

November 13th, 2018

Mark Spina,  
Head of Advisor &  
Intermediary Solutions

## Words create worlds: Shift the conversation AND potentially deliver better outcomes



It's no surprise that we believe the best advisors take a holistic approach to their clients' investments—that the best advisors focus on long-term outcomes instead of beating short-term benchmarks. Even these advisors often struggle to prove their value. Let's change that.

Let's assume that you're one of the best—that you already work on solving your clients' total financial problems. You already consider their tax efficiency. You already know their insurance situations. You know their CPAs and attorneys by their first names and you have a clear view of their estate planning. And yes, of course you've worked to align their investment portfolios with their long-term goals.

And let's also have an honest review of your last conversation with them. If you're like most advisors, you still likely reported your value by comparing portfolio performance to capital markets benchmarks. You answered short-term questions about U.S. equities and bonds. You referenced indexes and quartile charts to justify portfolio positions. Maybe you felt conflicted about it. This is what advisors are supposed to do, right? This is how conversations are supposed to go, aren't they? But in the back of your brain, you had a feeling the conversation should take a different tack.

If you believe your real value lies in your ability to help your investor clients reach long-term outcomes—and if you believe that all your efforts on their holistic financial picture makes a difference—then shouldn't your client meetings be aligned with that approach?

If they're not, you're asking for trouble. Because while you're focused on the long-term, you're actually training your clients to measure you on the short-term. You're likely not getting the credit you deserve. And, based on short-term performance, your clients may even think you're letting them down.

## You are what you measure

A Harvard Business Review paper tried to discover the reason CEOs focused so much on short-term share price, even if it came at the detriment of their firm's long-term success.<sup>1</sup> The paper's conclusion: "The answer is almost uncomfortably simple: CEOs care about stock value because that's how we measure them. If we want to change what they care about, we should change what we measure. It can't be that simple, you might argue—but psychologists and economists will tell you it is. Human beings adjust behavior based on the metrics they're held against. Anything you measure will impel a person to optimize his score on that metric. What you measure is what you'll get. Period."

Advisors and investors are no different. In fact, we—the members of the industry—created this monster. Advisors will tell us that they'd love to focus on the long term, but, at the end of the day, clients are performance-driven. We gently remind them that years of sliding the quarterly report across the desk has taught investors to think that way. If you (or your clients) measure your success based on quarterly reports and short-term benchmarks, that's what you'll work to deliver. And that's what your clients will demand. And if you measure your success based on your progress toward reaching long-term retirement funding, then that's what you'll work to deliver. And that's what your clients will demand.

## Why do your clients hire you?

So how do we change the conversation? How do we redefine, for our clients, what success looks like? The answer: Focus on the right outcome.

Our colleague and our Chief Investment Strategist, Erik Ristuben, likes to say, "Beating a benchmark is not an outcome. An outcome is accumulating enough to not outlive your money." Nine times out of 10, that's why your clients work with you: To fund their retirements. It's so obvious, so expressly apparent, that we often lose sight of it. It's worth reminding ourselves and worth reminding our clients.

In this industry, we don't like to use words like *promise* or *contract*, so let's call what you have with your clients a pledge. For many holistic, outcome-oriented advisors, their pledge to their clients is **to do their very best to help fund retirement income over the long-term**.

What's your long-term pledge to your clients? Do you know how to articulate it? If you asked your clients what your pledge was to them, would they be able to tell you?

If the answer to either of these questions is no, then take some time to put your pledge into words. Then find ways to weave it into your client conversations. Make sure your entire team understands it and knows how to share it. Don't be subtle. Repeat it, in various ways, as part of meaningful conversations, until you're confident that your clients know that your focus is their long-term success, and not beating a short-term benchmark. It might sound like this:

"John, I know it may feel a bit uncomfortable to be this globally diversified, but I want you to remember that you hired me for the long-term. It's my job to focus on your long-term goal of a fully-funded retirement."

"Jessica, that much exposure to a single asset class goes against the long-term goal we agreed to. Remember that my job is to get you to a fully-funded retirement."

"Carlos, when we look at your progress toward your long-term goal, we're actually ahead of schedule. And remember that the long-term is our key focus. That's the ball we keep our eye on. It's my job to keep us both from being distracted by short-term noise."

## The bottom line

It's not just a conversation. Words create worlds. It's time for all of us to start changing the conversation, and to start changing the ways we measure our success. Let us know if we can help. We can have a conversation about that, too.

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**Disclosures:** <sup>1</sup> <https://hbr.org/2010/06/column-you-are-what-you-measure>

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