Building more trusting relationships

The immeasurable opportunity of CRM2

Last July, the final set of sweeping new rules mandating what financial institutions and advisors must disclose to their clients went into effect. Commonly referred to as the Client Relationship Model Part 2 (CRM2), these rules were introduced by the Canadian Securities Administrators, an umbrella organization of provincial and territorial securities regulators, to protect investors and help foster fair, efficient and vibrant capital markets, by developing a national system of harmonized securities regulation, policy and practice.

While CRM rules have been in development for a number of years, most investors will only notice the full extent of the changes when they receive a statement that will include a summary of account performance over specific time periods, as well as the annual costs investors pay their investment firm. While these fees have been in place for some time, the new reports will ensure greater transparency – and that could cause sticker shock for many investors.

To prepare my own clients, I began meeting with them over the past year to explain the changes, answer their questions and alleviate any concerns.

One meeting in particular has stayed with me. Philip is a successful businessperson who's entrusted me with managing his wealth for well over 15 years. Together, we've successfully mapped out his goals, protected and grown his portfolio, and regularly updated his retirement plan to reflect changes in his life. When he saw the breakdown of what he was paying, even he was surprised. His measured response: "Wow, I didn't know it was that much."

Luckily, he didn't storm out of my office. He did, however, ask me to explain and justify my fees, which I was more than happy to do. I explained the most important reasons why I believed that his costs were fair, reasonable and reflected good value.

I explained that our objective is to proactively address each client's unique situation to give them more time to focus on family, business, or other important pursuits.

I then outlined all the additional services Philip receives, including:

- Access to a team of financial and investment professionals for advice and assistance;
- A retirement plan that is updated regularly and reflects his personal situation;
- Ongoing monitoring, review and rebalancing of his portfolio;
- Real-time investment oversight that reflects economic and life changes;
- Additional planning with an insurance specialist; and
- Access to a team of wealth management specialists that are dedicated to developing wealth solutions that reflect our clients' needs.

In other words, my team and I literally spend dozens of hours each year providing additional services for Philip at no extra cost to him. It is all part of what we do.

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Measuring the intangibles

Perhaps most importantly, we talked about trust. Philip and I had built a positive, solid working relationship over the last decade and a half. I know his wife and his children. I understand the ups and down of his business. I am intimately familiar with his personal and business goals. This knowledge helps me and my team ensure that we are doing our best to support Philip. These intangibles would never appear on an annual statement, but they are a vital part of helping Philip and his family realize the life goals that matter most deeply to them. It's about planning for the big picture, and all the little ones too.

At the end of our long chat, Philip smiled and said, "If I wasn't a businessman, "I'd say you should be charging me more."

Our meeting underscored that while the new rules around transparency might initially worry some advisors, or cause investors to question their advisor's value, it's a great opportunity for an advisor to demonstrate their value to clients. It's only by opening the lines of communication and building trust that the value of the investor and advisor relationship can be truly measured and realized.

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For more information on Darren and his team, visit thefarwellgroup.com