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AKADVISORY PARTNERS LLC  
Unlocking Real Value

*AK Advisory Partners LLC:  
Educational Module Series*

*Client Servicing & Client  
Retention*

*(Updated January 2009)*

**Strategy**

**Structure**

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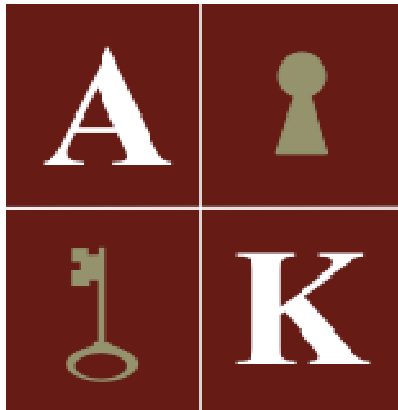
### **CLIENT SERVICING AND CLIENT RETENTION**

- Managing the relationship
- Setting-up a servicing plan
- Preparing for the quarterly meeting
- The benefits of effective client service

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## **MANAGING THE RELATIONSHIP**

- Establish your credibility
- Set and manage client expectations
- Determine Investment Policy
- Describe your due diligence process
- Define responsibilities

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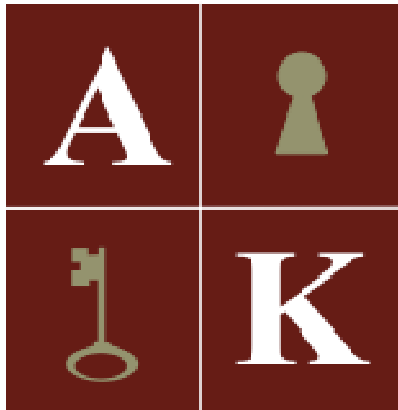
### **ESTABLISH YOUR CREDIBILITY**

- Consultant v. broker
- Describe your consulting process
- Describe your team
- Describe your value added
  - Long-term relationship
  - Defined investment plan
  - Defined servicing plan
  - No conflicts of interest – asset-based fee
- Describe your company's value added
  - Home office support provided
  - Quality of due diligence

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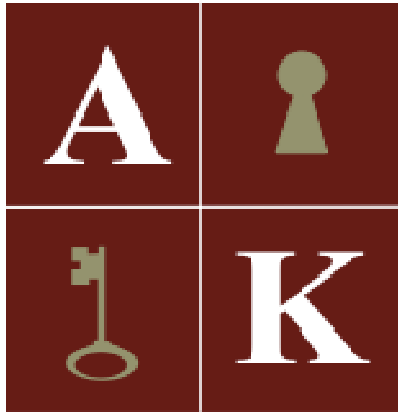
### **SET AND MANAGE CLIENT EXPECTATIONS**

- Education
  - Set realistic expectations
  - Specifics about their managers / funds
  - Capital markets history
  - Risk v. reward
  - The benefits of diversification
  - Importance of a long-term time perspective
  - Asset allocation / style analysis
- Communication
- Solicit feedback
- Stress patience and discipline

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## AK Advisory Partners LLC - Overview

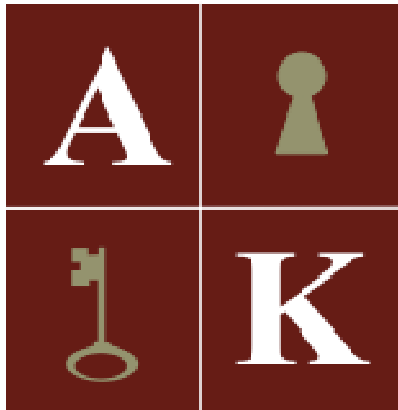
### **SET AND MANAGE CLIENT EXPECTATIONS**

- Prepare clients – make sure they know up-front:
  - Amount of time it takes to become invested
  - Portfolio turnover rate
  - Number of securities each manager will hold
  - Potential amount of cash to be held
  - Information they will receive
    - Confirmations
    - Annual reports
    - Proxies
    - Monthly statements
    - Quarterly reports

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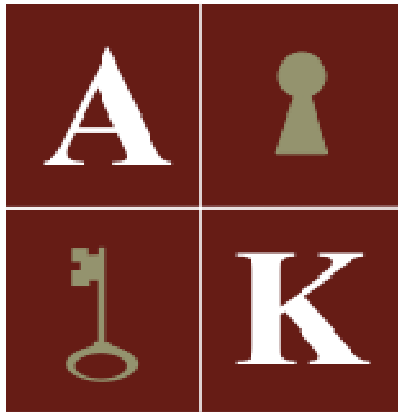
## **DETERMINE INVESTMENT POLICY**

- How sophisticated is the client?
- What are the client's goals and objectives?
- What is the client's tolerance for risk?
- How often should we communicate?
- How should we communicate?
- What is the client's investment timeframe?
- Are there income requirements?
- Will there be periodic contributions or withdrawals?

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### **DESCRIBE YOUR DUE DILIGENCE PROCESS**

- Manager / fund selection criteria
  - On-going communications
  - On-site company visits
- Manager / fund periodic review process
  - Quantitative
  - Qualitative
- Monitoring of client accounts
  - Investment Policy Statement
  - Servicing Policy Statement
  - Periodic reviews
  - Annual check-up

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### **DEFINE RESPONSIBILITIES**

- How often does the client require contact?
- What form should this communication take?
- How often should we meet in person?
- The importance of quarterly reports / meetings
- Annual review - mandatory

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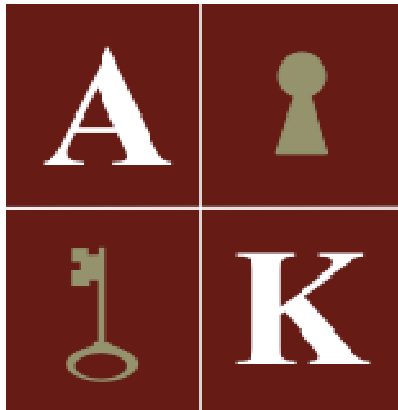
### **SETTING-UP A SERVICING PLAN**

- Create a Servicing Policy Plan
- Client servicing ideas
- Client servicing during good and bad markets

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## CREATE A SERVICING POLICY STATEMENT

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### SERVICING POLICY STATEMENT (SPS)

#### **PURPOSE**

To establish and define expectations for the management and review of the investment plan.

#### **OBJECTIVE**

To meet for effective review and adjustments in accordance with the accompanying IPS.

#### **FREQUENCY OF MEETINGS**

It is suggested that we meet on a quarterly basis.

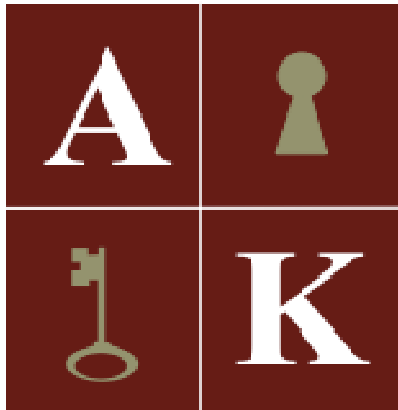
#### **MEETING OUTLINE**

- Review of prior meeting
- Lifestyle and/or financial changes
- Investment review
- Services Review
- Decide action items
- Schedule next meeting

#### **INVESTMENT REVIEW**

- Review of IPS
- Broad market review
- Review of portfolio performance
- Rebalancing

In conjunction with the Investment Policy Statement, this one page document helps you illustrate to your client the service commitment that you bring with a consulting relationship.



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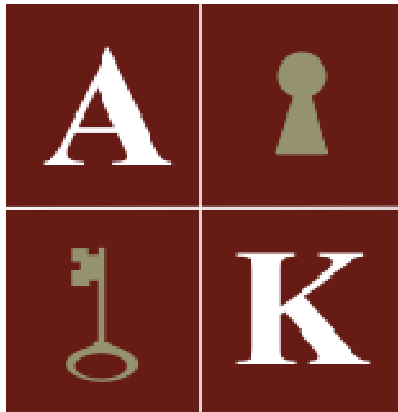
## **CLIENT SERVICING IDEAS**

- Call at the time of the first transaction
- Send investment manager / fund newsletter
- Send regular correspondence
  - Articles of interest
  - Company-specific research
  - Research / strategy from your firm
- Develop your own newsletter
- Send short monthly performance reports
- Send mid-quarter performance updates with commentary

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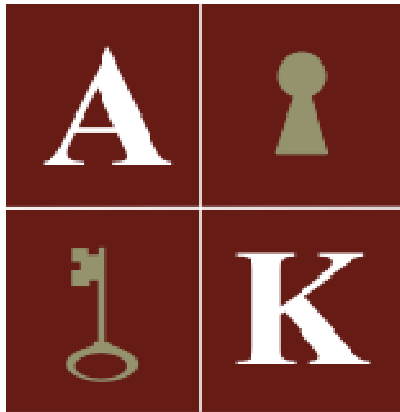
## **SAMPLE ACTION PLAN**

- First Quarter
  - Jan - Conduct quarterly / annual review
  - Feb - Send internal publication / newsletter
  - Mar - Send third-party article
  
- Second Quarter
  - Apr - Conduct quarterly review
  - May - Send internal publication / newsletter
  - Jun - Send third-party article and  
Give client appreciation seminar

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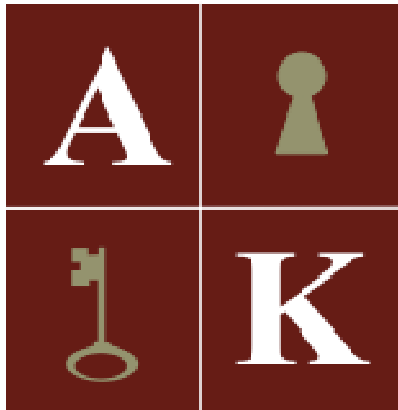
## **SAMPLE ACTION PLAN**

- Third Quarter
  - Jul - Conduct quarterly review
  - Aug - Send internal publication / newsletter
  - Sep - Send third-party article
  
- Fourth Quarter
  - Oct - Conduct quarterly review
  - Nov - Send internal publication / newsletter
  - Dec - Send third-party article and  
Give client appreciation seminar and  
Have client re-complete q-aire

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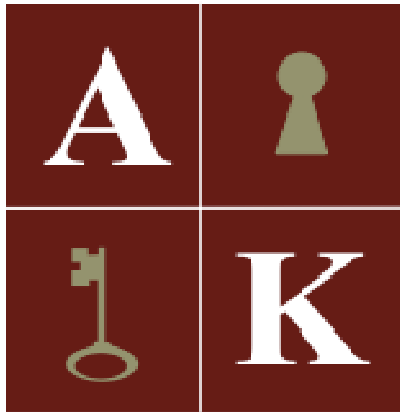
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## SAMPLE LIST OF SERVICES

	Standards	"A" Clients	"B" Clients	"C" Clients
	Financial Plan	Yes	Yes	Yes
	Investment Plan	Yes	Yes	Yes
	Estate Plan	Yes	Yes	As Needed
	Online Service	Yes	Yes	Yes
	Monthly Contact	Yes	No	No
	Quarterly Contact	Yes	Yes	No
	Semi-Annual Contact	Yes	Yes	Maybe
	Annual Contact	Yes	Yes	Yes
	Quarterly Portfolio Review	Yes	No	No
	Quarterly Performance Reporting		Case-by-Case Basis	
	Annual Portfolio Review	Yes	Yes	Yes
	Semi-Annual Planning Review	Yes	No	No
	Annual Planning Review	Yes	Yes	Yes
Strategy	Monitoring (Tax Loss Selling)	Yes	Yes	Yes
Structure	Other: Seminars, Dinners	Yes	Yes	Yes
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### **CLIENT SERVICING DURING GOOD AND BAD MARKETS**

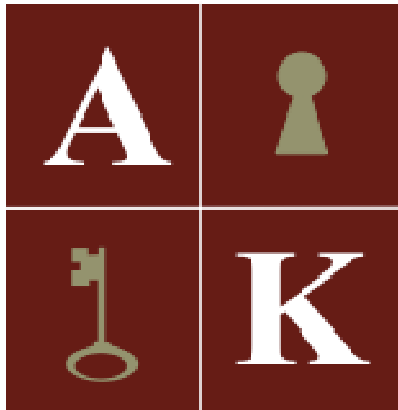
- Leadership
- Market knowledge
- Communication / reassurance
- Put market performance into perspective
- Short-term lagging performance
  - Market-related
  - Sector out of favor
  - A problem stock or stocks
  - A missed call

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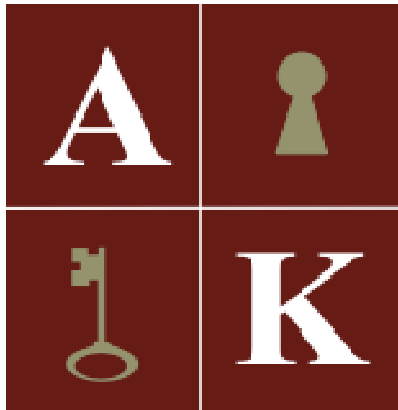
### **PREPARING FOR THE QUARTERLY MEETING**

- Review the performance report for accuracy
- Review capital markets / manager commentaries
- Print and review most recent daily performance
- Review client's most recent monthly statement
- Review client's Investment Policy Statement
- Review client's Servicing Policy Statement
- Review notes from last client meeting
- Create agenda for the meeting
  - Always view performance in context – longer-term performance to shorter-term

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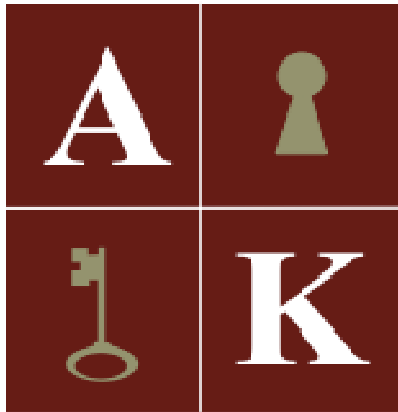
## **SAMPLE QUARTERLY MEETING AGENDA**

- Introduction (Macro Outlook)
  - Review of IPS, SPS
  - Market / managers / funds overviews
  - Performance update since quarter-end
- Review total portfolio performance
  - Versus blended benchmark and long-term risk and return objectives
- Review each performance of each component
  - Versus benchmark and peer group
  - Explain out- or under-performance
- Overall assessment
  - Do we need to make any changes?
  - Do we need to re-balance?

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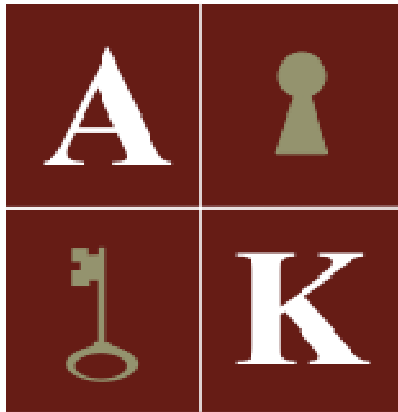
### **QUARTERLY MEETING HINTS**

- Use the meeting as an opportunity to educate
- Remind client of up-front time commitment
- Remind client of your servicing commitment
- Make notes on your copy of the quarterly report
- K.I.S.S. – gear presentation to sophistication of client
- Be consistent – use the same meeting agenda and presentation style regardless of performance
- Include client’s CPA or attorney when possible
- Volatility – up or down – can present opportunity to add new money / managers / funds

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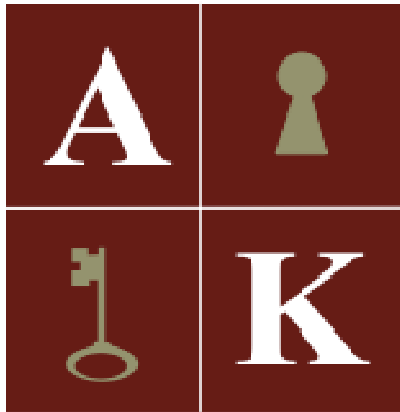
### **THE BENEFITS OF EFFECTIVE CLIENT SERVICE**

- Improves chances of client retention (particularly during difficult market environments)
- Provides opportunity to cross-sell
- Decreases client turnover during volatile periods
- Helps build longer-term relationships
- Satisfied clients represent networking and referral opportunities

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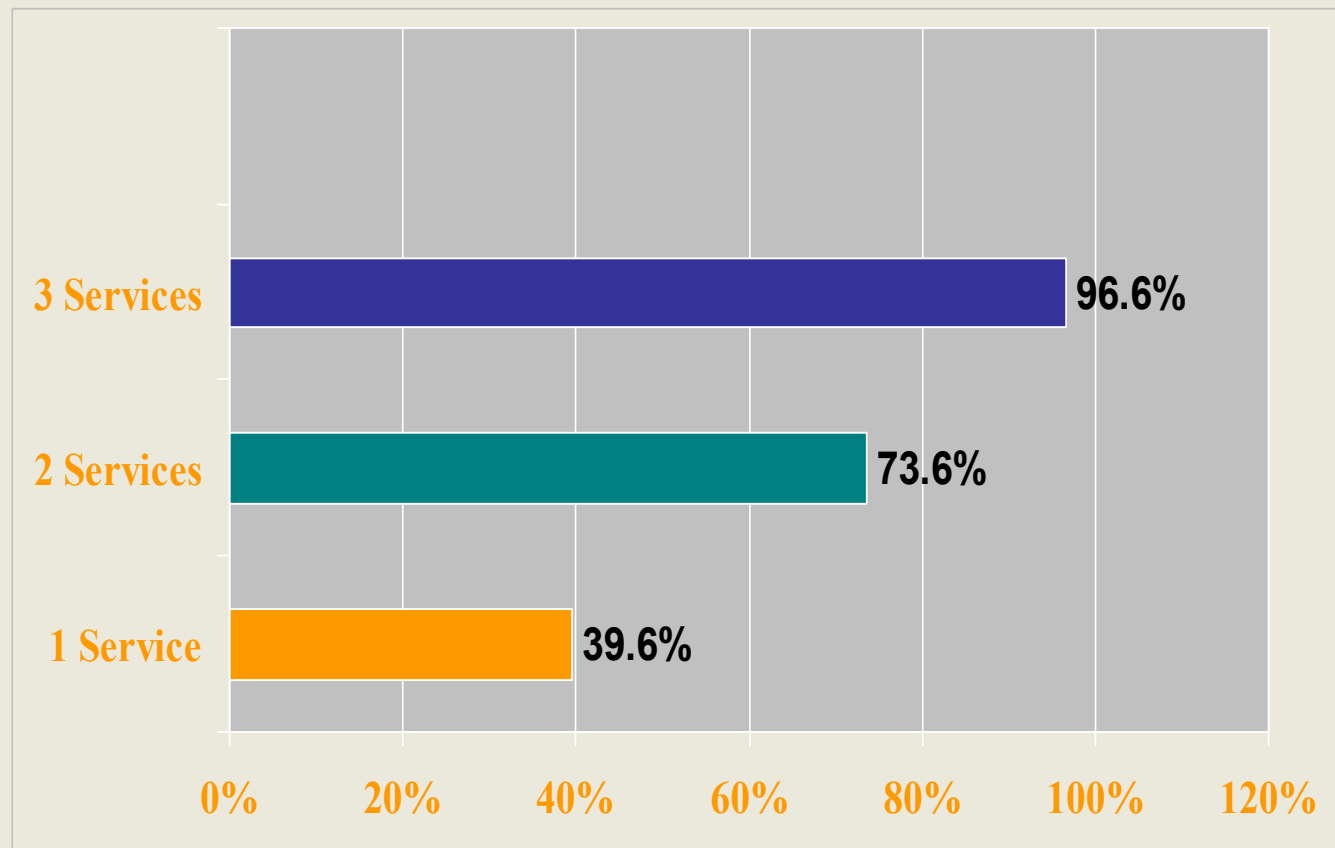
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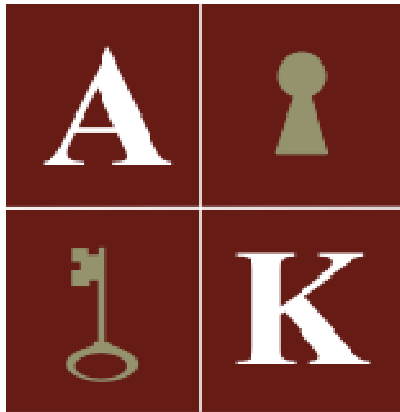
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**MORE SERVICE = HIGHER SATISFACTION**

*Satisfaction Level of Client*



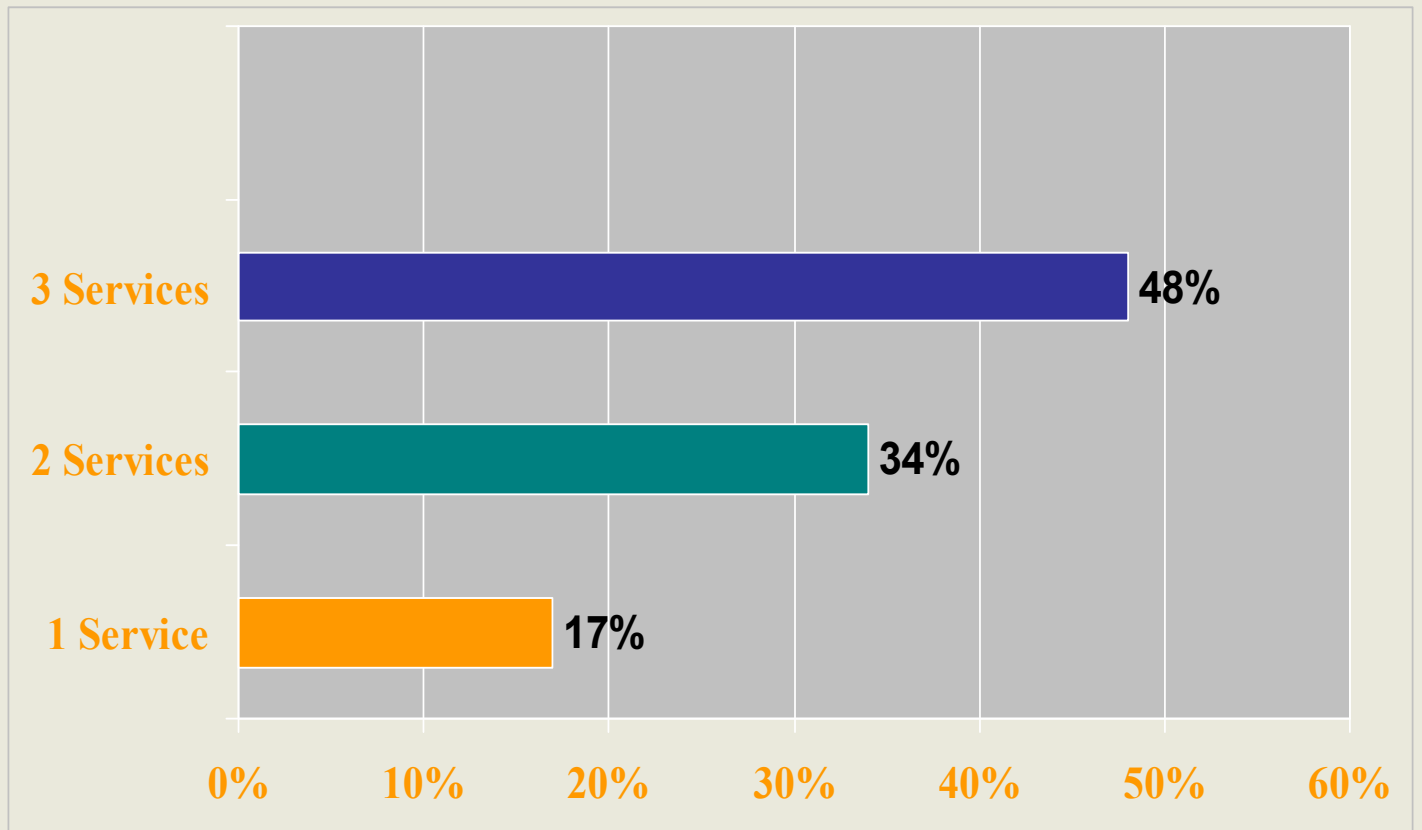
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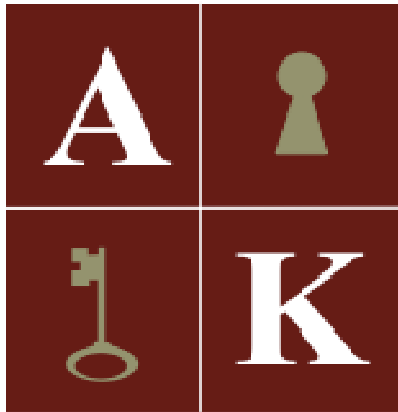
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## HIGHER SATISFACTION = MORE REFERRALS

*Clients Providing 2 or More Referrals*



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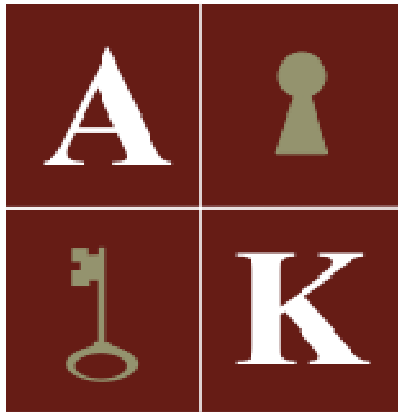
### **BE A GOOD LISTENER**

- Listen carefully to the client's concerns
- Confirm that you understand their feelings
- Be empathetic to their fears and hopes
- Understand that money issues are emotional
- Don't be confrontational
- Handles questions in a non-defensive manner
- Reaffirm the long-term plan and the process
- Keep the client "On Track" – stress:
  - Asset allocation / diversification
  - Professional management
  - Long-term approach

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### **BE PROACTIVE – BE THE CONSULTANT**

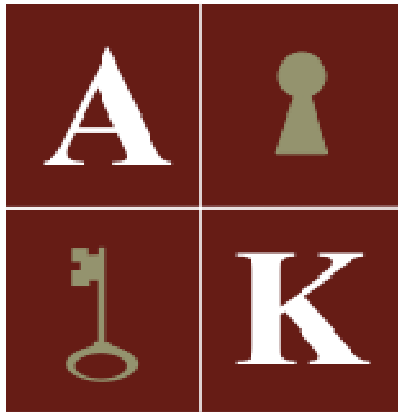
- A recent study concluded that proactive client service is the leading desire of institutions
- Act in a fiduciary-like manner at all times
- Touch base whether market is up or down
- Inform clients if major changes to either their portfolios or to the group managing their money
- Clients do not like feeling left out in the dark
- Develop a relationship based on a “Trusted Advisor” role

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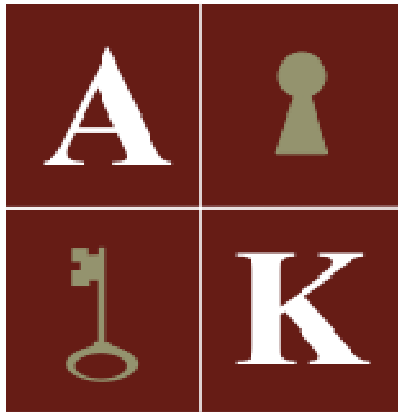
## **ASKING FOR MORE MONEY**

- Timing
  - Sometimes the most appropriate time for suggesting additional funds be placed under management is during difficult market times; stress the safety of professionally managed portfolios.
- Preparing to Ask
  - An annual review of the IPS in conjunction with the client questionnaire can help alert you to additional assets. Many clients appreciate that you take the time to review their entire financial situation.

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### **ASKING FOR MORE MONEY**

- Suggesting a complementary style
  - Diversifying among managers is a logical approach when asking for more money, especially if there have been any significant life events.
- Making the transition easier
  - If you suggest “trying” managed accounts with a few \$100,000 accounts (to diversify), be sure at the outset to define a time when the client would consider adding additional managers – at the first annual review as an example.

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