



Revisiting The Real Value Audit



A guideline to jump-starting yours.

Our three previous columns explored the concept of a Real Value Audit. We provided one of our own Audits with a client, and now in this, the last column on the subject, we get down to the nuts and bolts of how to prepare for, hold and follow-up on a Real Value Audit with your clients. Our goal is to provide you with tools and templates you may find useful in monitoring and discussing real value—the essential glue in any relationship.

To review, a Real Value Audit is a one-on-one meeting with key clients (yearly or more frequently) expressly to discuss how real value has been exchanged in the last year, to determine whether your client and you have similar perceptions of what's been of value and to understand what you need to offer going forward. We like to say it allows for a “critical pause” in a relationship during which you assess the value you believe you have given and received.

The Real Value Audit flows naturally from two of the many value core beliefs we teach advisors:

1. Value is an overused concept, but that does not mean it is not important—it is central.
2. You must be convinced that your clients are convinced that you add value.

Why Conduct An RVA?

Four beliefs drive our conviction of the effectiveness of a Real Value Audit:

1. A real value audit is an effective way to do an annual review.
2. Business is first a meeting of the hearts, then becomes a meeting of the

minds.

3. Real Value is only delivered when you address one (or several) emotional issues, i.e., Challenges, Circumstances, Concerns, Frustrations, Needs, Opportunities and/or Problems (CCCFNOP).

4. Real value is the most comprehensive way to measure the impact of your relationship.

5. Five Phases With Step-by-Step Guidelines

Following the five phases of an Audit will increase the likelihood that your meeting is a success. Remember, this is an ongoing process. Monitoring and logging real value delivery makes preparing for an audit easy.

1. Real Value Log: compiled throughout the year
2. Real Value Audit: Client Preparation—sent to client one month prior to the holding the Audit
3. Real Value Audit: FE Preparation
4. Real Value Audit: Holding a Successful Meeting
5. Real Value Audit: Compiling the notes into an Audit Report

1. Real Value Log: Update your Real Value Audit log all year long. Otherwise, you will be scrambling to recall all of the ways in which your client and you have exchanged real value throughout the year. It should not take more than two minutes to jot down real value (use Figure 1 as a guide and customize).

2. Real Value Audit: Client Preparation. While you may want to log

real value throughout the year, it's unrealistic to ask a client to do so. However, we recommend actively engaging your clients in the process one month prior to your meeting by sending a letter that asks them to consider what real value they've received in the last year and if they see any gaps.

3. Real Value Audit—Your Preparation. To wing or not to wing?

A Real Value Audit is a one-on-one meeting with key clients to assess the value you believe you have given and received.

This should not even be a question. Your clients will know immediately whether you have prepared.

A. Review your Real Value Log. Extract the real value exchange you and your clients provided each other.

1. Be sure to link the Real Value Audit with a key emotional issue—yours or the client's (CCCFNOP).

2. Consider the real value. Be candid. Avoid over- or understating the real value delivered.

B. List in two groups the following:

1. Real Value you delivered

2. Real Value you received

C. Review your key emotional issues about the partnership. What about this relationship is keeping you up at night? Do you like speaking with this client? Are you energized or depleted by the partnership? Are you doing

Example Of A Real Value Log

Use a Real Value Log all year long to keep notes you make about the real value you and your clients have exchanged.

Client Name	Date	Event	Real value to you and your client?	What emotional issue did it respond to? CCCFNOP*
Tommy Weebler	March 4, 2006	Referred me to his colleague. I held a meeting, and have closed a \$250,000 account, with the possibility of earning the right to manage his retirement account	At 1.25% fees, I will earn \$3,125 in the first year alone. Chance to manage \$750,000. Confidence boosted to meet with other Weebler referrals in their firm	Opportunity: Opportunity to parlay client who is a community leader into further business
Alicya Astudillo	Nov. 20, 2005	Consolidated debt. Transferred mortgage into securities-backed collateral mortgage	Liberated \$200,000 to invest in diversified portfolio	Concern: Too much money tied up in house, underfunding retirement and educational tax-advantaged accounts
Alex Kareck	June 2005	Talked Alex out of selling shares of value fund, which had underperformed for three years	Fund rebounded. Avoided tax implications of selling	Frustration: Client frustrated that his account had underperformed the S&P 500 by 3% for two years.

*Concerns, Challenges, Circumstances, Frustrations, Needs, Opportunities, Problems

more or less than clients who pay you the same amount? To borrow a concept from Jim Collins' Good to Great book, is the relationship a problem or an opportunity?

D. Review your prior Real Value Audit

4. Real Value Audit: Holding a Successful Meeting

A. Find a setting that will allow you and your client to have a frank discussion

B. Meet with all parties involved with the account.

C. Have a system for capturing the information.

D. Meeting agenda. We recommend following these four simple but important discussion points:

a. Set a Value benchmark. During the meeting, set a Real Value benchmark. Ask your client to reflect on, and share with you, the services he or she has received throughout the year that rate among the best in the year's experience. What were the services and what was the real value that individual received? Did she mention you?

b. Your real value to the client. Be prepared with your list of things you delivered to the client. However, you may wish to ask the client first what real value he or she felt he received from you, before you review your list.

c. The client's real value to you. Here is your chance to show that you have noticed, have examined closely and can articulate the value a client provided you with.

d. Review key emotional issues. Begin the conversation by asking the client to discuss these issues with respect to the client's life and, specifically, with respect to your relationship. You will be amazed at how much can be revealed using this framework. Be sure to have your notes on the challenges, circumstances, concerns, frustrations, needs, opportunities and problems in the relationship.

e. Review key points from your prior Real Value Audit (if you held one).

f. Highlight key issues requiring action.

g. Clarify partnership expectations for the next year.

E. Conclude on a high note. Be sure to let the client know you will move forward with renewed confidence and passion as a result of your Real Value Audit meeting. Before you adjourn your meeting, briefly recap key points and check for confirmation. Last, and most important, express your appreciation and gratitude for their business and their referrals.

5. Real Value Audit: Compiling The Notes Into An Audit Report

Now that the tough work is done, be sure to formalize the value by delivering a Real Value Audit back to the client.

- Review and summarize the real value you delivered to the client over the year.

- Review the real value the client delivered over the year and summarize your view.

- Summarize the issues keeping the client up at night.

- Review real value goals for the upcoming year.

Conclusion

Remember, conducting an honest Real Value Audit opens the door to candid and respectful two-way communication with clients. A serious mistake made by some financial advisors is to assume that their clients really understand the real value being delivered. Another bad assumption that can hurt a relationship is if the advisor thinks he or she already completely understands what the client values about the relationship. Without fail, clients mention aspects that the advisor may not even be aware he or she has delivered.

The Real Value Audit is "insurance" that your client and you have aligned visions on the value of the relationship. Good luck with your Real Value Audit, and please feel free to report on any audits conducted by writing to me at Giles@pusatericonsulting.com. ☺

Giles Kavanagh is partner and chief operating officer of Pusateri Consulting and Training (PCT) in Williamsville, N.Y., a global sales training firm that empowers financial organizations and individuals to discover and articulate their unique value. For more information on the Real Value Audit, please visit their Web site, www.pusatericonsulting.com.