

# Conducting The Real Value Audit

Nine steps to keeping and growing existing clients.

By Leo J. Pusateri

In our previous column we introduced the “Real Value Audit” concept to you and outlined the benefits of this process for you and your clients. We asked the question: “What is the advantage of delivering high levels of value if your clients ultimately don’t understand or appreciate your value fully?”

The answer was, of course, there IS no advantage.

And so we shared with you our thoughts on how to change your clients’ perceptions of what you do, how you do it and why you do it, i.e., several key elements of the Value Ladder. The Real Value Audit is a way to make sure your clients and you are on the same page regarding the impact you have had. It goes well beyond the numbers, the figures, the pie charts, and gets to the fundamental issue of whether you have addressed their key emotional issues—the challenges, circumstances, concerns, frustrations, needs, opportunities and problems that keep them up at night.

To briefly recap: What is a Real Value Audit? It is a process that you can use for one-on-one meetings, yearly or more frequently, dedicated solely to candidly discussing how you and your clients are providing each other with value. A Real Value Audit also is a “time out” in your relationship. It is a chance to review what may really be troubling your clients, to make sure that you fully understand what your client values about your relationship, and that you articulate the real value you believe you have delivered. We firmly believe that relationships end—or fail to grow—when the client fails to appreciate the real value in the relationship.

## How Do You Conduct A Real Value Audit?

First, understand that preparing for an audit takes place all year and here’s why: You don’t want to enter into a Real Value Audit with your client “cold,” or what we refer to as the sometimes-fatal mistake of “winging it.” Simply having an informal conversation over the phone or during a brief meeting will not produce the

depth of discussion you need to have with your client. We recommend that you prepare in much the same manner as you would for a tax audit (though it will not produce as much anxiety) in that you will keep on top of the important issues throughout the year.

For example, you need a system in place for keeping track of additional assets captured, as well as the referrals received from him or her, and what your success rate

is/was in converting them to clients. Do you know how (and by how much) your client’s account contributed to your gross and net profit? Did you derive an interesting or creative idea from your client that you were able to pass on to another?

Here are a few more essential steps to consider for your audit preparation:

- Define your metrics for measuring the real value of a client, both quantitative and qualitative, in a form. Make notes throughout the year on this form (this will be part of your system). Your client will be impressed that you monitor such

metrics. Clients need and appreciate those tending their wealth to have a keen eye for detail.

- Be sure to tell your client in advance what you are proposing to do with the Real Value Audit. No one likes to be put on the spot. Ask them to prepare about one month in advance for the meeting and to also make notes and list both benefits and challenges. If they don’t have enough lead time to think about your real value in advance of the meeting, you run the risk of the client making brash pronouncements a la “I am receiving less value than I would like,” or “Your value is top-drawer; we don’t need to discuss it.” Neither statement is particularly helpful, and the former could be quite damaging.

Note: It’s unrealistic to ask a client to track your real value to them throughout the year, but certainly you can. Remember, part of the value to most clients is having the peace of mind that they do not have to tend their wealth management issues on a daily basis.



## Setting Up The Meeting: The Top Nine Steps

First, it's important to let your client know that this is not a meeting during which you will review their portfolio or to position new investment or financial planning solutions. Rather, this is a time to assess the real purpose of the relationship—specifically, to create real value. Here are the top nine steps to consider:

1. Find a setting that will allow you and your client to have a frank discussion. You might consider a meeting place outside of your own office environment, if that's where your meetings typically take place. Some clients might prefer you to meet them at their office, their home or a third-party location. The location should convey that you are creating a "time out" to reflect on value.

2. Meet with all parties involved with the account. If your account is with a couple invite both individuals, because having a conversation with one key person will not produce a complete picture. Similarly, if your relationship is the result of a referral from a client, consider meeting with the individual who did the referring. Bill Cates, who is considered a top referral expert in the industry, has even recommended having initial client meetings at the office of the person who referred you, i.e. a CPA or estate planning attorney etc.

3. Dialogue with your client before the meeting. You might want to call your client and say something like this: "Bob, we've had what I believe to be a good relationship for a number of years now. I think it would be appropriate for us to pause at this moment, to look at why we started the relationship, what our goals have been, and importantly, what has been the real value you have received."

4. Have a system for capturing the information. Once the meeting is in progress, will you need flipcharts? Should you record the discussion to ensure you hear the key points from your client(s)? Will your assistant be present to make notes and capture key thoughts or ideas? On the other hand, you and your client may be more comfortable having a paperless, low-technology discussion. You may want to respectfully ask your client which method they prefer.

5. During the meeting, refer to Real Value benchmarks. Ask your client to reflect on, and share with you, the services 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? If not, you may wish to have a candid conversation on how your services can better emulate those that the client cited as the best of the year. Listen closely. You can learn a lot about what the client truly needs.

Get the point across that you are attempting to deliver even more value. You might say something like: "We have been going through introspection to revisit ways to bring more value to valued clients like yourself. I want to be sure that I am totally up-to-date on your needs and goals. Revisiting your future thoughts (vision) about your life, and the integration of your wealth management challenges are important to cover. My firm has given broader capabilities to me and I would like to make sure that you are aware of the additional value that I might provide, and that your future needs are being attended, whether through my efforts or those of others. You need be protected."

6. Remember to visit/revisit the key emotional issues. Our clients tell us that valuable conversations are shared by simply asking the client: "What is keeping you up at night? What challenges, circumstances, concerns, frustrations, needs, opportunities and problems are you feeling?" Then just sit back and listen. Prepare a sheet of these seven emotional issues to refer to. Whenever you hear one of these issues, "A challenge we face . . .," your body should twitch like Kramer on Seinfeld. Real value occurs when you address your client's key emotional issues. If you previously have gone through this exercise with your client, have his or her prior answers on hand. If appropriate, consider walking your client through some of the issues you are currently facing in your practice.

7. Finish 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. You may want to consider asking such questions as: "Are we on the same page with regard to financial, emotional, lifestyle issues? Are there any other expectations that I should be sensitive to, i.e. return expectations, tax sensitivities, charitable opportunities, legacy planning or other issues that we should discuss in our next meeting? What should we be saying at this

time next year about the real value that you have received in working with me?"

Now you can request a value commitment. Before you adjourn your Real Value Audit meeting, discuss the various areas that you each will be responsible for in the upcoming year. Last, and most important, express your appreciation and gratitude for their business and their referrals, and for the opportunity of managing their wealth, and of having a candid and robust conversation with each other about value.

8. Review your findings. Try to evaluate the results of your meeting right away, while they are fresh in your mind. Ask yourself these questions: "How well are both you and your client aligned in your thinking? Is there a major gap in the real value delivered and received? Do you have a "value balance?"

9. Send a Real Value Audit summary to client. As the last step in the process, you are ready to summarize the key discussion points in a Real Value Audit report and send it back to the client. The client will enjoy, a week or so later, revisiting your conversation. (We all know that very few services do a good job at following up.) By sending a Real Value Audit report, you are showing how well you listened. Moreover, you are ensuring that your client appreciates that the meeting was not simply a relationship management exercise but a serious, consultative dialogue to confirm that real value is being exchanged. Consider how few providers truly audit the value they offer. This is truly Ritz Carlton service that you can provide.

## In Closing

Remember, a grave mistake many financial advisors make is to assume that their clients really understand the real value being delivered. Another bad assumption that can hurt a relationship is that the advisor completely understands what it is that the client values about the relationship. Without fail, clients mention aspects that they appreciate that the advisor may not even be aware he or she delivers. The Real Value Audit is "insurance" that your client and you have aligned vision on the value of the relationship. ☉

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