

Climbing To The Top Of The Value Stack Pyramid

As certain financial planning capabilities become increasingly commoditized, these firms are adding services to help clients achieve fulfillment and add value.

To remain competitive in a rapidly changing landscape, many advisors are taking a hard look at their value propositions in an effort to deliver greater value to their clients and compete for new business.

As the Baby Boomer generation begins to retire en masse, many advisors are looking toward Gen X/Y and Millennials for future growth. But the needs and preferences of these younger investors are vastly different from Baby Boomers.

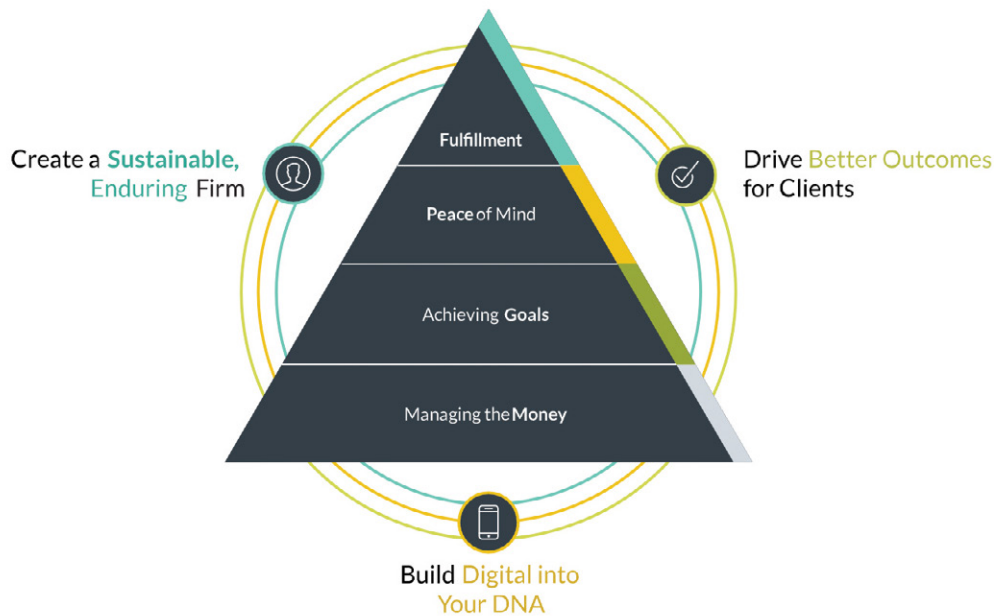
For example, 62% of Gen X/Y investors surveyed by Fidelity said they would like their financial advisor to provide comprehensive services that include tax planning and estate planning, versus only 25% of Baby Boomers¹. These younger investors are also much more inclined to consolidate more of their assets with a primary advisor (48% vs. 18%).

Some Gen X/Y investors are extremely focused on maximizing their savings so they can retire early and pursue their passions. A wide range of factors are competing for their time and money, including work, kids, mortgage, and caring for aging parents.

“What we’re finding from the Generation X and Generation Y investors is their aspirations are much more about financial freedom and work-life balance,” said David Canter, executive vice president and head of the RIA segment at Fidelity Clearing & Custody Solutions. “Clients today perceive their advisors to be more valuable if they can deliver peace of mind and fulfillment, rather than simply focusing on money management and achieving financial goals. However, attitudes do differ depending on investors’ ages and income.”

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—David Canter, executive vice president and head of the RIA segment at Fidelity Clearing & Custody Solutions



Source: Fidelity State of the Wealth Management Industry 2017: The New Value Drivers

A New Value Stack

Last year, Fidelity Clearing & Custody Solutions introduced new advice value drivers for wealth management firms to articulate and help in delivering greater value to their clients. This new “advice value stack” was inspired by Bain & Company’s “Elements of Value².” It suggests that advisors start by managing their clients’ money, build upon that to help clients achieve their goals and peace of mind, and then ultimately help clients reach fulfillment: a sense that they have accomplished their life’s purpose and are leaving a legacy.

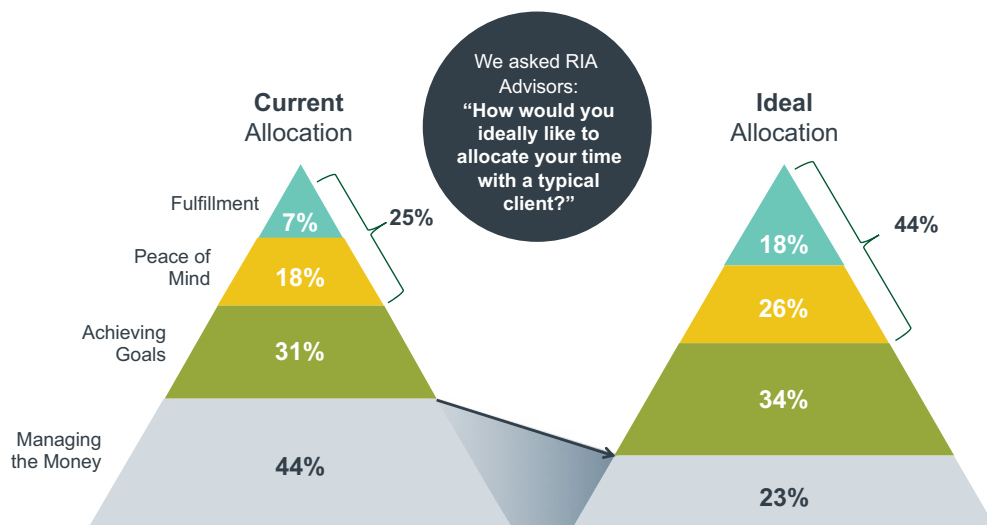
“Advisory firms are being challenged to create more value with their investor clients. But how do they do that? Through new advice value drivers that deliver better outcomes for clients, building digital into your DNA, and creating sustainable, enduring firms,” said Sanjiv Mirchandani, president of Fidelity Clearing & Custody Solutions. “To achieve success, firms must be methodical in how they deliver value and be open to delivering it differently in order to move up through the layers of the value stack.”

Being open to new ways of delivering advice is an idea that Securities America, a broker-dealer

based in Omaha, NE, has embraced. The firm currently deploys a four-pronged approach to help its advisors adapt to the shifting financial services landscape. This includes an ongoing focus on traditional asset management and financial planning services, as well as two newer programs that focus on behavioral finance and longevity planning.

However, Securities America also recognizes that advisors looking to engage with younger clients may need to engage with these investors in different ways. And that’s where Fidelity’s new value stack may offer a potential blueprint for success. The firm is working to raise its advisors’ awareness of Fidelity’s value stack concept by inviting Fidelity executives to speak at its annual spring conference.

“It may be difficult for an advisor to deliver everything that’s in the value stack well,” says Kirk Hulett, Executive Vice President of Strategy & Practice Management at Securities America. “That’s why we encourage our advisors to pick some items from the foundational level of the stack that they’re good at, as well as some services from the higher tiers, and go deep on those, rather than being thin and wide.”



Source: 2017 Fidelity Value of Advice Day Pre-Work Survey completed online by attendees in advance

Hulett also believes that most advisors will need to manage a larger client base than they do today, and a strong technology platform will be necessary in order to achieve that goal. “There is a general understanding that things are going to change. The questions for advisors is, how quickly will they have to respond?,” says Hulett.

During a recent forum at Fidelity Clearing & Custody Solution’s Boston offices, RIA advisors shared their views on the challenges they face and how they hope to reshape their firms. The results of a pre-event survey demonstrated that many advisors would prefer to allocate more time toward helping their clients achieve “fulfillment,” rather than simply managing their money. As the graphic above illustrates, many advisors would prefer to be spending their time differently.

How can your firm make the changes necessary to move higher up on the value stack pyramid? We spoke with the leaders of three RIA firms that have already made a shift to the upper echelons of the new value advice stack. These firms have adapted their practices to focus on helping clients achieve the elusive goal of “fulfillment.” Read on to see what you can learn from their experiences.

Mission Wealth Helps Clients Find Their “Inspired Life Purpose”

Like many ambitious people, Seth Streeeter always strived to achieve traditional markers of success when he was growing up. He studied hard in college, earned high grades, and landed a job as a financial advisor shortly after graduating from the University of California at Santa Barbara in 1992.

Within in a few years, Streeeter was on a solid path toward career, financial, and personal success. But something was missing. He found himself unfulfilled and longing for greater emotional wellbeing and an ability to make a greater social impact on the world.

After realizing that many of the financially successful clients he was advising often suffered the same void in their lives, Streeeter started searching for a deeper way to connect with and advise clients. He attended a workshop on “conscious capitalism” based on a book by Whole Foods founder John Mackey about the benefits of a mission-based business.

Since co-founding Mission Wealth in 2000, Streeeter has helped people “redefine their perspective of wealth beyond the financial.” He was asked to share

his personal message on the TEDx stage in 2016, in a talk titled *The Untethered Life: Wealth Redefined*.

From the outset, Mission Wealth has focused on comprehensive financial planning as the foundation of its practice. However, the firm's approach goes way beyond traditional issues such as retirement, college, and estate planning and focuses on helping clients find their "inspired life purpose."

Redefining Wealth

Streeter's approach to financial planning incorporates a philosophy that he calls "Redefining Wealth." This approach examines clients' lives more holistically and factors in additional components, such as health, the quality of relationships, career satisfaction, physical, emotional, and intellectual wellbeing.

"It's in those moments when clients are showing their vulnerability that we have an opportunity to go underneath the surface and help them identify what's going to really move the needle in their lives, with their fulfillment, and their happiness."

—Seth Streeter, co-founder of Mission Wealth

Mission Wealth's advisors work with clients to identify ways to leverage their passions and talents so that they enjoy more purpose, balance, and impact and achieve a greater "return on life."

Many of Streeter's clients have achieved financial success. But eventually, they often start asking themselves, "what's next?" While they may have the freedom to go off in a new direction, Streeter believes that many clients struggle to figure out this next 3.0 phase of life.

"Many of our clients are close to retirement age. They're around 60 years old, and they want to have an exciting next phase of life, but they don't know what the heck it's going to look like," he says. "A lot

of their identity is still tied to their past professional accomplishments, and their ego and their sense of self-worth are also tied into these past definitions of what used to define them."

This is a time when Streeter and his team work with clients to help them identify their "inspired life purpose." Advisors at Mission Wealth guide clients to help them identify their goals and priorities across many different dimensions, including family, career, charitable giving, as well as personal interests and passions. Through this process, they often find that even after clients identify a priority, they often have yet to take meaningful action to achieve that goal.

For example, a client may have indicated she would like to make more of an impact in the community, but she has not taken the time to get involved with local nonprofits. Or perhaps someone wants to improve his or her physical health or explore intellectual growth. Through Mission Wealth's discovery process, advisors will provide clients with the resources they need and coach them on how to achieve these important goals.

Embracing the Emotional Side of Financial Planning

Mission Wealth's approach goes beyond facts and figures and oftentimes deals with clients' emotions. While many advisors will typically shy away from these situations, Streeter and his team view this as an opportunity to understand their clients better.

Advisors often encounter situations where they are talking to a client about something related to their family and the client starts to get emotional and tear up. A typical advisor will be sympathetic and perhaps offer their client a tissue or a drink of water. Then, after the client collects himself or herself, they will delve right back into the financial planning issue, without addressing the underlying emotions.

"It's in those moments when clients are showing their vulnerability that we have an opportunity to go underneath the surface and help them identify what's going to really move the needle in their lives, with their fulfillment, and their happiness. It's beyond having tools in our holster should a client

become really emotional. It's about finding a portal to have the greatest impact in a client's life."

Streeter acknowledges that many advisors are not comfortable disclosing vulnerability in their own lives, so they may not be comfortable helping clients deal with these issues. To help his team become more at ease, he has brought in psychologists, therapists, and communications experts to train his staff on how to show empathy and communicate around some of these difficult subjects.

"This was really impactful because our advisors would sit in meetings, and they would say, 'Wow, we had a breakthrough there. A client really opened up and I feel like my relationship has changed. And now they're becoming more engaged with us in other ways.'"

Clients have reacted favorably to Mission Wealth's Redefining Wealth approach. They currently make this service available to all of their top clients and they are also working to make it scalable for lower tier clients. Streeter and his team are infusing this philosophy and approach throughout his firm's culture and the client experience. For example, Mission Wealth's website includes a "redefining wealth" link that provides access to videos, podcasts, and assessment tools that clients can use to identify and achieve their "inspired life purpose." The website also includes a Return on Life assessment tool for clients to evaluate their life satisfaction levels.

As certain components of financial planning become more commoditized and fees continue to be compressed, Streeter views his Redefining Wealth program as the best way to add more value for his clients and compete.

"We think it's really important that we circle the wagons around our existing top clients, and this is one of the ways that we're doing that."

"We want all clients to be familiar with our Redefining Wealth services because that's another incentive for them to bring additional assets and to grow their relationship with us." Not only is this a way to have deeper engagement with clients and to improve client retention, but it also is far more fulfilling as an advisor. So, this is a win-win. You're

making a bigger impact in the client's life and this type of work is far more enjoyable."

"I have had prospects who say they chose me specifically because I offer life planning and coaching."

—Abbey Henderson, founder and president of Abaris Financial Group LLC

Abaris Financial Focuses on Coaching and Life Planning

For Abbey Henderson, the most satisfying part of working as a financial advisor has always been her ability to establish deep, long-lasting relationships with her clients. So it was probably no surprise to her clients when two years ago, she decided to roll out a formal life coaching program by becoming a Registered Life Planner® (RLP).

Henderson, the founder and president of Abaris Financial Group LLC, a wealth management and financial life-planning firm in Concord, Mass., believes that life coaching is a valuable skill that enables advisors to help their clients achieve goals beyond financial security. In an industry in which certain services are being commoditized by digital service providers, In Henderson's opinion, it's increasingly important for advisors to not only differentiate themselves, but also to justify their fees and add value.

Over the past two years, Henderson has gradually rolled out her life planning services to existing clients and to prospects. The service is included within the management fee she charges her best clients, while other clients can choose to pay a separate a la carte fee for life planning. While some clients prefer to stick with a traditional money management relationship, Henderson is finding more prospects who are attracted by her life planning services.

"I'll often hear clients say they want an advisor who sees them and not just their money," says

Henderson. "They want a close relationship and a partnership. And I have had prospects who say they chose me specifically because I offer life planning and coaching."

Henderson believes that life coaching is about listening deeply to clients, enabling them to express themselves fully, challenging assumptions, and being an accountability partner. She believes a coach who is also a trained financial advisor has the added benefit of being able to examine a client's values and vision within the context of a financial plan.

Some of Henderson's coaching approach is based on a model offered by the Kinder Institute of Life Planning, a program specifically for financial advisors that focuses in part on goal planning and visioning. To become a Registered Life Planner®, advisors are required to attend a two-day workshop on the seven stages of money maturity®, followed by a five-day life planning workshop.

A 6-month mentorship program that features group teleconference calls and one-on-one guidance from an experienced mentor is the final step to becoming a Registered Life Planner®. Henderson explains that each person in the mentorship group takes turns presenting a real-life case study from an actual client with whom they worked.

"If a client can't really see, taste, and smell what he or she's trying to achieve, it's not really motivating them to put away that \$1,000 a month."

—Abbey Henderson, founder and president of Abaris Financial Group LLC

In the past, Henderson might have asked a client, "What are your goals?" A client might have responded by saying, "I want to educate my kids and retire." Henderson would then run some calculations to figure out whether the client would likely achieve these goals. But she realized that this exercise did not require her clients to consider the reasons why clients had set certain goals.

"In hindsight, I realized that that methodology wasn't very motivating. If a client can't really see, taste, and smell what he or she's trying to achieve, it's not really motivating them put away that \$1,000 a month. But when they can picture it, somehow it's not as hard to put that money away."

For some clients, especially millennials, simply accumulating more wealth does not provide sufficient motivation or fulfillment. Therefore, during coaching sessions, Henderson asks deeper questions to learn about her clients' approach to money and work-life balance, similar to those outlined in the Kinder method, such as:

- What would you do with your life if you won the lottery?
- What would you do if you had five to ten years to live?
- What would you regret if you were dying tomorrow?

Working with couples, Henderson has found that spouses have often never delved beyond superficial levels to understand each partner's approach to money management and even life goals. When she gets them talking about what really matters to them, couples often reach a much deeper level of insight.

"People who have been married 30 years or 40 years will turn to each other and say, "I didn't know that was important to you," says Henderson. "The process is really powerful and it's fun to be a part of it."

Henderson is careful to draw a line between coaching and therapy. "The difference between therapy and life planning and coaching is that therapy is sort of unpacking your past and trying to heal old wounds," explains Henderson. "Coaching, life planning, and good financial planning are all very aspirational. It's how do we look forward? What do you want to do? How are you going to be most fulfilled and how do we get you there?"

While offering life coaching has been personally rewarding to Henderson and her clients, it also appears to be benefiting her firm's bottom line. She is seeing higher client satisfaction and client retention.

"I fully expect client retention to be close to 100% for clients who go through this process. When you've bared your soul to someone, you're less likely to say 'oh, I think I will go down the road to another advisor' simply because your neighbor uses them."

"We are changing our approach, our branding, and our DNA to focus on the higher end of the stack. Only after you do all that work can you change your firm's culture."

—John G. Bratschi, CEO of Seaward Management

Seaward Management Charts A New Course

Making the decision to change the way your firm conducts business and serves its clients is one thing, but actually implementing those changes is where the rubber meets the road. Over the past couple of years, Boston-based Seaward Management has been working to affect a comprehensive cultural change.

"Invoking real change is a major effort that requires commitment," says John G. Bratschi, CEO at Seaward Management. "We did not set out to simply put new frosting on a cake, but we are committed to a new recipe for a new cake. We needed a way to engage our clients, stay engaged in a very human way, and make sure that we are a part of their lives going forward, and not just some name in a Rolodex or some outdated financial plan on a shelf."

Like many RIA firms, Bratschi and his team at Seaward recognized that in order to sustain growth and compete with digital advice platforms, they needed to offer more value to clients. This required the firm to fundamentally alter its approach to client engagement and the value it provides. Rather than focusing conversations solely on money management and asset allocation, advisors at

Seaward are now discussing clients' values and what wealth actually means to them on a more personal level.

"I think our industry is far too focused on money, not people's lives," says Bratschi. "It's an industry designed to help clients die rich, not live rich lives. That's a quote from Joe Duran of United Capital, and I think he's spot-on. To truly move up the value pyramid requires a very significant commitment of time, money, and focus, and I daresay, leadership."

To help facilitate the cultural change it was seeking to achieve, Seaward licensed client engagement tools from United Capital to help improve client interactions and identify clients' priorities. But Bratschi believes that these tools are not enough.

"It would be misleading for someone to think that you could simply plug in the United Capital tools and magically transform your firm into a future-ready firm. We are changing our approach, our branding, and our DNA to focus on the higher end of the stack. Only after you do all that work can you change your firm's culture."

After changing the way the firm's advisors interact with clients, Bratschi says that clients are more highly engaged in the planning process. "I've had clients that I've worked with personally for 10 or 15 years, where one spouse was just totally tuned out, come to me and say, 'John, that's the best meeting we've had in a decade.'" My wife says she hasn't seen me so excited to go to work in my 18 years at Seaward."

A situation faced by one of the firm's elderly-couple clients provides an apt illustration of how Seaward's new approach helps clients strive to make better decisions. This couple in their mid-80's owned a beautiful vacation home on Cape Cod that had been in the family for more than 50 years. However, maintaining the home was becoming an increasing burden. They considered renting the house for income, but couldn't decide if they wanted to manage that responsibility. Meanwhile, their adult children were infrequent visitors and their daughter was struggling financially.

Bratschi was able to engage the couple in a deep conversation that helped them identify their priorities, which were to take care of their daughter

and remove the stress of maintaining the home. The next morning, the clients called with the news that they were putting the house on the market. “You helped us get over the hump and not keep regurgitating the same stuff, and you got us to focus on our priorities,” they said. Bratschi explains that only by helping the couple refocus their conversation on their values and priorities was he able to achieve this breakthrough.

“It’s no surprise to me that two-thirds of women over 65 say that they’ll probably fire their investment adviser if their husband predeceases them,” says Bratschi. “Because RIAs as a group aren’t talking their language or helping them to focus on issues that are important to them.”

To succeed today and in the future, Bratschi also believes that firms need to leverage technology as efficiently as possible. For example, he finds that many clients are happy to interact more frequently online via WebEx meetings, rather than travelling to meet face to face.

“All of these changes have to be done in a very scalable, cost-conscious way if you’re ever going to survive in a market that’s going to be uberized.”

Bratschi believes that moving up the value stack is the best way to remain relevant and to compete with digital advice firms that provide many of the services advisors traditionally have provided, but at a lower cost.

“We think there’s a value in the very humanistic approach of people talking with people about complicated issues that are deeply important to them. I don’t think robos are going to rule the world. I think there’s this personal aspect and this kind of a humanity element to what we’re doing here that’s really important to our clients.”

Additional Fidelity Resources

Learn more about how to bolster the value provided to clients, associates, and the enterprise by accessing these resources on our [client resource center](#):

- [An Introduction to the New Value Advice Stack](#)
- [Drive Better Outcomes for Clients](#)
- [Create a Sustainable, Enduring Firm](#)
- [Build Digital into Your DNA](#)



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For more information, please contact your Fidelity representative.

1. Source: 2017 Fidelity Investor Insights Study. The 2017 Fidelity Investor Insights Study was an online, blind study conducted during the period January 18 through Feb 13, 2017. It involved 1,367 20-minute (on average) online interviews, with the sample being provided by TNS, a third-party research firm not affiliated with Fidelity. The study was focused on understanding affluent investors' attitudes, goals, behaviors and preferences related to investing, wealth management, and advice. Target sample included respondents across affluence levels, from \$50,000 to more than \$10 million in total investable assets, excluding 401K and real estate investments. "Millionaires" defined as \$1M or more in total investable assets. Gen X/Y=21-51, Boomers+=52+.

2. Source: Eric Almquist, Bain & Company, "The Elements of Value," Harvard Business Review, September 2016 <https://hbr.org/2016/09/the-elements-of-value>.

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