

Media release

Headwinds continue to challenge & confront financial advisors

Tuesday October 14, 2014. The challenge facing each financial advisor is not their ability to provide valuable advice. The challenge is to flourish in the face of the three great headwinds that are currently confronting the Australian financial services sector: Consumer apathy born of ignorance; the complexity associated with selling an involved, intangible service; and a hostile operating environment brought on by media sensationalism and government red tape.

The purpose of Dani Peer establishing his new business danipeer.com is to provide financial advisors with the mindset and skillsets needed to face into these headwinds and to flourish.

“I often ask financial advisors why they chose their particular career. The broad range of answers includes a fascination with financial markets and wealth creation – the technical challenge of optimising a client’s financial future – the opportunity to meet new people and build deep and meaningful relationships with clients – or to simply be their own boss. But no one has told me they chose to become a financial advisor because they love selling”, said Dani.

“For many advisors selling is a necessary evil. It demeans the gravitas of a professional making them look pushy and somehow trying to get the consumer to do something that may not be in their best interests. After all, other professionals such as accountants, doctors, lawyers, architects don’t sell, do they? But financial advice somehow has to be sold”.

There are several reasons for this. And each headwind detracts from the level of enjoyment and commercial success an advisor will enjoy.

The first headwind is the mindset of our consumer. They are generally apathetic and ill-informed. In addition, they have an enduring belief that the modern welfare state will ensure that “she’ll be right”.

The second headwind has to do with the nature of financial advice itself. Advisors provide a complex, intangible service, the benefits of which may only manifest well into the future. Even more challenging is the degree of uncertainty underpinning some of the key assumptions made when constructing a financial plan e.g. using historical performance as a proxy for future portfolio returns. When consumers hear that the expected performance of their investment cannot be vouched for and may not even produce the returns delivered to date, they instinctively discount the value of advice. Shouldn’t an expert know these things, they wonder?

The third headwind is the environment within which advisors operate. Most people have an intense relationship with their money making them feel powerful or insecure, envious of others or generous and blessed. When people lose money they get very angry and ire is directed at those they believe have made mistakes. Advisors are in the front line.

“Of course there are examples where money was lost due to bad advice. But there are many more examples of well-rated products failing and where clients with solid portfolios panicked and locked in losses. Incidents of bad advice plus the lack of urgency taken to address obvious conflicts of interest have done our profession no favours. However, the media frenzy and avalanche of legislation seem to me to be more vindictive than constructive. Australians need financial advice and no good will come from two powerful entities – media and government – demonising our profession” continued Dani Peer.

The challenge for financial advisors – particularly those still seeking new clients – is to flourish in the face of these headwinds. This environment demands good sales skills. These headwinds are not about to go away. And there are far too many talented advisors whose efforts are not rewarded in productive new relationships and successful commercial outcomes.

“No other profession has several meetings *‘at the advisors expense’*. No other profession invests anywhere close to the amount of time the financial advisor does in business development. So if this is the problem, what is the solution?” asks Dani.

“I recently took a sabbatical to consider this dilemma and to identify an appropriate solution. I have captured my thinking – and indeed what I believe to be a compelling solution – in a book titled *Powerful Words*. The name highlights the fact that the spoken word is our tool of engagement”.

In writing *Powerful Words* Dani Peer sought to provide answers to the two pervasive challenges faced by advisors:

- Is there a way to sell financial advice that enables me to maintain my dignity as a professional? A way to motivate people to want my services without me having to sound like a crass sales person?
- What value can I deliver on a consistent basis that is under my control, not subject to the vagaries of financial markets, and for which I can levy an ongoing commercial fee?

Dani offers a brand new approach to the first challenge. An approach grounded in buying psychology rather than a selling process.

“The blunt truth is, when it comes to advising people on something as intimate and personal as money, *people don’t want to be sold to*. Advisors skilled in the framework I suggest will be able to facilitate the thought process a consumer takes from the cautious and curious mindset usually present when they first meet with an advisor to the decisive, committed client who now seeks our services. Psychologists call this a cognitive map”, explains Dani.

His thoughts on where he believes the value resides in the advisor-client relationship are more controversial.

“Our profession has been forced into a cost-benefit paradigm that is simply not what our clients need. Our value is in the main qualitative, not quantitative. I believe – and I offer both my input and that of global thought-leaders – that our compliance regime has damaged our ability to best serve the interests of clients. That the cheapest premium, the lowest platform fees and the highest portfolio returns are a very poor way of measuring the value we can and should be providing”.

Of two things Dani is certain: Firstly, many more Australian consumers need financial advice than are currently receiving it. These are not pro bono clients but consumers able to engage an advisor at a fair and appropriate fee. They are buffeted by the headwinds of complacency and ignorance which are compounded by the headwinds of some journalists out to exploit a soft target and a government determined to legislate an art into a science.

Secondly, many financial advisors lack the skills to flourish in this environment. They struggle to secure referral partners who genuinely believe in financial advice; and they put in considerable effort with people who don’t understand their own needs and don’t respect the advisor’s time or expertise.

“Is *Powerful Words* the definitive answer? It can’t be. We are an emerging profession and I have much to learn. It does tackle the big hurt points that many advisors endure and provides some new and constructive guidance that will support many advisors to enjoy more success”, concluded Dani Peer.

Notes to the editor: *Powerful Words* is available at online sites including Amazon and Booktopia and at www.powerfulwords.biz

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