



## ***THE VALUE OF TRUST***

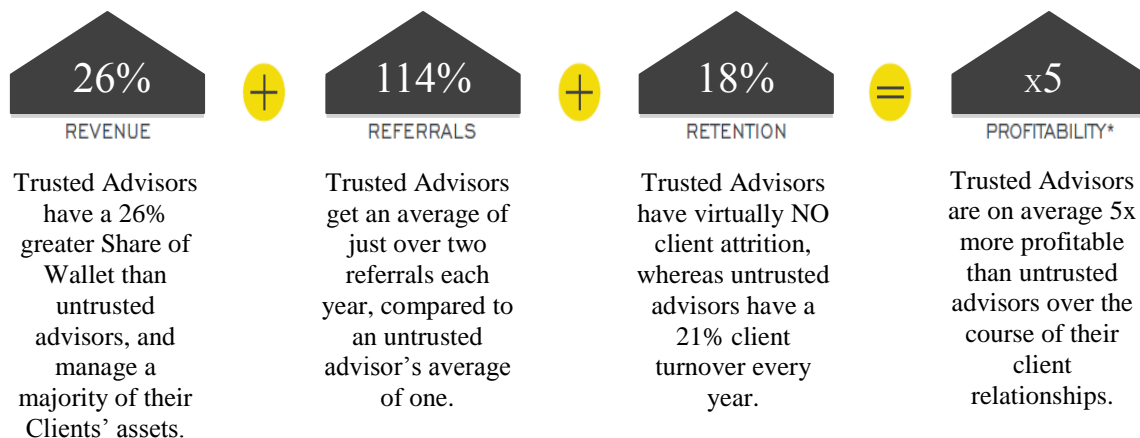
---

The Credit Crunch triggered an almost catastrophic loss of trust in the financial services industry to which the Wealth Management sector was not immune. Indeed, given that gaining “Trusted Advisor” status has long been the Holy Grail of Wealth Managers such loss was in many ways even more serious and threatened the very core of their business. Whilst intrinsically Wealth Managers believed that it was important to have the trust of Clients, for many years the economic value of trust was not thought to be capable of being measured. This is no longer the case as that is exactly what Weatherill Consulting has done in its latest report “*The Value of Trust*”.

### **The Value of Trust Report**

In September 2011 Weatherill Executive Consulting published its *Value of Trust* Report, a global research survey, sponsored by IBM, that identified the key components of Trust. Using consulting techniques, correlation of data and responses from 369 High Net Worth Clients and 285 Wealth Managers, Weatherill Consulting has quantified for the first time the economic value of trust to Wealth Managers. By adapting the proven RATER methodology and using results from ‘Net Promoter Score’ analyses, the economic value of Trust was identified and measured with powerful conclusions: Trusted Advisors manage a significantly higher proportion of their Clients assets; they get a greater number of referrals thus generating new business; their Clients are far less likely to leave; and, crucially, they generate at least 5 times greater profitability for their organizations than their colleagues, as shown below:

### **The Economic Benefits of Trusted Advisor Status**



## **Findings from the Report**

The 72 page report (available by clicking the following link:

<http://bruceweatherill.com/?q=the-value-of-trust>) reveals the key characteristics of Wealth Managers most likely to inspire Clients' trust and identifies both good and bad practices. It also sets out a framework that can help organizations achieve their goal of becoming their Clients Trusted Advisor. The core proposition of this framework contends that Wealth Management professionals must re-focus and re-align the interests of the organisation first with those of its Clients and secondly with those of its Employees.

The reason for this is clear—and it is not good news for Wealth Managers. The report identifies that only a relatively small percentage of Wealth Managers (28%) have achieved Trusted Advisor status in the eyes of their Clients, a much lower percentage than the 45% of Wealth Managers who believe that they are Trusted Advisors. So the important question to be answered is 'What are the barriers that inhibit the gaining of Trust?' The report identifies these and explains what actions might be taken by wealth managers to rectify such practices to create the “client-centric” environment and incentives to achieve Trusted Advisor status.

A key cause of the problem is that there exists a significant misalignment between the KPIs (Key Performance Indicators) of Clients and those of Wealth Managers. The KPIs of Wealth Managers are largely internally focused and relate almost entirely to financial indicators, such as cost/income ratios, individual revenue targets, and product performance, whereas the KPIs of Clients relate to quality of service, rapport with their advisor, good communication, understanding, and follow through by their Wealth Manager. Wealth Managers need to concentrate on measuring or rewarding these key behaviours and actions that enhance Trust.

The report also identifies the importance of continuity within the Client-Advisor relationship. Based on the findings, it takes an average of 6 years to build trust within wealth management relationships. A further revealing finding from the 285 Wealth Managers and 369 High Net Worth Clients who responded to the questionnaires was that 78% of Wealth Managers and 67% of HNW Clients had been with their existing organization for 10 years or less. With such lack of continuity of relationships it is no wonder that such a small percentage of Wealth Managers have been granted Trusted Advisor status and reap the rewards that go with it.

## **Supporting Data**

The Value of Trust report provides a unique insight into the workings of Wealth Managers and their relationships with Clients not only on a global basis but also regionally, by major country and business model, making it a 'must read' for Wealth Managers.

It identifies:

- Comparison and benchmark information

- The components of Trust and how to realise the benefits
- Why High Net Worth Clients choose their Wealth Manager
- What High Net Worth Clients value
- Details about on-shore and offshore trends
- Key areas of investment by Wealth Managers
- How Wealth Managers are responding to issues raised and
- Which obstacles inhibit an organisation from fostering Trusted Advisor status amongst its employees

### **Next Steps**

Picking up on the importance of employee longevity, client continuity and satisfaction as critical components of Trusted Advisor status, Weatherill Consulting plans a follow up report to investigate how Wealth Managers can encourage employees to stay longer at their current organization, why they leave and how to motivate them to stay. If you would be interested in participating in this study please email [bw@bruceweatherill.com](mailto:bw@bruceweatherill.com).

Further details about how to access data and further analyses can be found on [www.bruceweatherill.com](http://www.bruceweatherill.com)

*Statements and opinions expressed in articles, reviews and other materials herein are those of the author. While every care has been taken in the compilation of this information and every attempt made to present up-to-date and accurate information, we cannot guarantee that inaccuracies will not occur. Somers Partnership Limited will not be held responsible for any claim, loss, damage or inconvenience caused as a result of any information within these pages or any information accessed through this site.*