

Media Release: 17-May-02

Closing the expectation gap: Using a behaviors approach to know your client

It is a reality that expectation gaps exist between financial advisors and their clients. There is a responsibility for both advisors and their clients to obtain a better understanding of one another in order to have an enhanced financial advisory relationship.

That is the view of Hugh Massie, Managing Director of Coddington Finance Corporation, leaders in using human behavior technologies and education as a means to close this gap. Over the last several years, Coddington has developed an online program called 'Financial DNA™', designed to complement the legislation around the 'Know your Client' rules as well as enhancing the financial client-advisory relationship.

“We have been watching the financial services industry over the last several years and particularly in the current climate. Financial DNA™ has been developed with a view to leading a paradigm shift in the client relationship model in the Financial Services Industry. We believe that the only way for this to happen is for consumers to understand their own financial personality. Once consumers are empowered with this knowledge, they are better able to choose an advisor, products and ultimately mitigate poor financial decision-making.”

A fundamental part of the process is that both advisors and clients undertake it. That is, all parties participating in a business relationship of any nature (Financial Planners, Bankers, etc.) undertake the process. This process is foundational to how to choose an advisor in the wealth management market and sets the ground rules for the relationship.

“Financial DNA™ is based on mutuality. In other words it requires the advisor to know the client and vice versa. That means, better rapport overall and especially during stressful times. It will also allow for personalized client solutions. For the first time the advisor will have some clear facts driving the understanding of the client to add to his or her personal perceptions, as well as providing in-depth compliance with the 'know your client' rules. Currently, there would be very few advisors who reveal anything of themselves. Arguably, this is critical to building a trusted business relationship”, said Massie.

“This is a total client first approach that should also contribute significantly to mitigating professional risk. In the current insurance and litigation crisis this is a particularly sensitive issue for the financial services industry. The approach provides a process to meet the 'know you client' rules, manage client expectations, build mutuality and trust in the client relationship and most importantly, helps clients to realize their financial potential.”

Massie believes that the reason that knowledge of clients at this deeper behavioral level has never been the industry norm is that it has been perceived as 'too hard' by the advisory and investment segments. While behavioral tools have existed for recruiting they have not been designed to address financial decision-making processes.

“This is the key really; the Financial DNA™ process in some ways allows us to answer the question that is always left hanging from even first-rate behavioral profiles – that is, the 'so what?' question. The process allows us to take a person's unique profile and examine the detailed implications for their financial choices”, says Massie.

There are several aspects to Coddington's Financial DNA™ methods that can materially alleviate the expectation gap. But perhaps the greatest breakthrough is the power of these tools to provide a better platform for relationship development, by overcoming the present expectation gap in the market place.

Ends