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A Virtuous Cycle of Trust: Proactive Approaches That Tie Portfolio Management to Client Relationships

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INVESTMENTS & WEALTH INSTITUTE®

A Virtuous Cycle of Trust

PROACTIVE APPROACHES THAT TIE PORTFOLIO MANAGEMENT TO CLIENT RELATIONSHIPS

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Financial markets are ever evolving and so are the lives of your clients. Coordinating the two requires an intentional blend of science, art, diligence, patience, and humility. It also provides a critical window to better engage clients and build a bond of trust. Sometimes the timing of an advisor's outreach to a client means as much as the message the advisor delivers.

Trust welds the foundation of the advisor-client relationship; it articulates goals into strategies and transforms strategies into reality. Trust is the hallmark of an enduring advisory partnership.

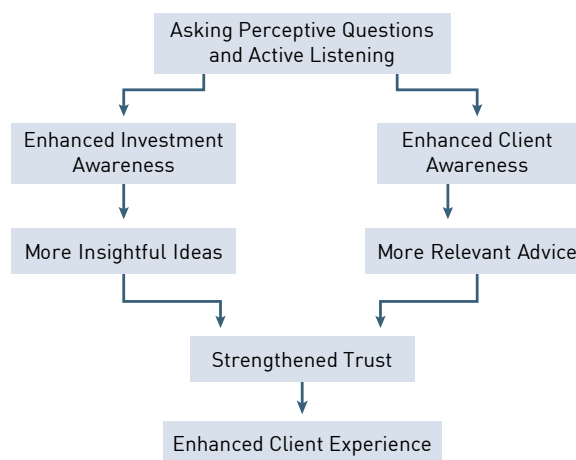
Trust-building resources are everywhere. Goal-mapping exercises, thought leadership, and webinars flood advisor inboxes. These materials may offer helpful information, but they do not outsource an advisor's critical responsibility to maintain a deep sense of client awareness and the often-implicit need for ongoing guidance. Higher-quality ingredients can enhance a recipe, but they can't cook for you.

So how can advisory teams bolster client relationships, improve their investment analysis, and—most of all—deepen trust?

We believe that a deeper understanding of our clients and a clearer sense of financial markets stem from a shared mindset (see figure 1). Asking more perceptive questions and active listening are the catalysts that set into motion this virtuous cycle among investment awareness, client awareness, trust, and results.

Figure 1

A SHARED MINDSET



Source: Stratview Wealth Management

In this article, we describe how setting a clear philosophy upfront and demonstrating consistency over time collectively improves the investment experience and deepens trust.

SETTING THE TONE FOR THE INVESTMENT EXPERIENCE

Just as each client arrives with unique goals, needs, and life experiences, each client also brings a unique perception of investing. This perception may be driven by life circumstances, personal preferences, and knowledge of investing itself. Making a concerted effort to understand this personal context can help advisors deliver customized solutions and provide more valuable advice.

The start of a client relationship is typically an exciting time with shared enthusiasm for new opportunities. Though it can be easy to glide through the joys of a new relationship, this is a critical time

to harness trust-based energy and define a clear approach to the partnership ahead.

Intentionally addressing a variety of core topics upfront transforms today's trust into tomorrow's confidence.

INVESTMENT MANAGEMENT—PREFLIGHT ADVISOR DISCUSSION CHECKLIST

Similar to the way pilots systematically prepare before takeoff, the following “preflight” investment discussion checklist—by no means exhaustive—has played an indispensable role in enhancing the overall experience for our clients (see sidebar).

COHESIVE INVESTMENT PHILOSOPHY

Articulating a clear investment philosophy connects the multifaceted role of the portfolio to the broader wealth plan,

PREFLIGHT ADVISOR DISCUSSION

Understanding the flight plan

- Cohesive investment philosophy
- Clear client communication strategy

Understanding the investment engine

- Strategic investment process
- Tax-smart strategies

Understanding how to navigate uncertainty

- Approach to navigating market volatility
- Approach to navigating macro turbulence

Understanding the value added across time

- The client's investment in your partnership—costs and fees
- Performance in context

helps clients see the bigger picture, and differentiates the true value provided.

Through this lens, a carefully crafted wealth strategy becomes the platform on which advisors can make ongoing recommendations and clients can make well-informed decisions. Clarity of process and purpose transforms numbers into a living, breathing plan and empowers the advisor-client partnership by offering confidence in the path forward.

Steadily reinforcing the core planning philosophy is an invaluable investment over time. Weaving these ideas into regular and recurring client conversations fosters a methodical framework for approaching new topics, exciting and difficult alike.

CLEAR CLIENT COMMUNICATION STRATEGY

Communication is the core of the virtuous cycle of trust—a robust communication strategy, both calendar-based and opportunistic, directly supports the actual investment and planning strategies themselves. An ongoing, proactive,

and reliable dialogue requires a defined process and a proven approach. It is one of the best ways we can show our sincere dedication to being a steadfast partner.

Setting this expectation with clients early pays dividends in trust across time.

Regular and active listening helps us hear how life events are impacting our clients' emotions and their feelings about their investments, both good and bad. Exploring the thought process behind these topics opens a window into the unique ways clients view universal situations. Naturally, the stronger the trust the more a client will share. This process deserves time and is an essential early investment in the relationship.

Ultimately, the strategic investment process is an advisor's investment identity.

STRATEGIC INVESTMENT PROCESS

Perhaps the least surprising of preflight discussion topics is a detailed overview of the objective and a diligent approach to managing assets in a manner that supports wealth planning goals across time. The portfolio then becomes a source of long-term growth and a key that can unlock deeper value through prudent tax management and cash-flow management as well.

Although clients certainly have varying levels of investment knowledge and curiosity, all deeply value knowing the portfolio engine is positioned to hit on all cylinders.

Here is the time to be technical and specific.

How does your research process cut through the noise at the headline level to gauge what matters at the portfolio level? What resources do you use and what is your research routine? What

guides how you transform those insights into asset allocation decisions? How do you express fundamental and technical insights consistently across investment holdings? What is your detailed risk management framework? What guides when and how to make portfolio adjustments over time? How specifically does the portfolio support the broader wealth plan today and in the future?

Ultimately, the strategic investment process is an advisor's investment identity. The ability to clearly, completely, and consistently describe every aspect of how you make decisions is essential to conveying your expertise, proving your attention to detail, and building trust.

TAX-SMART STRATEGIES

When, where, and how a taxable portfolio realizes capital gains and losses is a critical aspect of the overall investment experience. However, returns data alone do not clearly capture this reality.

Balancing efforts to be tax-smart and asset-allocation smart is a bit like not letting the tail wag the dog. Still, that tax "tail" has a direct cash-flow impact on most clients. Most notably, this impact usually comes with a meaningful lag. Strategic portfolio adjustments and the tax impacts months ago are not easily top of mind when mid-April notoriously comes around.

Thus, designing an approach for the months leading up to tax season mitigates surprises and reaffirms trust. A simple game plan to share an ongoing total of investment-related taxable insight can alleviate an annual headache. It also can clearly show significant value added through strategic initiatives such as tax-loss harvesting and tax-smart asset location.

APPROACH TO NAVIGATING MARKET VOLATILITY

No matter your relationship with money, there will be market downturns. Pullbacks feel bad in the moment. Losses hurt far more than gains feel good,

as has been widely researched and demonstrated. Down markets are thus stressful but important opportunities to reaffirm trust through consistency and expertise.

If the reality of regular downturns is addressed early on, clients can lean on trust in their plan and keep short-term losses in perspective when they inevitably occur.

Drawdowns are a normal part of long-term investing. A diversified portfolio is not “the stock market” quoted in headlines. Returns over short periods of time are snapshots, not final outcomes. A goals-based timeline is often not a few months but rather years if not decades into the future.

For perceptive advisors these challenging moments are opportunities to lean in, help keep a long-term view, and maintain a steady approach.

APPROACH TO NAVIGATING MACRO TURBULENCE

Remarkably, many topics featured in the news may not have a sustained impact on a client’s portfolio. Elections and geopolitics, for instance, can conjure up deep emotions but may not always have clear implications for financial markets. An upfront discussion, along with periodic reinforcements of the message, will help clients create a healthy distance between these headline concerns and market concerns.

Examining global events, economic shifts, and other headlines through the lens of the investment process—rather than a mainstream news outlet—cultivates a healthier perspective.

THE CLIENT’S INVESTMENT IN YOUR PARTNERSHIP—COSTS AND FEES

Advisory costs collectively reflect an investment in a full suite of financial planning services. It is imperative for these costs to be explained clearly and transparently.

Financial guidance, long-term risk-adjusted returns, tax synergies, cash-management, risk-management, coordination with other trusted professionals such as accountants and attorneys, and coordination with broader wealth strategies, just to name a few, collectively provide the confidence deserved from this deeply trust-based investment.

By keeping an intentional and open line of discussion about clients’ non-financial lives, advisors can proactively identify opportunities that directly relate to their financial strategies.

PERFORMANCE IN CONTEXT

Returns data reflect point-to-point updates over given intervals. But this is far from the full story. Understanding the amount and types of risk taken to achieve that performance sheds light on how effective the approach has been and how that journey felt along the way.

The nature of investments inside the portfolio brings significantly more clarity to returns data. This nature includes the blend of asset classes, the types of holdings within each asset class, and the strategic approach to manage these holdings across market environments and across time. This mindset fosters trust by helping clients think about performance in terms of their long-term goals versus a short-term comparison to the market.

Purposeful dialogue reveals a natural tendency to think and feel differently about the past versus the future. In hindsight, outcomes seem more predictable. Returns are seen more easily in averages that have a funny way of muddying our memories of the volatility endured to achieve them. Looking ahead, however,

we quickly become more mindful of uncertainty.

Ultimately, the value in discussing a clear approach to the road ahead bolsters confidence when it’s needed most. Encouraging clients to have these conversations with their future selves can cultivate a healthier investment perspective and build trust.

A strong foundation plus a consistent approach equals an enduring advisory partnership.

The investment experience is now prepared to take off.

DEMONSTRATING CONSISTENCY ACROSS TIME

With a solid foundation in place, consistency across time brings those promises to life and further strengthens trust.

As described earlier, investment and client awareness are essential for providing the most relevant advice. This means having a framework for investment developments and also for important updates in the lives of clients.

Life, business, and family experiences often don’t fit neatly into a predictable framework. By keeping an intentional and open line of discussion about clients’ non-financial lives, advisors can proactively identify opportunities that directly relate to their financial strategies.

Many other topics have a sense of cyclicity—recurring and rhyming themes that surface with the ebb and flow of markets and life.

Our team has found value in cross-referencing a life-based perspective with a calendar-based framework to help guide discussions (see sidebar). Although the concept of the client service calendar certainly has existed for years, this particular tool focuses on the investment portfolio’s role across wealth strategies. The nuances will of course vary depending on the client’s

circumstances, depth of planning, and other factors.

Ultimately, the goal is to foster a sense of organization and awareness through relevant touchpoints.

A systematic approach such as this can serve as a core complement to other client service initiatives such as thought leadership and client events to collectively weave trust through dedication and value added across time.

CONCLUSION

To earn and strengthen trust, advisors must remember how incredibly personal money is to each client.

Starting each discussion with a focus on the person rather than just the client's portfolio provides a genuine opportunity to refresh, recalibrate, and realign.

Only then can trust empower clients with a clear understanding of the process and confidence in the expertise behind each decision.

Only then can trust empower advisors to chart a clear roadmap, conscientiously update the strategy along the way, and demonstrate a consistent process to deal with certain uncertainties.

Above all, trust bolsters one of the most critical aspects of a successful advisory partnership and investment plan—the ability to confidently stick to it over time. ●

CONTINUING EDUCATION

To take the CE quiz online, go to www.investmentsandwealth.org/IWMquiz

CALENDAR-BASED FRAMEWORK

First Quarter

Life and wealth goals refresh. Ensuring the investment portfolio is directly supporting the most up-to-date circumstances.

Portfolio progress update. Gauging how the investment portfolio is empowering the broader wealth plan.

Final tax insight. Gathering relevant tax context and conveying value added across the prior tax year.

Estate planning professional synergies. Collaborating with the client's estate planning attorneys to gauge opportunities and ensure a cohesive wealth strategy.

Second Quarter

Comprehensive planning coordination. Ensuring risk tolerance, asset location, and cash management are synchronized with updated goals, insurance, estate planning, and related wealth strategies.

CPA planning professional synergies. Collaborating with a client's accounting professionals to ensure topics such as estimated tax payments, tax-loss harvesting, and other tax-smart strategies are operating in tandem.

Third Quarter

Portfolio progress update. Gauging how the investment portfolio is empowering the broader wealth plan.

Proactive year-end preview. Gauging upcoming timelines for year-end initiatives such as taking required minimum distributions, 529 allocations, Roth conversions, tax-loss harvesting, gifting and giving, etc.

Fourth Quarter

Year-end initiatives. Implementing previously discussed strategies and keeping in close communication with updates.

Proactive tax communication. Maximizing tax-smart opportunities and minimizing tax-related headaches.

CPA planning professional synergies. Collaborating with client's accounting professionals to ensure topics such as estimated tax payments, tax-loss harvesting, and other tax-smart strategies are operating in tandem.

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