



www.greshamcompany.com

Diagnosing Your Prospects' Pressure Points

Millionaire Hot Buttons

by Stephen D. Gresham and Glen E. Gresham

The end of each calendar year provides a natural setting for serious prospecting. Full-year performance and other results are easy to present to potential clients and their accountants, who can quickly make comparisons among competing advisors, retirement plans, mutual funds and managed accounts. So how can you use this moment to capture additional assets and referrals?

To avoid being trapped in a basis-point beauty contest against another product or provider, try to engage clients in a real-life dialogue. If you can get clients talking, you can pull assets away from disengaged and lazy competitors. Try pressing their “hot buttons” — issues of emotional sensitivity that get at the essence of what good advice is all about.

MILLIONAIRE HOT BUTTONS — PRESS HERE

DOUBTS ABOUT QUALITY OF ADVICE

Strategy: The second opinion

One of the best opportunities to acquire high-net-worth clients today is to offer a “second opinion” to prospects whose current advisor is inattentive. The goal is to demonstrate that you can offer so much more than the current advisor. Most retirement-plan wrecks are caused by violation of the basic rules of intelligent investing. Don't assume a millionaire household fully understands why they have not succeeded or how they can recover. Offer your experience and perspective via a short, professional note with your card attached.

FEAR OF LOSING INDEPENDENCE

Strategy: Help them write stories

Surveys of baby boomers reveal that their primary concerns — a major illness, inability to afford health insurance, getting shipped off to a nursing home — center around the fear of losing their independence. The trick is to turn the emotion here into positive energy so that the problem can be addressed without stirring up too much family angst.

Remind clients that nursing-home care and other long-term care needs can be funded with long-term care insurance and, perhaps, early purchase of accommodations at a continuous-care retirement facility. Make sure there are extensive advance directives in place to ensure that the client's wishes are carried out. An old therapist's trick to help children address their fears is to have them write out a story or draw a picture. Clients can gain similar perspective by completing a booklet outlining how they want to live in their older years — and the provisions they have made for that life. Offer a workshop about preparing such a booklet to clients and prospects.

AGED PARENTS

Strategy: Discuss a wide range of options

Baby boomers, on average, have more parents than children. This demographic reversal has shifted the economic burden of aging disproportionately to the boomers. Your target clients may be caught off guard by the need to provide care, both economic and emotional, to parents who may have underestimated their own longevity. Your strategy could be to provide a survival package of late-stage liquidity and expense-mitigating ideas. These include long-term care insurance, immediate annuities for longevity protection, information about how to buy medical insurance and reverse mortgages. Consider sponsoring a discussion group for clients who have parental-care challenges.

TOO MUCH DEBT

Strategy: Become a flexible lender

Wealth is a balance sheet, and huge inroads are possible if you can assist history's most accomplished debtors — the boomers — with their liabilities, especially if their real estate values are beginning to slide. Many firms have been successful attracting boomer clients using interest-only mortgages. In addition, lines of credit can open doors to otherwise elusive business owners. Your compensation here is a referral fee.

YOUR FAMILY'S VULNERABILITY SHOULD SOMETHING HAPPEN TO YOU

Strategy: Add estate planning and insurance

Appeals to a client's fear of premature death are always iffy, especially when you're talking about a boomer generation that is convinced of its longevity and vitality. Nevertheless, consider this a hot button for this target market because only about one in four millionaire households has a current estate plan. In addition, the boomer generation shows signs of comprehending the enormity of its responsibilities; many boomers are coming to understand that an event as random as an illness or accident can completely destroy a lifestyle built on borrowing. Without adequate insurance in place, an unexpected reversal in fortune could result in dislocation and financial trauma. Ask the question, "What would happen if something happened to you?" and consider your top client households.

FEAR OF INCAPACITY

Strategy: A risk-prevention audit

Disability is more common than accidental death, but most affluent households do not carry adequate protection to maintain a lifestyle or a business should the chief breadwinner be unable to continue working. Even if an executive were covered through a policy at work, it is unlikely that the group policy would provide the income most affluent families require to meet current living expenses. And the likelihood of coverage for a nonworking spouse is almost nil, although the lost mobility of that person could be devastating to the household. To address the need, conduct a risk-prevention/minimization "audit." Where are the family's primary risks? What are the areas of each household's greatest economic vulnerability? What might happen if the household's income producer(s) could not work?

WHAT DO I DO WITH NEW MONEY?

Strategy: Develop a timing calendar.

Few affluent executives or business owners earn their wealth through salary. Most capture the bulk of their compensation from performance bonuses or profit sharing. Typically, these prospects and clients use these lump-sum payments to fund their investments. The problem for the recipient is what to do with a tidy lump sum once it is received. Since the vast majority of private and public companies pay bonuses in the first three months of a new year, you can work on this idea from January through March with confidence that your message will resonate somewhere. Advertising, discussions with accountant contacts, targeted letters to executives suggesting a discussion about what to do now in the markets all make sense because of the likelihood of activity. For your existing clients, do their distributions occur quarterly or annually? What are the formulas that determine the payouts? Ultimately, hot buttons are issues that create anxieties because they need to be addressed. And you can help.

Article originally published in Registered Rep Magazine – December 2006 (www.registeredrep.com)

Writer's BIO: Stephen D. Gresham is executive vice president of Phoenix Investment Partners. His new book, *Advisor for Life*, will be released in Spring 2007 by John Wiley & Sons.

Glen E. Gresham, M.D., is professor emeritus of rehabilitation medicine at the University at Buffalo, The State University of New York.