Fidelity Institutional Insights

5 Steps to Stand Out in Every Environment

A guide to help advisors build a holistic, relationship-based business to deliver across all levels of the Advice Value Stack®

Fidelity INVESTMENTS®

The Advice Value Stack®

Back in 2017, Fidelity introduced a concept to help wealth management firms maximize the value they deliver to clients and grow their businesses. Inspired by Bain & Company's "Elements of Value,"[1] the Advice Value Stack articulates how investors assign value in the advice relationship.

- **Fulfillment**: Working toward the achievement of life's purpose and leaving a legacy
- **Peace of mind:** Helps investors feel less anxious and more in control of their financial lives
- **Achieving goals:** Financial planning is critical to helping investors set and reach goals around retirement, college, and charitable planning
- **Managing the money:** This is the foundation of financial advice; it includes everything from asset allocation to insurance to cash flow

Based on how investor perceptions of value are changing, the Advice Value Stack suggests that while managing the money is foundational, advisors can further add value by helping clients achieve their goals, increase peace of mind, and ultimately find fulfillment. By embracing the Advice Value Stack and augmenting their value proposition to clients, advisors can achieve status as a most trusted advisor while getting paid for the value they deliver.

Then and now: The Advice Value Stack

When the Advice Value Stack was introduced in 2017, robo-advice was growing exponentially. Some advisors feared the investment automation of this technology and how it threatened their value. Other advisors eschewed robo-advice, feeling that nothing could replace the personal relationships they created with their clients. What the Advice Value Stack put into perspective is that, while many advisors want to be able to deliver everything a robo-advisor does and much more, it's nearly impossible to do so single-handedly. Advisors must prioritize where they can deliver the most value personally and what makes better sense to outsource.

Additionally, fee-based advisors feared fee compression, accelerated by the emergence of robo-advisors. Fees based on AUM tied directly to the value advisors deliver at the bottom layer of the Advice Value Stack, but they did not reflect the additional elements of value advisors delivered. Firms began exploring new pricing models and augmenting their value proposition to show clients that they were getting a lot more value out of the relationship than money management.

These concepts and trends still hold true today.

But other factors have significantly changed in the last few years. In 2017, the economy was prospering. Interest rates were low, and advisors and investors alike were reveling in a bull market bliss.

Today, post-pandemic, we are facing a volatile stock market that threatens to shake the confidence of even the most assured investors. Supply chain issues and labor shortages, along with rising interest rates, add layers of uncertainty atop a heated political and social environment.

Suffice it to say, change is constant and growth is not a given—for your client's portfolio or for your business. And, as we saw during the pandemic, neither is loyalty to a business.

Evolving investor expectations in a volatile landscape

Business loyalty

While the pandemic did accelerate certain aspects of an advisor's business positively (e.g., technology innovation), the pandemic saw a high volume of channel switching and business loyalty disruption among consumers. According to McKinsey, "a whopping 75% of consumers tried new shopping behaviors, with many of them citing convenience and value."[2] Of the surveyed consumers, 39%, mainly Gen Z and millennials, fully left businesses for new ones. The same is true in the financial industry: 19% of Gen YZ switched their advisor in the past year.[3] Some of this may be spurred by the fintech explosion and the democratization of investing—allowing investors to do some of the things they used to pay an advisor for and feeling more confident in making investment decisions. Indeed, 49% of Gen YZ investors think that they can manage their assets just as well as a financial advisor could.[4]

Another consideration is consumer expectations of "connecting authentically" with a business. According to an Environics-Amazon joint study, 8 out of 10 consumers want to connect with a company that represents itself honestly, even when they're connecting over technology platforms.[5] They want transparency from that company and values that align with theirs, as over half of Gen YZ investors prefer aligning their investments to their values over getting maximum returns on investments.[6]

Consider the following: Cerulli projects $84.4 trillion of wealth transfer between generations from 2021 to 2045.[7] As wealth transfers to younger generations, advisors who cannot be vulnerable themselves, forge genuine connections with their clients, and meet the expectations of the next generation of investors may have client AUM at risk. And, even if advisors don't have a formal succession plan in place (only 38% of advisors do),[8] they still need to think about the next generation of investors and serving their needs to be more attractive to potential buyers in an acquisition scenario.

The rise of fintechs also established expectations of ease of use, simple interfaces, and increased personalization. As an advisor, creating a personalized experience for each client is extremely time-consuming, unless you are utilizing technology.

75% of consumers tried new shopping behaviors, with many of them citing convenience and value.[9]

Overstress and anxiety

On top of consumer restlessness, the fear and uncertainty that was prevalent during the pandemic has had lasting repercussions on individuals' mental health.[10]

Anxiety related to the pandemic reached far beyond fears of death. For example, Gen Z had their education interrupted and their employment trajectory altered. For those families seeking therapy for their children, assistance is limited. Adolescent-specific therapists are reporting long wait lists at their practices due to overwhelming demand and limited resources.[11] And for a broad base of investors, inflation impacted their ability to budget, plan, and save.

According to Fidelity's Investor Insights Study, 60% of Gen YZ felt more of a need for a financial advisor in 2022 than in past years.[12] So what's an advisor to do to provide peace of mind and wellness to their clients?

60% of Gen YZ felt more of a need for a financial advisor in 2022 than in past years[14]

Holistic expectations

Given the heightened anxiety and stress associated with undulating market conditions, mental health considerations, and an uncertain future, advisors need to be prepared to have challenging, complex conversations with clients to help them navigate challenging life moments and remain at their practice. According to our Fidelity Investor Insights Study, investors want more from their advisor, seeking accountability partners, support during life events, and concierges for adjacent services, especially the younger generation. More than three-quarters of Gen YZ investors (and 52% overall) are willing to pay for an advisor who can develop a holistic plan inclusive of their or their family's financial needs and goals.[13]

To address these needs, advisors must assess their business and see where and how they're providing value to investors.

So how do you create a disruption-ready, resilient business built on efficiency that's poised for growth and delivers value across all levels of the Advice Value Stack?

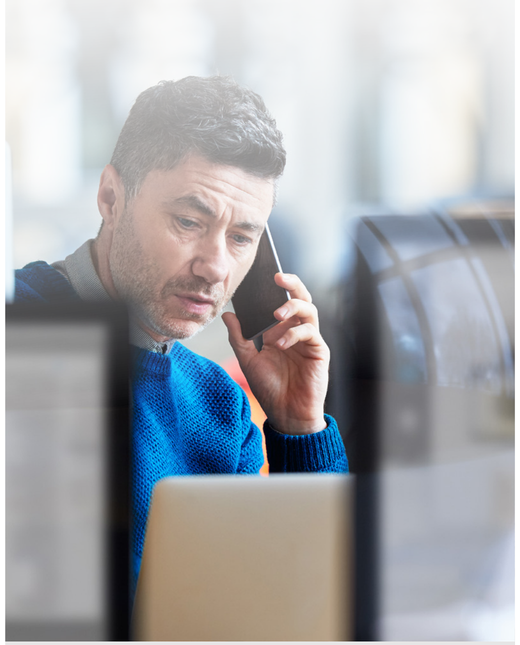
You must turn inward before growing outward by recognizing that you can't be everything to everyone. That, and the first rule of thumb in running a successful business: **Not all clients are created equal.**

A Look Inside

In this paper, we'll explore how you can find time to deliver across all levels of the Advice Value Stack by following these five steps:

1. Segment your book of business.

2. Selectively outsource what doesn't make you stand out.



3. Use technology to help clients reach their goals.

4. Bring more intimacy to every client interaction.

5. Build your Centers of Influence (COI).

1 Segment your book of business.

Segment your book of business

According to Fidelity research, **less than half of RIAs segment their clients!**[15]

It is next to impossible for firms to operate at maximum efficiency if they're servicing all their clients in the same way.

In working with thousands of firm leaders and advisors, we often ask the following question: who is your ideal target client? Some advisors may say, "Someone with $5 million in investable assets." However, their reality is often shaken when, during an audit, they look across their client roster and are surprised to discover that they have a large segment of smaller clients who are not currently profitable.

Now, that's not to say that the lower-tier clients are without value. They have the potential, with the proper guidance and nurturing, to grow with the advisor. However, they have very different needs than the higher-tier clients, and the service level needs to reflect that.

Understanding the current age demographic and types of households that your firm currently serves can give insight into what personalized service tier each demographic may require based on their unique complexities.

So how do you start thinking about segmentation at your firm?

Look across your book of business:

- What life stage are most clients in, and are there transitional plans for their spouses, or the next generation?
- What are clients' current and future income levels?
- Is there future growth potential? If so, how might that impact pricing strategies?

Affluence and ages of each generation of investors can help drive different needs and priorities, so it's important for advisors to be able to identify those and segment accordingly.

Then:

- Find the sweet spots in your practice by focusing on the biggest, most prevalent needs.
- Determine which planning areas to initially focus on.

Once these needs are identified, advisors can start thinking about the next conversation: how, and more importantly, who, can address these differentiated needs and execute them in the most efficient manner? What technology can I implement and what will I need to outsource?

Resource:
To learn more about the steps it takes to craft and implement a customized segmentation strategy for your firm, read Fidelity's *Four Steps to Successful Client Segmentation* white paper, available on clearingcustody.fidelity.com.

The potential benefits of adding 401(k) business to a wealth management practice

Segmentation in action

- Look across your book to identify CEOs and heads of companies who have influence over their benefits programs.
- Ask for an introduction to their HR or benefits manager to talk about their retirement plan.
- Work with a provider who makes selling and servicing benefits programs easy, such as a reputable recordkeeper or local TPA.

Potential benefits

- Create a steady source of recurring income.
- Diversify revenue streams to be less impacted by market fluctuations.
- Develop new referral sources and lasting client relationships.
- Strengthen relationships for overall satisfaction and improved client-advisor loyalty.

2

Selectively outsource what doesn't make you stand out.

Selectively outsource what doesn't make you stand out

Investors are looking for value-added services beyond investment management advice to help provide peace of mind. Specifically, Gen YZ investors are seeking advisor support to help relieve anxiety and stress.[16]

And, with the emergence of cryptocurrency, ESG, and other alternative investments, it's impossible to be on top on everything when it comes to managing your clients' portfolios.

And you don't have to be.

Advisors can provide value at the foundational level of the value stack as well as at the higher levels by outsourcing certain functions and services of your business that will allow for more face time with high-touch clients and allow advisors to focus on what differentiates them from their peers.

Investment management is a prime example of a service that can be outsourced effectively. According to Fidelity studies, 74% of advisors outsource investment management to some degree (for 1%+ of their clients), even those who tend to build most of their portfolios on their own.[17]

And, advisors who outsource at least 1% of their investment management found outsourcing freed up 11 hours a week (on average),which allowed them to focus in other areas of the business and beyond,[18] including:

Source: The 2021 Fidelity Financial Advisor Community—Investment Decision-Making Study.

Now, outsourcing investment management is not a one-size-fits-all approach. All advisors are different when it comes to thinking about their strengths and how they provide value to their clients across their book of business. For example, some advisors may use standardization for portfolio construction but focus on cash flow or tax optimization if that's where they feel that they provide differentiated value. Most advisors fall somewhere on the following spectrum when it comes to their influence over portfolio decisions. Again, there is no "right or wrong" on this spectrum. All of these approaches can be successful. It depends on the right fit for your firm and your objectives. So where do you fall?

More influence over portfolio decisions

Less influence over portfolio decisions

Advisors make most of the portfolio decisions on their own (within broad product guidelines set by their firm, if applicable)

"We're ultimately the ones choosing, along with the clients, [whether] **it's a conservative or aggressive portfolio**. Then, we tell them what to do as far as putting that in place, and also determine which account that portfolio sits over."

Jamie, RIA, 32

Advisors mostly make the investment decisions, but use substantial input from their firm or a firm-designated third party such as recommended fund lists or an asset allocation model

"My responsibility is to help curate [investment options based on] specific client needs. **I am the tailor in that experience, and that's everything from building out a portfolio** that is more centrally managed by my firm, or something that's very bespoke and deals with something that's significantly more complex from derivatives trades to one-off private equity investments."

Ray, Bank, 39

Advisors mostly outsource management of their client portfolios to programs that are run by their firm or by a third party

"We don't spend a whole lot of time thinking about products. **We spend most of our time thinking about solutions.** We don't spend a whole lot of time figuring out what the right fund company or right specific mutual fund is. More what's the right overall strategy for our client and then we kind of back into the right tools."

Sean, RIA, 45

Source: 2019 Fidelity Advisor Empathy Research.

First, learn who you are.

To service your clients and deliver value across all levels of the Advice Value Stack, you need to know where your strengths and interests lie. The following diagnostic will help map your strengths and interests to a dominant persona, which then align to various resources for consideration.

Persona mapping diagnostic

1. Think back to your primary motivation for becoming a financial advisor. Were you mainly interested in:

- ○ Helping clients reach their life goals?
- ○ Your love for the markets and understanding of financial products?

2. Over your tenure as an advisor, how have your clients expressed gratitude for the services you provide? Have they praised:

- ○ Your emotional intelligence/connection with your clients?
- ○ Your financial literacy: explaining how recommended solutions are linking to their needs?
- ○ Your ability to consistently perform in various market cycles, giving them confidence and peace of mind?

3. As a financial advisor, how do you define success?

- ○ Being the first call from your client as they move through life's events.
- ○ Providing consistent returns for clients.

4. Where do you feel your skill set is maximized?

- ○ Communicating with your clients through various market cycles, life events and milestones, etc.
- ○ Providing research, financial literacy, and portfolio-related decisions.

5. Your most valuable skills are:

- ○ Listening and empathy
- ○ Communication
- ○ Problem solving
- ○ Interpersonal
- ○ Sales ability
- ○ Analytics/research/quant

6. What would your ideal time allocation chart reflect to best optimize your day?

_____ X% time in investment management

_____ Y% time in meeting and connecting with clients

7. Do you have a tech stack in-house today that allows you to outsource portfolio constructions across your book of business in a scalable way?

○ Yes ○ No

8. Are you looking to grow your book, maintain your book, or transition your book?

- ○ Grow my book
- ○ Maintain my book
- ○ Transition my book

Based on your responses, if you're an advisor who:

- Has a keen interest in the markets
- Is analytically minded
- Places a high emphasis on market performance and getting returns for your clients

Your strength and passion may lie on the **"advisors who make most of their investment decisions on their own"** end of the spectrum.

If this is the case, you may want to consider a model marketplace experience/subscription, as well as portfolio management and rebalancing tools, so you can retain control of the investment management decisions for (at least) a segment of your high-tier clients. You can also pull from componentry (third-party models, thought leadership, etc.) as a way to inform/shape and build on your own insights.

If you're going to maintain a portfolio management role for even a segment of your clients, it's important to think about your technology stack integration choices that will help provide a lift in time and scale. And, in order to provide value to your entire book of business client segment, you may want to consider scalable outsourcing solutions so you can spend more time growing (and prospecting for) high-net-worth clients.

Based on your responses, if you're an advisor who:

- Is highly communicative
- Is financial planning minded
- Is praised by clients for your EQ

Then you may find yourself in the **"advisors who mainly outsource management of their client portfolios"** end of the spectrum, who may look to find end-to-end solutions like full-on managed accounts to turnkey asset management platforms (TAMPs) to outsource their entire book. As a reminder, when you outsource, there is opportunity to get custom solutions from asset managers and white label them if brand recognition and name is important to you.

By working with a strategic institutional asset manager, custodian, and clearing firm, advisors can experience the power of choice that emphasizes the services and support they bring to their clients, and identify what mix is right for them. Outsourcing can help redeploy time for an advisor to service their top-tier clients inclusive of financial planning, check-ins, and tax management, while also allowing for business development time to acquire new relationships and households.

79%

of all advised investors agree with the following statement:

"I don't care if my advisor uses other experts to figure out the mix of investments in my portfolio, just as long as my advisor provides oversight and makes sure it fits my needs.[19]

Models can save time, enhance consistency, and improve firm valuation

Utilizing model portfolios may help advisors present consistent, institutional-quality investment management for mass affluent accounts. This allows advisors the added time and capacity to provide differentiated value to higher-tier clients and spend more time targeting high-net-worth clients to help grow their book.

Using models can also improve firm valuation and EBITDA in the event of an acquisition.

Check out the appendix to access:

- An example of how you can segment your business based on revenue and complexity
- An example of defining and categorizing client tiers

Here's a case study of an RIA who underwent a segmentation exercise and uncovered new strategic opportunities to grow their business:

AUM: $1B

Target clients: Focused on retirees ($500k)

Summary: Firm asked Fidelity to provide an analysis of their current book to uncover opportunities for growth. Fidelity used their Client Insight Tool to secure client data and help analyze performance.

Fidelity implemented a client segmentation strategy based on service offering, pricing, and costs associated with each client. The analysis found that ~40% of the firm's clients were unprofitable (they were mainly smaller clients). Fidelity offered models as a cost-effective, consistent solution to service the investment management needs of their mass affluent clients.

Results: The introduction of models improved the firm's uniformity from both an investment and compliance perspective. The firm also gained behind-the-scenes technology support as well as client-friendly investment materials, both courtesy of Fidelity, which helped enhance client communication and support in a scalable way. The firm has taken the additional time savings to deepen their client relationships with existing clients, pursue more profitable high-net-worth prospects, and ramp up their business development efforts, using their approach as a selling point to recruit new advisors to the firm.

3

Use technology to help clients reach their goals.

Use technology to help clients reach their goals

By using outside solutions to help manage their clients' investments, advisors have more time to take advantage of a tremendous opportunity: to be more available and helpful to their clients during moments of change (promotions, ailing parents, stress-inducing moves, etc.).

Consider the following: If someone asks you to give your 30-second elevator pitch, how do you describe how you help your clients? Likely, it's not simply a description of how you help them manage their money. It's probably more about how you help them navigate life, and creating a road map to help them through life's challenges.

So how do firms up their planning game? Once they do, how do they scale it? And how should firm leaders and advisors go about implementing a goals-based planning business model effectively to grow their practice? Technology can be a dynamic tool to help clients understand where they are now, where they are headed, and how to pivot when life happens. Having a plan to target clients and integrate planning into conversations should be a part of your business development plan.

To deliver an effective, planning-based practice to clients, planning software and platforms can help advisors streamline their technology stack while providing a holistic view of a client's financial situation on an easy-to use platform.

And, if it's one that can handle supplemental information available through integrations with other technologies, advisors have the information they need to have highly informed, specialized, and comprehensive conversations with their clients.

86% of advised Gen YZ investors with a financial plan feel it is important that their advisor provides them with interactive tools to actively engage with and/or collaborate on their financial plan (e.g., testing various scenarios to gauge different outcomes).[20]

Tech platforms may include:

Comprehensive suite of intuitive planning tools that will enable you to scale financial planning to new markets and serve the evolving needs of a diverse and growing client base.

Interactive cash-flow-based planning capabilities that include comprehensive tax calculations, customizable report templates, robust scenario planning, and more to enable advisors to have interactive and engaging conversations with their clients.

To learn how you can take a structured approach to managing and applying technology, check out Fidelity's *Digital Empowerment framework*, available on clearingcustody.fidelity.com.

Specifically, interactive tools allow for:

Collaboration with clients

The ability to run different real-world scenarios

Showing clients in real time how their financial decisions today may affect their financial future

These tools also provide investors with the reassurance they need to have confidence in their financial plan. Some solutions even allow for advisors to save client-facing materials like presentations, which advisors can then modify for each specific investor interaction.

Much like outsourcing investment management, catering to individual clients is not a "one size fits all" approach. Investors across an advisor's book of business are all at different points in their life cycle. Advisors need to look across their book of business to categorize their clients to deliver personalized, value-added services that fit each respective client.

4

Bring more intimacy to every client interaction.

Bring more intimacy to every client interaction

Once you identify client segments where a more personalized, value-added approach is required, you can ask three focusing questions to assess your client engagement strategies. The Fidelity Center for Family Engagement (FCFE) uses these questions as prompts to help advisors reflect on how they can build relationship-based capabilities for engaging clients across the entire Advice Value Stack.

What do "personalized" and "value-added" mean to your clients?

When advisors think of "personalized" and "value-added" in terms of service offerings, they focus on things like CRM connections, personalized portfolio planning, concierge offerings, and next gen education. This emphasis on services means that advisors have a predetermined view of what personalized and value-added mean for a client.

In order to help clients find fulfillment and peace of mind, advisors must uncover what "personalized" and "value-added" mean to their clients. This involves connecting in a deeper, more intimate way to step into the emotional, relational, and generational parts of a client's life where fulfillment and peace of mind live.

In this space, you and your clients can explore questions like,

- "What are your wishes and fears?"
- "What does fulfillment mean as you age?"
- "How do you make decisions as a family?"
- "Who should have a voice and vote on important topics?"
- "How can we explore what different generations want out of planning?"
- "How can we co-create our future as a family?"

Conversations like this set your firm up for a deeper level of "relationship segmenting," where advisors more intentionally identify the common life-stage needs and interests of their clients.

What does “talk about anything” look like for your clients?

To connect with clients in a deeper way, think of relationship intimacy on a “talk about anything” continuum. The more your clients feel they can talk about with you, the more potential there is for intimacy. With any client relationship, you can assess the level of intimacy by asking, “What can we talk about?” and “What can’t we talk about?”

But remember: It’s not your answers that matter. It’s your clients’ answers. Explore clients’ perceptions of what you can and cannot talk about. Ask them what topics are important to them. And find out what topics they wish they could talk to someone about. That’s how you can expand the range of topics you talk about, which is essential for delivering value across the entire Advice Value Stack.

You can expand the range of topics clients talk with you about by

- creating safety through relationship awareness;
- exploring a client’s interests and expanding your capacity to care;
- connecting to emotions and stepping into a client’s whole life;
- showing vulnerability and bringing an authentic part of yourself to interactions;
- and knowing a client’s story in a deeper, more meaningful way.

If you aspire to be a holistic advisor and whole value stack partner, use the “what can we talk about?” metric to engage your clients’ perceptions of your relationship connection.

What capabilities do you need to connect in a deeper, more intimate way?

It is difficult to differentiate on services alone, especially as clients increasingly seek advisors who deliver value beyond money management. More and more, they want you to be a partner who helps them navigate the complexity and fear they experience around their wealth choices.

To unlock new points of value across the whole Advice Value Stack, you need execution capabilities for both relationship as a service exchange and relationship as an intimacy exchange. Learning to differentiate on intimacy requires individual competencies and practice management processes that help you establish a “talk about anything” capability so you can become “intimacy efficient” with your clients.

When you develop these relationship-based competencies and practice management processes, you can differentiate on intimacy to build one-of-a-kind, “talk about anything” relationships with clients. And as you become more intimacy efficient, you will change the relationship curve in your business. The faster you can build intimacy, the less time it will take to cultivate and deliver the deeper holistic planning that addresses your clients’ true interests across the entire Advice Value Stack.

What does a relationship-based capability look like?

Here’s an example snapshot from the start of a client meeting where an advisor demonstrates intimacy efficiency.

Situation: An estate planning meeting between a client and her advisor.

Context: At their last meeting, they talked through how the client can involve her adult children in the planning process.

Skill used by the advisor: Key word questions

How the skill works: Listen for a meaningful or emotional word and then ask a question using that word. It is a way to connect more deeply by using the language someone chooses to help them explore their experiences and perspectives.

Advisor: What’s on your mind from our last conversation?

Client: I’m **not sure** about the approach we discussed.

Advisor: What are you **not sure** about?

Client: I feel like asking my kids for their view on my choices is going to lead to **trouble**.

Advisor: What do you mean by **trouble**?

Client: Well, I **worry** they will have different views than mine.

Advisor: What **worries** you about that?

Client: If I ask for their opinion, I either have to do what they want or disappoint them. Neither of those feel very good.

By asking key word questions instead of making assumptions, the advisor connected more deeply with the client and accessed a richer story of her experience. They are now in a position to talk through her hesitations and continue exploring what’s best for her and her family.

A reflective assessment of your intimacy capabilities

There are five drivers of intimate client relationships. Each of the five has a cue—a single word that cues your brain and your practice culture—and a mindset that guides your thinking during interactions. And each cue and mindset has a companion skill set you can practice as a "how" strategy for intentionally building intimate relationships with your clients.

Relationship capabilities assessment

With the assessment below, you can

- Review the five sets of cues and mindsets.
- Use the reflective questions to assess your thinking about client engagement.
- Follow the hints to guide your approach.
- Map out an action plan to help yourself make incremental changes.

1. Mindfulness: Have situational awareness to be "in the moment" versus in autopilot service mode.

- Mindset—Be aware of how you (and your process) impact others.
- Reflective questions:
  - Where might my practice management routines put me in autopilot?
  - What do my client's reactions to my process say about my engagement strategies?
  - How do I build mindful noticing and adjustment loops into my processes?
  - How do I get authentic engagement and relationship feedback from clients?

Hint: Client feedback surveys and Net Promoter Scores seldom give you the mindfulness feedback you need to form intimate client relationships.

2. Curiosity: Suspend assumptions and explore your clients' deeper interests versus staying in expert service mode.

- Mindset—Show genuine care and interest by exploring.
- Reflective questions:
  - Where might my practice management process keep me from exploring?
  - What don't I know about my client and their larger family system?
  - How do I explore my client's deeper emotions and feelings?
  - How do my client and their family describe my genuine care and interest?

Hint: You are never the expert of someone else's life, no matter how much expertise you have to offer their situation.

3. Empathy: Understand the client's view of their situation versus getting stuck in a solutions service mode.

- Mindset—Step into (not over) the lives of others.
- Reflective questions:
  - Where might my practice management process keep me stuck on offering solutions?
  - When do clients call me? For transactions? Or at more meaningful times in their lives?
  - How would clients describe my contribution to their lives?
  - How do I spend the majority of my time during a client engagement?

Hint: Many functional practice management processes step right over a client's life.

4. Vulnerability: Bring your whole self to every interaction versus staying comfortable in a professional service mode.

- Mindset—Risk with courage for an authentic connection.
- Reflective questions:
  - Where might my practice management process keep me from bringing my whole self?
  - What keeps me from being vulnerable—risking—with my clients?
  - How can I share my experiences to connect more deeply with clients?
  - Where do I need to cultivate more courage to risk for a deeper connection?

Hint: Risking vulnerability will always seem like—and feel like—a counterintuitive option.

5. Story: Find the story in every interaction to better understand your clients versus transacting in a functional service mode.

- Mindset—Listen for the compelling parts of a person's story.
- Reflective questions:
  - Where might my practice management process keep me from getting to the story?
  - How does gathering the compelling parts of a client's story build intimacy?
  - What do I really know about my client's story (and their larger family system)?
  - How well do I help my clients link their deeper story to their financial well-being?

Hint: Individuals and their decisions cannot be understood in isolation from their family.

To learn more about building individual competencies and collective capabilities for becoming intimacy efficient, contact your Fidelity representative and the team at FCFE to explore their Communicate to Connect programming and related coaching, consulting, and resources.

5 | Build your Centers of Influence (COI).

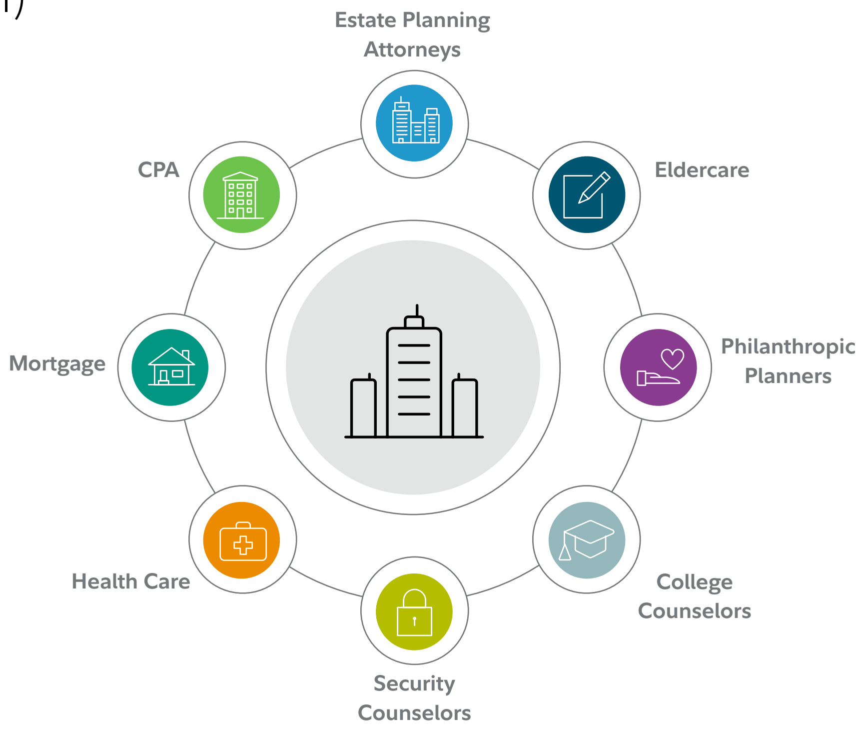
Build your Centers of Influence (COI)

Now that you've connected with your clients and discovered their needs, identifying the product, solutions, and partners that you need to build your Centers of Influence for your clients is an imperative in the business.

By introducing access to expanded services through COIs, you can enhance the value that you provide to clients while allowing yourself time to deliver what makes you stand out.

And building relationships with specialists can be mutually beneficial. By working closely and understanding each other's value proposition, you'll be able to:

- Understand the types of clients each are interested in and work best with
- Look to potentially deliver joint events



Philanthropic planners are a great example of a kind of specialist who can be called upon to help clients. Having a philanthropic planner in your COI may also help advisors connect with younger investors and help aid in multigenerational conversations.

And, as an advisor, there are things you can do, too, when it comes to charitable giving. While many advisors may be doing charitable giving in one form or another, advisors can also be relevant and differentiated by offering donor-advised funds (DAFs), which allow clients to potentially increase tax savings and give more to the causes they care about most.

Resources

For actionable steps to help harness the power of your relationships to help your business grow, check out Fidelity's *Growing Your Business Through Centers of Influence and Strategic Alliance Marketing* white paper, available on clearingcustody.fidelity.com.

For more information on DAFs, visit Fidelity's charitable website, fidelitycharitable.org.

Summary

Advisors must transform to keep pace with the evolution of wealth management and to engage the next generation of investors to help ensure the sustainability of their business. To deliver across all levels of the Advice Value Stack, start by:

Segmenting your book of business

- Look across your book of business and identify the life stages, income levels (current and future), and growth potential of each client. Use Fidelity's *Four Steps to Successful Client Segmentation* white paper, available on clearingcustody.fidelity.com, to craft and implement a customized segmentation strategy for your firm.

Outsourcing what doesn't make you stand out

- Take the persona test to determine where you fall on the outsourcing investment management spectrum.
- Then, customize your levels of service based on needs and growth potential of each client by utilizing model portfolios and other investment management solutions.

Using technology to help clients reach their goals

- Vet and implement planning software and platforms that can help advisors streamline their technology stack while providing a holistic view of a client's financial situation on an easy-to-use platform.

Bringing more intimacy to every client interaction

- Build capabilities for connecting with clients in a deeper, more intimate way. By learning distinctive cues, mindsets, and skills, you can expand the range of topics you talk about with clients and deliver value across the entire Advice Value Stack.

Building your COI

- You don't have to go it alone. Discover actionable steps to help harness the power of your relationships to help your business grow in our *Optimize Your Centers of Influence (COI) Network guide*, available on clearingcustody.fidelity.com.

By utilizing tools, platforms, and solutions that allow them to scale their business, as well as employing methodologies for building honest relationships with clients, advisors can transform their business and deliver value across all levels of the Advice Value Stack, relieve stress and anxiety through a holistic planning approach, and meet their unique clients where they are.

Additional Fidelity resources to help grow your business

- Practice Management & Consulting—Insights and tools to help you build a successful business.
- Decade of Generational Wealth—The next decade will bring profound change for many families. Stay prepared with our 8 Strategic Imperatives.
- Fidelity Managed Account Xchange—For financial advisors, the FMAX wealth management platform could be the missing link they need to connect investment planning to portfolio construction to execution.
- Model Portfolios—Consider outsourcing portfolio management and spend less time managing portfolios and more time with your clients
- Fidelity Portfolio Quick Check®—Analyze, compare, and optimize your investment strategy in minutes.
- Thematic Investing—Explore the ways thematic investing can help clients enhance their portfolios and align their investments with what matters to them.
- Sustainable Investing—Sustainable investing gives investors the opportunity to find long-term potential for their money, while investing alongside their values for a positive global impact.
- Fidelity Alliance Network—Enables firms to access discounts and special offers from a curated list of providers experienced in the wealth management industry, as well as discounts and special offers for your clients (available to Fidelity Institutional clients only).

Appendix

Segmentation example

Here's an example of one way you could segment your book of business based on revenue and complexity:

Segmentation

- Low revenue, low complexity: This group is optimal for turnkey models. Models can save you time, allowing you the ability to unlock capacity and provide differentiated value to higher-tier clients while also providing uniform, consistent investment advice across your book of business.
- Middle revenue, middle complexity: This group may be ideal for third-party model portfolios as a baseline, while allowing personalized inputs to these models (e.g., fund selections, restrictions, portfolio tilts, etc.) that reflect your clients unique preferences.
- High revenue, high complexity: This top tier of clients is where you invest additional time/capacity to differentiate your value proposition; perhaps through individual portfolios built by you/your firm, or where you partner with an institutional asset manager to co-create/co-manage a series of custom model portfolios that align to your clients' preferences/investment needs.

Implementation

- Perform a segmentation exercise on your book of business (sorting accounts by revenue, AUM, complexity, service model, etc.).
- Begin mapping accounts from each segment to your desired set of services, tools, and resources aligned to each segment.
  - For example: low profitability, low complexity may align well with a third-party model solution.
- Assess any/all tax implications for moving a personally managed account to a third-party model solution.
- Consider transitioning qualified accounts first (no tax consequence) and transition taxable accounts over time.
- Consider tax management/tax loss harvesting options (models in conjunction with tax technology software); these tax management tools help make models implementable.

Pause and reflect

Come back after implementation to assess:

- Allocation of time spent on portfolio management (how much time did I save?).
- Redeploy time to service high touch segment (increase service) inclusive of financial planning, check-ins, tax management, etc.
- Redeploy time to acquire new relationships/households (grow your book). By partnering with third parties, perhaps you can expand your value prop to offer things (alts, crypto, etc.) that otherwise were not your core competency.

Appendix

Setting up client tiers

To see how you might bring all of these ideas to life in your segmentation strategy, here is an example of how you might define and implement client tiers within your firm.

- Investment Offering
- Client Service
- Wealth Advisory
- Communications and Education

TIER 1
SPECIALIZED

- SMA/UMA models (ESG, alts, hedge funds)
- Interactions with the next generation
- Year-end tax package to CPA
- Holiday gift from advisor

TIER 2
CUSTOMIZED

- Professionally managed model portfolios, review outside holdings, tax overlay
- Situation-based financial planning
- Duplicate statements to third-party CPA
- Seminar and special event invites

TIER 3
PERSONALIZED

- Professionally managed prepackaged model portfolios with performance commentary
- Meet once a year in person, referral to COIs
- Standard quarterly reports
- Annual event invite

TIER 4
OPTIMIZED

- Combination of digital advice with access to a team of advisors as needed
- Basic cash flow analysis, annual virtual meeting
- Web access to online reports
- Company newsletter, birthday card, holiday card

Scalability: Low (Tier 1) — High (Tier 4)

Endnotes

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17. The 2021 Fidelity Financial Advisor Community—Outsourcing Study. Full study details are available at the end of the paper.

18. The 2021 Fidelity Financial Advisor Community—Investment Decision-Making Study. Full study details are available at the end of the paper.

19. The 2022 Fidelity Investor Insights Study. Full study details are available at the end of the paper.

20. The 2022 Fidelity Investor Insights Study. Full study details are available at the end of the paper.

The 2022 Fidelity Investor Insights Study was conducted during the period August 8 through September 2, 2022. It surveyed a total of 2,490 investors, including 673 millionaires and 1,520 investors with advisors. The study was conducted via an online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of $50K in investable assets (excluding retirement assets and primary residence), with additional quotas by age and affluence levels.

The 2021 Fidelity Investor Insights Study was conducted during the period May 15 through June 7, 2021. It surveyed a total of 1,974 investors, including 773 millionaires. The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of 50K in investable assets (excluding employer-sponsored retirement assets and primary residence), age, and income levels.

The 2021 Fidelity RIA Benchmarking Study was conducted between March 26 and May 26, 2021; 211 firms participated. The study was conducted in collaboration with independent third-party research firms unaffiliated with Fidelity Investments. The experiences of the RIAs who responded to these studies may not be representative of the experiences of other RIAs and are not an indication of future success. Registering for, completing, and accessing these studies required access to and use of third-party websites, operated by independent third-party research firms unaffiliated with Fidelity Investments.

The 2021 Fidelity Financial Advisor Community—Investment Decision-Making Study was an online blind survey (Fidelity not identified) conducted during the period July 7 through July 21, 2021. Participants included 406 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.

The 2021 Fidelity Financial Advisor Community—Outsourcing Study was an online blind survey (Fidelity not identified) conducted during the period April 21 through April 30, 2021. Participants included 451 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.

The 2022 Fidelity Financial Advisor Community—Industry Trends Study was an online blind survey (Fidelity not identified) conducted during the period March 23 through April 4, 2022. Participants included 426 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.

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