GENERATIONAL SELLING TACTICS

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3 generational myths causing a gap

Building a practice based on preconceived ideas about young clients can create unintended risks

Some truths in the world of financial advising are hard to dispute: the foundations on which many advisers have built their practices. One example is the importance of rebalancing portfolios regularly. There are also myths, often accepted as truths, that need to be set straight. Building a practice on these three myths could create risk — and not the healthy kind advisers like.

Myth 1 — Age matters. This myth tells you that young clients will want to work only with young advisers, older clients want to work only with older advisers, and a 10-year age gap between client and adviser cannot be overcome.

That's simply not true. Clients seek a connection with their adviser, and age is less important than you may think. While it is easier to make a connection with someone closer to your own age — because you are likely going through similar life-stage experiences — it is not impossible to make a meaningful connection with someone outside your age range.

At a recent conference, I met a young man being recognized for his sales success. Although his clients were nearly entirely baby boomers, he was not even 25 years old. When I asked him his secret, he said that he eschews technology in favor of meeting in person. He also works at making pleasant conversation and getting his boomer clients to talk about themselves and their children. He smiles and nods and asks questions to get them to talk more. When it is his turn to talk, his clients are eager to listen to a young man who is clearly interested in them and their goals.

ENERGY AND VITALITY

Many boomers want to work with younger advisers, whose energy and vitality appeal to them. There is also the perception that young people's ideas are more cutting-edge.

The opposite is true, too. A young client will want to work with an older adviser, particularly if that adviser doesn't claim to have all the answers and to know exactly what "a kid your age" needs. An older adviser who is interested in how today's young clients may prefer to communicate in terms of both frequency and methods, and who will adopt those methods, will find a receptive audience.

Myth 2 — The "kids" trust technology over people. Younger generations have grown up with, and are often more trusting of, technology than older generations. This has led to the belief that a so-called robo-adviser will take all the business of the youngest clients. If they are comfortable with technology and jaded by institutions, younger investors must prefer technology to human interaction and human expertise, right?

Wrong. Well, at least over time.

Robo-advising may be compelling for early investors with fewer assets at risk. However, as investors' assets grow, they will move away from automated strategies and seek professional advice. Once a person's assets are significant enough that losing those assets, or making a poor decision regarding investments, truly matters, he or she will need human interaction to guide decisions. While I do believe that the robo-technologies that dominate the financial services news stories today will be a game-changer for the industry, they will not be a death knell for personal advisory firms. When an individual's assets become significant in his or her eyes — the human interaction becomes too important to eschew. Advisers will still have a role in tomorrow's robo world.

Myth 3 — The billing model works. Assets under management has been the name of the game for a long time, why should it change?

AUM MODEL

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Today's client has more choice and more power, thus the AUM model is in jeopardy. Young people are already suspicious of the financial services industry, and when they learn how much an adviser earns compared with the cost of an automated robo-process, they'll balk. The next generation of investor has seen music sold for 99 cents per song, plane tickets for $69, more data and more minutes for their smart phone getting cheaper and cheaper, etc. While they will seek out the advice of a professional — and will be willing to pay for that advice — they will not be willing to pay for transaction-based services they feel they can get elsewhere for less. The next generation will rightfully question this model and want to explore new ways of determining an adviser's value.

If your firm wants to grow with investors across all generations — and it must — make sure that you are not falling prey to these three myths. Know the facts and connect across the generations.

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