relationships: 1) satisfaction with planner-client relationship, 2) cooperation with financial planning recommendations, and 3) openness to sharing personal goals, needs, and priorities (see Table 6-2).

However, cross-tabulation analyses of client responses did not reveal notable examples of the direct and positive relationship of this communication skill (planner watches my body language to help him or her understand me) and other important outcomes of planner-client relationships.

E. SPATIAL ARRANGEMENT

Planner Arranges Office Furniture to Create an Open/ Comfortable Atmosphere

Opinions of Planners and Clients. Seventy-six percent of planners indicated that they usually or always strategically arrange their office furniture to create an open, comfortable atmosphere for clients. Interestingly, a much higher percentage (88 percent) of clients responded that their financial planner usually or always strategically arranges his or her office furniture to create an open, comfortable atmosphere (see Figure 6-1).

Relationship with Client Trust and Commitment. Statistically significant correlations were found between planner and client responses and the scales that measured levels of client trust and commitment. This finding indicates, from the perspective of planners and clients, that a direct and positive relationship exists between higher levels of practicing this communication skill (arranging office furniture to create an open and comfortable atmosphere for clients) and higher levels of client trust and commitment (see Table 6-1).

Relationship with Other Important Outcomes. *Planner Responses:* Statistically significant correlations were also found between planner responses regarding arranging office furniture to create an open and comfortable atmosphere for clients and higher levels of all six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, 3) cooperation with financial planning recommendations, 4) openness in disclosing financial information, 5) openness to sharing personal goals, needs, and priorities, and 6) recommending planner to others (see Table 6-2).

Client Responses: For clients, significant correlations were found between “planner arranges office furniture to create an open and comfortable atmosphere for clients” and only three of six selected indicators of successful planner-client relationships: 1) client retention, 2) satisfaction with planner-client relationship, and 3) openness to sharing personal goals, needs, and priorities (see Table 6-2). In addition, the statistical relationship between client responses and “cooperation with financial

planning recommendations” was nearly significant with a p value slightly above the threshold established for this study ($p = .0578$ vs. $p < .05$).

In addition, cross-tabulation analysis of client responses revealed notable examples of the direct and positive relationships of this communication skill (planner arranges office furniture to create an open and comfortable atmosphere for clients) and other important outcomes of planner-client relationships. Clients who responded that their financial planner usually or always arranges office furniture to create an open and comfortable atmosphere for clients were:

1. Nearly 2.2 times more likely to strongly agree that they feel completely open to disclosing financial information to their individual financial planners (client openness/financial)
2. Nearly 2.5 times more likely to strongly agree that they are open to sharing personal goals, needs, and priorities with their individual financial planners (client openness/personal)
3. Nearly 2.3 times more likely to strongly agree that they frequently recommend their individual financial planners to others (client referrals)

III. Discussion and Conclusions

The following is a summary of the results presented in the Findings section. In addition, we offer our conclusions regarding the Communication Skills component of our research project.

A. PLANNER VS. CLIENT VIEWPOINTS

A review of Figure 6-1 reveals that, in general, planner and client respondents were in agreement regarding the degree to which planners practiced certain communication skills. One exception was regarding the verbal pacing skill “planner restates or paraphrases emotional themes underlying what client states.” In this situation, 70 percent of planners reported usually or always, compared to only 52 percent of clients. Another exception worth noting related to the nonverbal communication skill “planner watches body language to help understand client” where 87 percent of planners reported usually or always, as compared to only

66 percent of clients. However, in defense of planners, this may be a skill that would be difficult for a client to observe and evaluate because of its subtlety.

B. INFLUENCE OF COMMUNICATION SKILLS

Results of our analyses of ten different communication skills demonstrated mixed results in identifying statistically significant relationships with client trust and commitment (see Table 6-1) and with six other outcome variables considered to be indicators of successful planner-client relationships (see Table 6-2):

1. Client retention
2. Client satisfaction with planner-client relationship
3. Client cooperation with financial planning recommendations
4. Client openness in disclosing financial information
5. Client openness in disclosing personal information
6. Client referrals

Use of Questions: Both planner and client responses demonstrated statistically significant relationships between client trust and commitment and two of three question variables: 1) “planner asks specific questions to make sure client understands recommendations” and 2) “planner asks the right questions to allow clients to open up.” In addition, we observed significant relationships between these same two variables and all six indicators of successful client relationships.

Results regarding the third question variable, “planner uses strategic questions to gather important information about client,” proved to be surprising in that client responses demonstrated a significant relationship with only one of the outcome variables. We have no explanation for why the results, from the client perspective, would vary so dramatically when compared to the results of the other two question variables.

Verbal Pacing Techniques: Planner responses demonstrated statistically significant relationships between client trust and commitment and 1) “planner restates or paraphrases factual content of client conversation” and 2) “planner restates or paraphrases emotional themes underlying what client states.” Statistical variables were

also identified between these same two skill variables and all six indicators of successful planner-client relationships.

In contrast, client responses resulted in very few significant relationships between survey items that measure verbal pacing techniques and the other outcome variables. This finding would indicate a discrepancy between views of planners and clients on the role and importance of verbal pacing in nurturing planner-client relationships.

Dealing with Emotions/Sensitive Issues: From the planner perspective, the relationship between a planner’s comfort with emotions and client trust and commitment was not significant. However, the opposite was true from the client perspective. Client responses indicated a direct relationship between higher level of planner comfort with emotion and higher levels of client trust and commitment.

In addition, statistically significant relationships were identified between “planner tries to facilitate communication between spouses/partners about sensitive financial issues” and nearly all outcome variables. The two exceptions, from the client perspective, were a non-significant relationship with client openness in disclosing financial information and a nearly significant relationship with client satisfaction with planner-client relationship. Nonetheless, it seems reasonable to conclude that clients highly value planners who demonstrate that they can handle a display of emotion with comfort and ease. In addition, clients appreciate planners who can facilitate the more difficult financial conversations with their spouses/partners.

Nonverbal Communication: Both planner and client responses revealed significant relationships between “planner maintains eye contact with client” and client trust and commitment. Planner and client responses regarding relationships with six indicators of successful planner-client relations were less congruent. Planner responses resulted in significant relationships with all six outcome variables; whereas, client responses resulted in significant relationships with only two of six outcome variables.

Results for “watching body language” were even more mixed. Planner responses revealed significant relationships between this variable and client trust and commitment, but client responses revealed a significant relationship with client commitment only. In addition, a review of the significant relationships between this communication

skill and the other six outcome variables revealed only two areas of congruence between planner and client responses: From both the planner and client perspectives, “watching the client’s body language to better understand him or her” was significantly related to 1) the client fully cooperating with the planner’s recommendations and 2) the client’s openness in disclosing personal information.

Spatial Arrangement: In contrast, planner and client responses indicated a high degree of agreement regarding the value of spatial arrangement. Planner responses indicated statistically significant relationships with client trust and commitment, as well as all six indicators of successful planner-client relationships. Client responses mirrored these results with these two exceptions: The relationship between spatial arrangement and “client fully cooperating with planner recommendations” was nearly significant, and “client openness in disclosing financial information” was not significant.

C. CONCLUSIONS

In comparing the results of our analysis of communication skills with those of communication topics (Chapter 4) and communication tasks (Chapter 5), we observed less congruence between the perspectives of planners and clients. This was less true for the measures of client trust and commitment, but particularly evident when reviewing the statistically significant relationships between communication skills and the six other indicators of successful client relationships. In general, it appears that planners tend to overestimate the value of verbal pacing skills and non-verbal skills in promoting higher levels of: 1) client retention, 2) client satisfaction with planner-client relationship, 3) client cooperation with financial planning recommendations, 4) client openness in disclosing financial information, 5) client openness in disclosing personal information, and 6) client referrals.

On the other hand, it appears that planners tend to undervalue the importance to clients of having a planner who is comfortable with and skillful in dealing with a client’s strong emotions. This refers to what the authors of the State Street/Wharton report call “relationship competence”—the planner’s level of empathic skills and maturity.⁷ They explain that clients need to know that “if

I tell you personal things about myself or my family, I can trust that you, the adviser, will handle that well.”

Our study also explored the planner’s ability to help couples navigate the emotional terrain of sensitive financial issues. On this topic, we observed more agreement between planner and clients regarding the effect of this skill on developing trust and commitment as well as influencing higher levels of other relationship outcomes including 1) client retention, 2) client cooperation with financial planning recommendations, 3) client openness in disclosing personal information, and 4) client referrals. The area of money and marriage is an important one—not only for couples, but for the financial planners who serve them. Brad Klontz, a psychologist and consultant to financial planners, reported that money is the number one stressor in the lives of three-fourths of Americans and the number one cause of conflict in marriages. He says this is because “people don’t talk a lot about money and it’s a heavily loaded issue.” He added, “We have a lot of destructive behaviors around money.”⁸

Similarly, psychologist James Grubman was quoted in the State Street/Wharton report as saying that wealth brings unexpected stresses to many individuals and families, and coping with money issues can be difficult. He points out that many financial advisers struggle with the skills needed to resolve these interpersonal issues, but the bottom line is this: “clients are more comfortable and more likely to continue their relationship with advisers who are able to integrate the financial and the personal into their financial advising practices.”

Other areas of agreement between planner and client responses regarded use of questions to help the client to understand the planner’s recommendations and to help the client open up. These and other findings in this section lead us to conclude that clients highly value planners who make an effort to really get to know and understand them. In addition, clients want planners who are able to navigate, along with them, the rational and emotional realms of their financial lives. Furthermore, we believe our findings support the central purpose of the life planning approach, which is to assist clients in clarifying their values and priorities. Far more than active listening and reflective skills, analysis of client responses indicated that they want and value the practice

of communication skills that facilitate empathic listening and, advisers who, as Stephen Covey would say, “seek first to understand, and then to be understood.”⁹

ENDNOTES

¹ Pulvino, C. J., Lee, J. L., Forman, C. E. (2001).

Communicating with Clients: A Guide for Financial Professionals, Prentice Hall Information Services Paramus, NJ.

² Covey, Stephen R. (1990) *The 7 Habits of Highly Successful People*. New York: Free Press, p. 241.

³ Kinder, George. “A Matter of Trust.” (April 1997). *Journal of Financial Planning*.

⁴ Pulvino, Lee, Pulvino (2001). *Financial Counseling: A Strategic Approach, 2nd Edition*. Madison, WI: Instructional Enterprises.

⁵ Pulvino, C. J., Lee, J. L., Forman, C. E. (2001). *Communicating with Clients: A Guide for Financial Professionals*.

⁶ Pulvino, C. J., Lee, J. L., Forman, C. E. (2001). *Communicating with Clients: A Guide for Financial Professionals*, p. 91.

⁷ State Street Global Advisors and Wharton School. (2007). “Bridging the Trust Divide; The Financial Advisor-Client Relationship.”

⁸ Klontz, B. (June 6, 2007). “SAFE Financial Infidelity Advice.” *Midweek*. Retrieved from www.midweek.com/content/columns/theyoungview_article/safe_financial_infidelity_advice.

⁹ Covey, Stephen R. (1990). *The 7 Habits of Highly Successful People*. New York: Free Press.

Chapter 7: Summary and Recommendations

I. Introduction

Our goal in designing this study was to identify and statistically validate specific communication topics, tasks, and skills that contribute to building client trust and commitment in the context of a professional financial planning relationship. In particular, we explored elements of communication that are associated with a life planning approach to service delivery. We also examined the influence of the same communication variables on six important indicators of successful planner-client relationships:

1. Client retention
2. Client satisfaction with planner-client relationship
3. Client cooperation with financial planning recommendations
4. Client openness in disclosing financial information
5. Client openness in disclosing personal information
6. Client referrals

Our research design included a planner survey and a client survey. This questionnaire structure provided two separate data sets and the opportunity to compare and contrast the opinions of each group of respondents on complementary survey items. An invitation to participate in this study was sent via e-mail to a random sample of FPA members. Those in the sample who were not CERTIFIED FINANCIAL PLANNER™ certificants were asked to disqualify themselves. Planner respondents were also asked to invite 10–15 of their clients to participate in the client component of this research project. The data collection was conducted in the first quarter of 2006 and resulted in 554 usable planner surveys and 128 usable client surveys.

II. Results and Implications for Planners

We based our selection of communication variables on CFP Board's Financial Planning Practice Standards,¹ instructional material on facilitative communication skills,

prior research on antecedents of client trust and commitment, and the professional expertise of life planning practitioners and coaches. Our review of professional financial planning and related literature indicated that planner-client communication could be subdivided into three categories: communication topics, communication tasks, and communication skills.

A. COMMUNICATION TOPICS

For the purposes of this study, we selected quantitative communication variables that were representative of a client-centered approach to addressing the technical topics of financial planning conversations. In addition, we selected qualitative communication variables that were representative of a life planning approach to developing long-term client relationships and delivering “life-centered” financial services and advice.

Communication Topics—Quantitative and qualitative content of planner-client conversations:

1. Communicating recommendations to clients in terms and language that clients can understand
2. Keeping clients well informed about performance of their investments, especially when the market is down
3. Explaining the pros and cons of recommended investments to clients
4. Not hesitating to give clients as much information as they like about financial matters
5. Trying to understand what clients want in relationship with planner
6. Communicating the importance of linking financial recommendations to personal goals, needs, and priorities
7. Believing that consideration of all areas of life is important in creating a financial plan for client
8. Contacting clients on a regularly basis to see what life changes may affect their financial plans

Results

With few exceptions, both planner and client responses regarding the quantitative and qualitative topics selected for this analysis demonstrated highly significant correlations with both client trust and commitment. In addition, higher levels of communication effectiveness in all topic areas were positively related to higher levels of client retention, satisfaction, cooperation, openness/financial, openness/personal, and referrals. (See Tables 4-1, 4-2, 4-3, and 4-4).

Implications for Planners

The results of our study confirm the importance of communication effectiveness in both the quantitative and qualitative realms of planner-client relationships. Planners who focus on addressing both areas will foster client trust and commitment as well as influence higher levels of other important outcomes such as client retention, satisfaction, cooperation, openness, and referrals. Client communication that is focused solely on collecting financial data or on delivering financial advice is no longer enough to sustain a competitive advantage. Clients want and need planners who can communicate effectively in both realms, the quantitative and qualitative, and are able to integrate the two in financial planning conversations.

Our conclusions are further supported by recent financial industry research. For example, in a survey conducted by Ameriprise Financial,² respondents were asked to describe an ideal relationship with a financial adviser when planning or managing retirement. Eighty-eight percent reported that being “able to achieve competitive returns on my money” was extremely or very important. In addition, the very same percentage of respondents (88 percent) also reported that having an adviser who understands what is important to them was extremely or very important to them. The authors of the study offered this explanation:

Historically, the financial services industry has focused on the quantitative, with less regard for the purpose and dreams behind wealth accumulation for their own retirement security and future success... However, now as retirement nears for Boomers,

they want an adviser who really understands what is important to them.

B. COMMUNICATION TASKS

The word “task” is defined as “a function to be performed, an objective.” Therefore, for the purposes of this study, we consider a “communication task” to be one that requires effective communication action steps in order to implement and complete the financial planning process. In designing this portion of our research, we relied heavily on the professional guidelines developed by Certified Financial Planner Board of Standards, Inc. (CFP Board), “for the ultimate benefit of consumers of financial planning services.”³ In addition, we selected communication tasks that were particularly representative of a client-centered, life planning approach to service delivery.

Communication Tasks—The planner’s communication responsibilities in conducting the financial planning process:

1. Planner and client mutually define scope of engagement before provision of financial planning services
2. Planner helps client identify meaningful personal and financial goals and objectives
3. Planner uses a systematic process to help client clarify values and priorities
4. Planner makes effort to explore and learn about the client’s cultural expectations/biases, personality type/traits, money attitudes/beliefs, and family history/values
5. Planner explains how financial advice aligns with and supports client values, goals, needs, and priorities

Results

Four of the five communication tasks we examined demonstrated highly significant relationships with both client trust and client commitment. In addition, higher levels of attention to the same communication tasks were positively related to higher levels of client retention, satisfaction, cooperation,

openness/financial, openness/personal, and referrals (see Tables 5-1, 5-2, 5-3, and 5-4). The one exception was the communication task that addressed different areas of qualitative data gathering. This variable demonstrated few statistically significant relationships with trust and commitment and to the indicators of successful planner-client relationships (client retention, satisfaction, cooperation, openness/financial, openness/personal, and referrals).

Implications for Planners

In *Financial Planning Practice Standards*,⁴ the authors wrote that the intentions of the Practice Standards are to:

1. Assure the practice of financial planning by CERTIFIED FINANCIAL PLANNER™ professionals is based on established norms of practice
2. Advance professionalism in financial planning
3. Enhance the value of financial planning

Overall, our findings give strong support for the value of the specific financial planning communication tasks identified in these standards. Survey items based on these variables demonstrated positive correlations in developing client trust and commitment as well as promoting other important outcomes of successful planner-client relationships (client retention, satisfaction, cooperation, openness/financial, openness/personal, and referrals).

In addition, viewing life planning within the context of these communication tasks supports the opinion of those who do not see this approach as going beyond the bounds of traditional financial planning. Instead, it can be argued that life planning is inherent in the six-step financial planning process and in alignment with the Financial Planning Practice Standards developed by CFP Board. We also believe that putting more emphasis on the communication tasks examined in this portion of our study will move a planner-client relationship and a financial planning practice from good to great.

C. COMMUNICATION SKILLS

In *Communicating with Clients: A Guide for Financial Professionals*,⁵ authors Pulvino, Lee, and Forman wrote that effective communication promotes:

1. Humanistic, growth-producing treatment—This refers to communication that maximizes a person's own potential and that treats that person as worthwhile.
2. Efficiency and parsimony—Effective communication attempts to achieve goals as quickly and effortlessly as possible.

Using these guidelines as a framework, we selected communication skills for analysis that are generally thought to increase the value, efficiency, and effectiveness of the planner-client relationship. In addition, we selected skills that would help to facilitate a life planning approach to providing financial services and advice.

Communication Skills—Techniques and abilities thought to enhance the effectiveness of planner-client communication:

1. Planner asks specific questions to make sure client understands recommendations
2. Planner asks the right questions to allow clients to open up
3. Planner uses strategic questions to gather important information about the client
4. Planner restates or paraphrases factual content of client conversations
5. Planner restates or paraphrases emotional themes underlying what client states
6. Planner is comfortable with clients expressing strong emotion
7. Planner tries to facilitate communication between spouses or partners about sensitive financial issues
8. Planner maintains eye contact with client
9. Planner watches body language to help understand client
10. Planner arranges office furniture to create an open and comfortable environment

Results

In comparing our analyses of communication skills with those of communication topics and communication tasks, we observed less congruence between the perspectives of planners and clients. This was true to a lesser extent when

reviewing the statistical relationships between communication skills and client trust and commitment and to a greater extent when reviewing the statistical relationships between communication skills and the six indicators of successful client relationships (see Tables 6-1 and 6-2).

In general, it appears that planners tend to overestimate the value of verbal pacing skills and non-verbal skills in promoting higher levels of 1) client retention, 2) client satisfaction with planner-client relationship, 3) client cooperation with financial planning recommendations, 4) client openness in disclosing financial information, 5) client openness in disclosing personal information, and 6) client referrals. On the other hand, it appears that planners tend to undervalue the importance to clients of having a planner who is comfortable with and skillful in dealing with a client's strong emotions.

Our study also explored the planner's ability to help couples navigate the emotional terrain of sensitive financial issues. On this topic, we observed more agreement between planner and clients regarding the effect of this skill on developing trust and commitment as well as influencing higher levels of other relationship outcomes including 1) client retention, 2) client cooperation with financial planning recommendations, 3) client openness in disclosing personal information, and 4) client referrals. Other areas of agreement between planner and client responses regarded use of questions to help the client to understand the planner's recommendations and to help the client open up.

Implications for Planners

The findings in this section lead us to conclude that clients highly value planners who make an effort to *really* get to know and understand them. In addition, clients want planners who are able to navigate—along with them—the rational and emotional realms of their financial lives.

This refers to what the authors of the State Street/Wharton report call “relationship competence”—the planner's level of empathic skills and maturity. They explain that clients need to know that “if I tell you personal things about myself or my family, I can trust that you, the adviser, will handle that well.”⁶

Furthermore, we believe our findings support the central purpose of the life planning approach, to assist

clients in clarifying their values and priorities. Far more than active listening and reflective skills, analysis of client responses indicated that they value the practice of communication skills that facilitate empathic listening. Therefore, the intention of planners should be, as Stephen Covey would say, “to seek first to understand, and then to be understood.”⁷

III. Additional Observations and Recommendations

This study was the first to categorize components of communication as topics, tasks, and skills and then to identify and statistically validate elements within each category that contribute to building client trust and commitment in the context of a professional financial planning relationship. In particular, we focused on testing and verifying the benefits of a holistic, client-centered, values-based approach to service delivery that is commonly known as life planning. We also contributed to the body of knowledge by examining the influence of specific communication topics, tasks, and skills on client retention, satisfaction, cooperation, openness, and referrals. Based on the results of this research and our understanding of trends in the financial services industry, we offer the following observations and recommendations in addition to the implications for planners that we previously noted:

A. FPA Members are Leaders in Client-Centered Service Models

FPA members tend to be leaders in adopting client-centered service models and raising the bar in standards of practice. Therefore, it was not a surprise that a high percentage of FPA members who participated in this study indicated that they work hard at communicating effectively in both the quantitative and qualitative realms of financial planning conversations, and client responses confirmed this as well.

B. Consumer Awareness of Life Planning is Growing

Discussions about integrating life planning and financial planning have moved beyond professional

financial planning publications and conferences to the public arena. As public awareness grows, consumer expectations will evolve. Whether financial planners use the term “life planning” or not, we believe that those who do not choose to incorporate a holistic, client-centered, values-based approach to their client meeting processes and communications will be at a competitive disadvantage.

C. Practice Standards Deserve More Attention

Our research overwhelmingly demonstrated the efficacy of three Financial Planning Practice Standards in developing client trust and commitment. In addition, the results of our study build a strong business case for the positive influence of these practices in promoting higher levels of 1) client retention, 2) client satisfaction with planner-client relationship, 3) client cooperation with financial planning recommendations, 4) client openness in disclosing financial information, 5) client openness in disclosing personal information, and 6) client referrals.

Because of the strong and positive relationship between the selected practice standards and important outcomes of financial planning relationships, we recommend further research to examine the efficacy of the remaining practice standards that were not the subject of this study. In addition, we recommend that more education and training be focused on how to successfully implement these practice standards. Our observation is that the discussion of practice standards is usually in the context of ethics continuing education. However, in addition to legal and compliance issues, we feel that planners would benefit from learning the skills and knowledge necessary to implement these practices, develop successful client relationships, and build a profitable business model.

D. Interpersonal Communication Education and Training Needed

Both planner and client responses underscored the importance of communication effectiveness in both the quantitative and qualitative realms of a financial

planning relationship. In addition, clients confirmed that they value planners who demonstrate the willingness and ability to navigate the emotional terrain linked to their financial lives and the life transitions they experience.

In addition, the 2004 CFP® Practitioner Job Analysis⁸ survey identified many tasks performed by a CFP practitioner that require interpersonal and communication skills in fulfillment of the six-step financial planning process. However, we are concerned that this education and training is not a required component of the CFP certification curriculum nor are these subjects included in the CFP exam.

Nonetheless, we applaud CFP Board for adding an addendum to the CFP Certification Topic List⁹ in May 2006 that includes several topics related to 1) principles of communication and 2) the subjective attributes of a client (values, attitudes, biases, etc.) that are likely to affect the financial planning relationship. Currently, these topics qualify for continuing education programs only. An explanation introducing these topics stated, “Although individuals taking the CFP® Certification Examination will not be tested directly over these topics, CFP Board-Registered programs are strongly encouraged to teach them in their curricula.” We encourage CFP Board to continue its exploration of how these topics can be required in the CFP certification curriculum and included in the CFP exam.

In addition, we encourage planners to seek out and take advantage of courses in interpersonal communication and life planning. We also recommend courses that: 1) provide frameworks for getting to know and understand clients and 2) teach processes for values clarification and goal setting that enhance and complement the six-step financial planning process.

ENDNOTES

¹ Certified Financial Planner Board of Standards, Inc. (2003). “Financial Planning Practice Standards.”

² Ameriprise Financial. (2006). *The New Retirement Mindscapes*SM. p. 11.

³ Certified Financial Planner Board of Standards, Inc. (2003). "Financial Planning Practice Standards."

⁴ Ibid.

⁵ Pulvino, Charles J., James L. Lee, and Cynthia E. Forman. (1987). *Communicating with Clients: A Guide for Financial Professionals*. Paramus, NJ: Prentice Hall Information Services.

⁶ State Street Global Advisors and Knowledge@Wharton. (2007). "Bridging the Trust Divide: The Financial Adviser-Client Relationship." p. 4.

⁷ Covey, Stephen R. (1990). *The 7 Habits of Highly Successful People*. New York: Free Press.

⁸ Montgomery, Linda. (2004). "CFP® Practitioner Job Analysis." Denver, CO: Certified Financial Planner Board of Standards, Inc.

⁹ Certified Financial Planner Board of Standards, Inc. (May 2006). "Topic List for CFP® Certification" Denver, CO: Certified Financial Planner Board of Standards, Inc., p. 28.



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