Advisor Services

Future factors for financial advisors

Leverage new communication trends to differentiate your firm

One of the funny things about studying youth culture is that you become acutely aware of it when you are no longer a part of it.

I have a little sister who goes to the University of Wisconsin–Madison. Her boyfriend lives in New York. So, she's in Madison, and I was recently there on work, and I go and visit her. I go into her room and up on Skype is Steven, her New York boyfriend—and they're not talking to each other. My sister is doing her homework and Steven is doing his homework, the way that you would in real life.

I walk into her room and she says, "Kim, don't be rude. Say hi to Steven." So then I have to get down to the right level for the camera and say, "Hi, Steven." So already I can see, with just this small age gap between my sister and me, that we use this technology in a really different way. The way that we connect with each other, the way we communicate, the way we influence one another are constantly changing.

The idea of connection is very important for financial advisors. My father has been a financial advisor for over 40 years. And I've had the privilege of being able to work with financial advisors and financial firms for the past six years, and I hear so often from advisors about the complexity of your everyday job. So much of it is just about connection and being able to understand your client. And you wear so many different hats—sometimes you're a money manager, sometimes it's a social worker or a marriage counselor or a life coach. So understanding how the way that we connect with one another evolves is crucial, especially as it rapidly changes.

We'll look at what I've termed "future factors"—I've identified three that reflect major societal changes that are impacting the way that we connect with each other and with the world—and then look at what that means for financial advisors.

The first is unprecedented access. This is an exploration of what happens when everyone can see everything. The next is the experience economy, understanding how to create meaningful experiences as a competitive advantage. And the last one is mainstream mindfulness, which is how to understand and leverage this craving to be present in an age of distraction.

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About this transcript

Schwab is dedicated to providing advisors with access to recognized thought leaders and their insights on industry trends.

In this excerpt from a recent Schwab Advisor Services™ event, researcher and strategist Kim Lear explores three major factors that will affect how advisors connect and communicate with their clients.

Unprecedented access

I've done hundreds of focus groups and interviews with people in different generations, and I've done a lot with people who came into the world of work pre-Internet. And even that idea sort of astounds me, because now when the Internet goes out at work we just go home, because it's like there's nothing we can do here. But there was a world of work before the Internet—a hierarchical world—and I found some patterns in those interviews and in those focus groups.

The way we communicate is changing

In that world, there are so many unwritten rules about what it takes to succeed. Access to information is limited, and access to people is very limited. These factors create a world of scarcity. And in a world of scarcity, knowledge is power—so you hold the things that you know and the connections that you have close to the vest.

Now, think about our world today—some of the most powerful people and companies give away their information for free. And now there's a new crop of client and advisor that may not even remember a world pre-Internet. They grew up when everyone had access to all the information that they needed, and the thought of hoarding information didn't really make sense.

Access to all of this information has become heavily aligned with conversations about Millennials, but the reality is that this has nothing to do with Millennials. We're just going through an evolution in how we search for answers and how we consume information. We've shifted from hierarchy to network. The most powerful person is entrenched in the middle, highly connected to people in different areas and with different areas of expertise. We are changing how we connect with each other and how we consume information.

What does this mean for advisors?

So what do we do with this? First thing is to anticipate and prepare for skepticism. I think we thought that if we had all the answers we would feel really calm and, in fact, we do not. Now that we have access to all this information, we're able to consume a lot of contrarian information, where you'll read one thing, and it'll say: "The Chinese markets are great!" "The Chinese markets are terrible!" "Robo-advising is a fad!" "Robo-advising is the future." "We're going off of a cliff!" "It's all blue skies!" And contrarian information makes people very nervous and very skeptical.

I've talked to a lot of advisors, and they've said, "You know, in the past 5 to 10 years, I definitely feel like I've been getting a little bit of a pushback, pushback on fees, just a lot of questions about what's going on in the marketplace." And one of the reasons for that is that we're all consuming this contrarian information.

The second is about asking the right questions. As answers have become more democratized, the questions have become more critical. What's great about a financial advisor is that robo-advising and the answers that you can find on the Internet don't ask you the right kinds of questions—but a financial advisor will. "What is money to you?" "What does it mean in your life?" "If X, Y, or Z were going to happen, how do you think you would respond to that?" And sometimes, as the financial advisor, you're the only person asking your clients these questions, and so it's such an important role to play.

Now, there is another implication of unprecedented access, which is that we have an endless amount of options, and what can be created from an endless amount of options is the fear of not choosing the right one. This implication has been coined "the paradox of choice." And there's a great book by Barry Schwartz that explores this. What it means is that there is a specific number of choices that human beings should have in order to work to their full capacity. And we can't scientifically know what that number is, but we do know that we have surpassed it.

So what do we do about this? Simplify. And this is something I know that the financial advising world is working on. But keep in mind that if you offer your client 10 options, and they end up making a decision, they are choosing that one option but they're not satisfied. They're thinking about the nine other options that you put in front of them. Where, if you give them three options, they actually can exhaust those other two options and therefore feel more satisfied when they end up making a final decision.

The hard thing about this is that it puts more work on the advisors because you have to vet these options, and it becomes about you deciding which three to put in front of this client.

And the last thing you can do about unprecedented access is to change your perspective—become a curator instead of an expert. We look at the rise of curation on the Internet right now as a huge area of growth.

Spotify did not take over music streaming because they stream music—a lot of places stream music—but because they do the best job of content curation. If you think about this, you may have some clients where they'll come into your office with everything printed off the Internet. As an expert, you can get defensive and think, "I'm the advisor. You can't believe all this trash you see on the Internet. Just trust me. I'm the expert." But that is no longer putting people's minds at ease. What they would perhaps want, instead, is for you to say, "Let me go through that with you. We'll find out what in here is real, and I'll be this resource to you, and I'll help you curate all of this information that is coming your way."

Now, the final implication of unprecedented access is that boundaries are disappearing, and the world has opened up to us.

And this has created the rise of the unconventional path. When we think back to the hierarchy, there is a prescriptive path that we take where you start at the bottom and you work your way up.

But we can look at the education system. The National Board of Education recently came out with a study that said only 50% of recent college grads think that their university education was worth it. And we have this new crop of kids coming in where they idolize the Thiel Fellowship, which offers kids six figures to drop out of college and go do something real or unconventional.

We can think about marriage. In 1960, 59% of adults under 30 were married, and today that number is 20%, and so we're seeing a lot of unconventionality happen around marriage.

And in the workforce, the barrier to entry for entrepreneurship has never been lower. And so, if you were worried about isolation, back-end office support, insurance—there are resources to take care of all that. And so, all of a sudden, the world has opened up.

> "There is something inherently unconventional about financial advising."

I think that this rise of the unconventional path is a huge opportunity for this industry, because there is something inherently unconventional about financial advising when you compare it with other finance jobs. When I ask financial advisors about their favorite part of the job, the good ones say it's helping people, whereas a lot of other jobs in finance are highly transactional. Also, there is no ceiling. It's highly entrepreneurial, there's flexibility, you're not just in a cubicle all day. I speak to so many young, talented people who are hungry to find something better, and I think that's an opportunity for this industry.

With clients, this turns into the idea of positioning a plan of life phases rather than life stages. As longevity increases, all of our life stages are moving around. And so, for example, my financial advisor did something really interesting, where instead of looking at life as a race to retirement, he bucketed it in these 10- to 15-year spans. We make sure that I'm saving enough, where in 10 to 15 years, perhaps I can recalibrate a little bit and think, because perhaps I would want to go into a different area, or priorities will have shifted at that point—and then you start again. So that approach offers some more opportunity for reinvention, instead of just looking at the traditional path: getting married and having kids and buying a home and retiring.

And the last insight for clients is to not make assumptions about gender roles. There's been a lot of conversation about what we think of as unconventional paths for women, but I want to talk about men, because I've talked to a lot of advisors recently where they'll say, "Oh, I've got a 43-year-old client, and he just got this incredible job offer, and he was going to make more than half a million dollars a year. He said no because he said it was too much travel and time away from his kids." There's definitely a shift happening with fatherhood in America. And we talk a lot about women, but if the social construction of femininity is changing, so is the social construction of masculinity.

So, when you're asking questions about what's going on with the kids and what you're doing for a family vacation, that also really needs to be directed towards the man, because that is changing. In 1965, fathers spent 6.5 hours per week on household work and childcare. By 2011, that number jumped to 17 hours per week. During that same time, obviously, this shifted for women, as well.

The experience economy

This is a term coined by James Gilmore and Joseph Pine in the 1999 book *The Experience Economy*. In that book, they take us through our history, as we went from selling commodities to selling services to what we now do, which is selling experiences. And the difference is that in the service economy, you give someone money to do something tangible on your behalf, while in the experience economy, what you're purchasing is a memory.

Disney World is really the highlighted case study on the experience economy. You don't go to Disney World to buy something tangible, and you don't pay someone to go there on your behalf. You go to purchase a memory for your family about the experience economy. The same thing with concerts. You go so that you have this memory, and you can tell your kids about the Jay Z and Beyoncé concert. And in this, you're paying for an emotional investment.

Financial advising is an experience

So, where robo-advising is a service, financial advising is an experience. If you don't want to manage your own assets, you can pay a robo-advisor to do it as a service. But, if your spouse passes away unexpectedly and you don't know what to do with the finances, or if you find out you're pregnant with twins and you're freaking out, you want to have a highly personalized experience with a financial advisor. So again, this is a huge win and a big opportunity for the financial advising industry.

Now we're going through this weird cultural shift, where we're trying to take mundane moments and turn them into meaningful experiences. For example, to me, there is nothing more mind-numbing than the grocery store: You walk in and you roam around, and you go home and you don't even know what you've bought. Compare that to the rising popularity of farmers markets, and note that farmers markets are the fastest-growing segment of our food economy.

How can advisors enhance their service experience?

We think about the experience of work and the millions of dollars that are flowing into the workforce to create a better experience. So what does this mean for advisors? Well, first, a simple question to ask is, "What is the experience of working with me?" If *The New York Times* decided to interview a bunch of your clients, how do you think they would respond? And for those of you who are employers, an equally important question: "What is the experience of working for me? How would people I pay describe the experience of being led by me?"

Another thing to keep in mind about your clients—customization. There's nothing more customized and personal than a human-to-human relationship. And I think this is a shining strength of your industry.

But my financial advisor does this really weird thing where, when we're together, it's awesome, we have a very informal relationship, and I feel like he really gets me. And then he sends me a follow-up email that sounds like it was written by a robot. He writes it in third person, which I don't understand. And I've asked him, "Do you write this?" He says he does. But he also said that he likes the objectivity and formality of writing in third person. So he'll write, "After Matt has reviewed your goals, these are his recommendations." It feels so impersonal, so I told him, "This doesn't reflect your personality or mine."

The next thing to think about is your physical space. If your workplace is maps and mahogany, that's totally fine, but acknowledge that you are creating a very specific experience for the people who walk into your office. There are some really interesting ways to rethink our spaces. Round tables, for example, where you sit with your clients instead of in an adversarial position.

I was working with one advisor who had a lot of artists in his book of business. And so, he had bought and put up some of the artwork from his clients. Well, he was getting a ton of compliments on his art, so he told his artist clients, "If you want to give me some of your pictures, I'll put them up with your name and a price, and we'll create a little gallery in here." And now when people talk about this advisor, they'll say, "He's awesome, he's a great advisor—but you have to go to that office. He has this gallery; it's so cool."

Email etiquette is another thing to consider. I have to be honest. When I see an email from my advisor in my inbox, I think, "What do you want?" I feel like it's always that I forgot to sign something or fax something in, and so it's always a stressful interaction.

So I think that reaching out about other things—even little, tiny things—can make a difference. If you go to a great restaurant, for example, and you think that this particular client would like that, just shoot them an email and say, "I went to this awesome restaurant. I think that it would be totally up your alley. Give it a shot for your anniversary." Or if you have a client who's heavily invested in a biotech fund that's performing really well, shoot them an email just saying, "The biotech fund is doing great because there's this new drug that just got approved. Thought you might be interested." Just send them something different so that not every time they see your name in their inbox they think, "What do you want?" You can change that experience.

And then one of the simplest things you can do in your physical space—and a couple of advisors have talked to me about this—is simply walking clients to the elevator. It gives you this two-minute time span where you're forced to talk about things that have nothing to do with money, because you're not really going to talk about them in the hallway. It gives you this really short amount of time where you're talking about their kids or about something a little lighter.

"What is the experience of working for me? How would people I pay describe the experience of being led by me?"

Mainstream mindfulness

What is mindfulness? It's a mental state of focusing one's awareness on the present moment, and mindfulness is actually rooted in Buddhist philosophy. But, when I talk about mainstream mindfulness, I'm talking about the ways in which we have divorced it from any religious undertones to make it digestible to Western cultural norms.

About three-and-a-half years ago, I was doing research on generations, and in these focus groups I began to see a pattern. I noticed a communal longing to be present and a fatigue of distraction. So I'd be talking to baby boomers, just right on the cusp of retirement, and they would be talking about how they felt like a lot of their life had been spent agonizing or romanticizing the past, or planning or anticipating for the future. And, when I asked them what they want in retirement, they would say, "I just want to be here. I want to be present with my spouse, present with my children, focus on my health, spend more time in nature."

I'd talk to Gen Xers, who are really heavy in the midst of parenting, and they would talk a lot about distraction, feeling like when they're at work they're thinking about their family, when they're with their family they're thinking about work. They're answering their kids' text messages at the conference table and shooting off work emails at the dinner table, and there's this craving to have some control over their attention and to be more present.

And then Millennials—Millennials talking a lot about the impacts of social media, what it's like to constantly be comparing your behind-the-scenes to everyone else's highlight reel, and what happens when you're on this hedonic treadmill for something more and something better and how exhausting that can be, and how they would love a moment of respite from that, and this craving to be present. And this pattern is where I started my research on the topic.

Mindfulness in mainstream culture

So what moved mindfulness into mainstream culture? First, it's just science. The FMRI machine was first introduced at a science conference in 1991, and what it does is image your mind. We're able now to see how our mind responds to things like pain or anxiety.

And Dr. Richard Davidson out of the University of Wisconsin–Madison was the first person to do a really groundbreaking study with the FMRI machine. He brought a Tibetan monk, put him in an FMRI machine, and had him meditate. And what was found in his brain has transformed our understanding of the mind. We went from believing that mindfulness, meditation, and brain training were weird pseudoscience self-help things. In just the past 20 to 30 years, it has become a scientific reality.

In addition to constant distraction, we also deal with emotional bombardment. This, I think, is actually very pertinent to financial advisors, because when we have information overload, it can cause fatigue. But emotional bombardment is a different phenomenon, which is where all of this stimuli weighs on your emotions. And the best financial advisors are very involved with their clients. When something bad or good happens to your client, it takes an emotional toll on you as well.

And, in general, money is an emotional thing. So, for your clients, it is just a reality that when they're worried about money, they can't be present. You cannot be alive to the life that you have in front of you if you're regretting or wishing for different decisions from the past or being highly concerned about what's going to happen in the future. The search for a better way is intense.

So, since 2004, searches for mindfulness have increased. In 2009, Americans spent $42 billion on mindfulness-related practices. Think about all of the books coming out now about mindfulness, mindful parenting, mindful movements, mindful work, yoga. Yoga last year was a $27 billion industry; in 1971 there were three yoga studios in all of New York City, and now there's nearly three on every block.

And for baby boomers this is very top of mind. Health is the most important factor impacting happiness and retirement. Baby boomers are spending an unbelievable amount of money in this realm because modern science has let our bodies live a lot longer, but we have done very little to keep our minds sharp, and mindfulness practices are shown to impact the frontal lobe, which is where your personality is formed.

What does this mean for advisors?

So what can we do about this phenomenon? A couple things for just you, personally, and then a couple things for clients. The first is about the idea of a trigger word.

When I was doing interviews around mindfulness, there was a C-suite executive in a financial firm who had a mindfulness coach, and I interviewed him on the topic. He said that every January he resolved to meditate that year, and it just never happened. But he came across something that really stuck with him, which was this idea of a trigger word or an internal mantra. He would try the best that he could to have a moment of respite between stimuli and reaction, and his trigger word was *kindness*. So he would try to make whatever came out of his mouth exude his internal mantra of kindness. And he had been doing this for about six years when I spoke to him, and he said it has completely transformed his relationship with his wife, his children, and his employees.

So consider for yourself what your word would be. If you had one moment just to pause between stimuli and reaction, what would you want your communication to intentionally exude?

> "When something bad or good happens to your client, it takes an emotional toll on you as well."

The next thing to think about is being aware of your attention and your meta-attention. Our minds naturally drift in and out of conversations. You can be listening to a presentation, for example, but then suddenly you're thinking about an email you have to write or groceries you have to pick up. Being aware of your mindfulness encourages you to notice that your mind has left. Just take a quick moment and recognize that it has gone, and then bring it back into the room. It's like doing a bicep curl for your brain. Eventually, if you do this more and more—where you notice where your attention is and you consciously bring it back—your mind can actually begin to train itself to do that without your having to do it intentionally.

Something you can do for your clients is to have a health care expert available to them. I know a lot of financial advisors have their crew: the lawyer, the accountant, and so on. I've talked to some advisors who have looped in a trusted health care expert as well, because they've got a lot of baby boomers who have this interest in health, and they're thinking about it a lot. And so, if you have someone that you point clients to and say, "You know, this person could perhaps help with that," that can be really impactful for the client and for the relationship.

And the last thing, which is something that advisors already do, is to help clients take ownership over their life. This idea of ownership is something that came up over and over again in my interviews, as people just felt out of control and that they did not have ownership over where their mind was and what it was paying attention to. And we are always more present when we feel like we have an element of ownership over our lives.

So, those are the big three future factors: unprecedented access, the experience economy, and mainstream mindfulness. I'm in a research initiative around three additional factors right now and am looking forward to keeping advisors updated about the results of that research.

Kim Lear
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Kim Lear is the founder and content director of Inlay Insights and is also a researcher, strategist, writer, and speaker. She explores how emerging trends and cultural shifts affect the way companies engage employees and consumers and foster change in the marketplace. Known in her field as a "stat nerd," Ms. Lear employs eye-opening statistics to accentuate her points and mixes them with stories and case studies to make her message come alive.

Previously, she was at BridgeWorks, a research and consulting firm studying Millennial trends and generational dynamics. Her writing has appeared in *The Wall Street Journal*, Huffington Post, and other publications. On a personal level, her father has been a financial advisor for more than 40 years, and she has consulted with advisors for many years.

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