

Building Profitable Practices

How to build client trust

The relationship you have with your clients is obviously one of, if not the most, important aspects of keeping your practice profitable. And the Consumer Duty requirement for 'fair value' has further underlined the need for softer skills and empathy.

Emphasising emotional intelligence (EI) is crucial for advisers – both in terms of client servicing and compliance. Plus, anything that closes the 'trust gap'¹ between you and your pool of potential customers can only help your business' future.

Here we present some ideas – many of which you will likely be very familiar with – to help you make the most of your client interactions.



Why are soft skills so important to clients?

As you will know, you do much more than offer clients technical information or investment advice. You provide peace of mind and help them achieve their life ambitions.

NextWealth's Consumer Duty report found that advisers are underplaying this more human side to their services. Their findings suggest that this leads to a more transactional client-adviser relationship, where an adviser's value is based solely on investment performance – a damaging perception when market conditions are tough.²

For many, talking about money can be uncomfortable. So being able to speak to your clients clearly and compassionately can clearly encourage them to open up. This may help you get to the crux of their requirements and give you the chance to assist them as fully as possible.

Whether it's asking difficult questions in a tactful way, taking the time to listen to your clients' needs, or making them feel understood – soft skills like these can open communication channels and solidify your relationships with clients.

Maintaining these long-term relationships is crucial to profitability. It's also more cost effective than acquisition. In fact, our own research shows that 53% of financial advisers are now looking to grow through increasing the value of existing clients rather than new client acquisition.³

Helping clients through volatile times

At the end of the day, your clients are paying you to advise them – not necessarily agree with them. Sometimes tough conversations need to be had. Most advisers instinctively provide reassurance but, when markets are uncertain, don't overlook reminding clients that the plan you've developed together is the right one.

- 1 Reminding them time in the market beats timing the market**
When conditions are tough, clients can get uncomfortable and want to change course. This can be detrimental if it's an irrational and ill-advised decision. Trust is paramount.

That's where an empathetic approach can really help. Don't forget to listen and acknowledge their concerns before moving onto your advice. When clients feel heard, they're more likely to hear you too.

- 2 Understanding behavioural finance is useful**
Behavioural finance looks at the different psychological biases that humans use subconsciously, to try and understand complex investment decisions.

Understanding these biases can help encourage a more rational approach to investment decision making – something advisers are very good at, but clients often struggle with.

- 3 Prospect Theory**
This Nobel Prize winning theory from behavioural economics states that people don't experience the same level of emotion for equivalent gains or losses. Instead, they suffer more pain from a monetary loss than they experience joy from a monetary gain.

Knowing this could help you understand and predict your clients' motivations or reactions a little more.

Good EI makes good business sense

It's not only your clients that benefit from EI – it's your bottom line too. Good interpersonal skills could help you run your business, develop your team, interact with suppliers, and improve your industry standing.

As you'll have gathered from experience, soft skills also help you grow your client base, both in terms of number and value. For new prospects, a genuine interest in their lives and goals helps set you apart from the rest. With existing clients, they are more likely to stay on your roster and entrust you with further work.

Not to mention that client-centricity can help mitigate regulatory risk, especially in a post-Consumer Duty era. Achieving clients' ultimate goals, providing value, clear communication and support – all of these require something more than pure technical knowledge.

So, the value of EI goes beyond advising clients; it can touch almost every element of your business.



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A reminder on how to improve your soft skills



Record sessions

To help you stay engaged, you could record sessions with clients, so you're not distracted taking notes. It also helps asking open-ended questions (where the answer is anything but yes or no) so your clients are free to expand as much as they like.



Be open-minded

Everyone is different – whether those differences are around their wants, culture or generation. Take the time to be genuinely interested in their situation. By understanding these nuances, you can gain a deeper insight into your clients' aspirations and motivations.



Read emotional cues

When a client shows strong emotion – such as frustration or stress around their finances – use empathy to show you appreciate where the emotion is coming from. This will encourage them to elaborate and be more honest about their financial history and life goals.



Be positive and optimistic

Your positivity and enthusiasm can be infectious and will help your client feel more confident. That can lead to greater levels of trust, perhaps more than when rational, technical solutions are presented.



Ask for feedback

This can be a little awkward, but it might be useful to understand what clients appreciate about your way of working. Even better if they find something that can be improved, as you can use this to develop and build deeper relationships.



Share if it feels right

Clients often want to know about the person sitting in front of them. After all, you're someone they're going to trust with their hard-earned money. If it's appropriate and relevant, being open about your own experiences can help them relax and relate.

Want to know where you stand?

If you want to get an idea of your own EI, there are tests that can help. These will check where you stand now, and give you guidance on the areas you could improve. A good one to get started is the MSCEIT test, developed by academics at Yale and the University of New Hampshire.

Remember to balance IQ with EI for success

Your business is at the heart of ours, so we're always on the lookout for ways to help you improve and grow. That's why we've put together our Profitable Practice series.

For more help and support, take a look at the rest of the series and discover other areas that could help you drive greater profitability for your business.



1. FT Adviser 2021.

2. NextWealth 2023.

3. IFA DNA 2022.