

## The Wrong Way to Ask for Referrals The Private Banker's Rule in Action

By Dan Richards  
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There's no shortage of ideas about how advisors should operate – which means you have to be discerning about whose guidance you take. Recently, though, I disagreed with some advice from a top practice-management expert on the topic of referrals.

That expert is John Anderson, Managing Director and Head of Practice Management Solutions for the SEI Advisor Network, based in Pennsylvania.



### Helping clients identify your value

An article by Anderson described a referral by an insurance agent to a colleague. Based on that experience, Anderson recommended that advisors ask clients some questions to help highlight the value they're receiving and to increase the chances of them providing referrals similar to the one that he'd just made. Here's how he concluded his article:

*The next time you have a meeting with one of your better clients, instead of the usual, "If you're happy with my service, please refer me," take five minutes at the end of the conversation and ask:*

- *Why did you select me as your financial advisor?*
- *If someone asked you to describe how I've helped you, what would you say?*
- *What was the trigger that made you decide to get financial advice and/or change advisors? Was there a problem you wanted to solve?*

*By getting clients to answer these questions, you are helping them script answers that they may use with friends and family — and help them identify others that are in similar situations. More importantly, **you are hearing from them what they value in their relationship with you.** And that's better than hearing "I can't think of anyone right now; I'll get back to you."*



## What drives referrals?

I have a somewhat different view on referrals.

Let's begin with the fact that your conversations with clients around referrals are much less important than you might think. My recent research with investors on this subject indicates that the large majority of referrals aren't initiated by a request from advisors; instead, most come, as John Anderson's did, when someone your client knows mentions a problem or asks for help. This is consistent with the 2008 research study on *The Economics of Loyalty* sponsored by Vanguard and conducted by Advisor Impact, in which only 6% of referrals resulted from a direct request by an advisor. (Click [here](#) for the full report.)

So what does lead to referrals, if not requests from advisors? When I talk to clients who've provided referrals and to advisors who've received them, the most common theme is that the advisor has gone the extra mile to provide concrete solutions to significant problems.

Two of my recent articles described instances where advisors had gone above and beyond and received referrals as a result. One featured an advisor who offered to help his top 50 clients summarize all their financial information; he asked them to bring in all of their statements and in 30 minutes created a spreadsheet consolidating all of their accounts and other financial information. The other article profiled an advisor who last fall called his retired clients and suggested that they meet to create a cash-flow forecast.

In neither case did the advisor have to ask clients to describe the benefits they'd received – the value was so clear cut that spontaneous referrals followed. Here are the two articles: [A 30-minute Investment that Landed Three New Clients](#) and [A Conversation that Tripled Referrals](#).

There is one other requirement for above-and-beyond effort to translate into referrals – your clients have to know you're open for business. One approach that has worked for some advisors is to conclude reviews by asking clients if you could take three minutes to highlight the qualities of the clients you work with most effectively and have found you can help the most, should they be talking to friends who might be a fit. No stress or pressure – but it lets clients know that you are taking new clients on.

This [article](#) describes how one advisor saw a big increase in referrals, just by initiating a low-key conversation with clients.

## The private bankers rule

There's one final problem with asking clients to articulate your value –the risk that it positions you as a salesperson rather than a professional. We all want to be seen as professionals, equivalent to lawyers, accountants and private bankers.



If you want to be viewed like an accountants or lawyer, you have to act like one.

Can you imagine a partner in a Big Four accounting firm saying *“Why did you hire me? What did you like about the job I did?”*

Can you visualize a successful lawyer asking, *“How did I help you? What problem did I solve?”*

Or can you see a private banker dealing with multi-million dollar investors saying, as one referral coach advises: *“Please don’t keep me a secret.”*

There’s a simple test for every conversation, whether with existing or prospective clients: Would a successful accountant, lawyer or private banker say this? Call it the private banker’s rule – if you’re considering doing or saying something that a high-end private banker wouldn’t, then you’re jeopardizing your positioning in the minds of the people with whom you’re working.

Even though John Anderson and I differ on referral strategies, overall I find his insights valuable. Click [here](#) to view his articles and to sign up for his emails.

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*[Dan Richards](#) conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries, go to [www.clientinsights.ca](http://www.clientinsights.ca). Use A555A for the rep and dealer code to register for website access.*

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