



Knowledge is Power

A Registered Investment Advisor

www.bigwaveresearch.com

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Big Wave Commentary

Financial Advisors need to stop selling products and start advising clients

The traditional Financial Services industry is becoming a status industry that has decided to rest on its laurels, lacking creativity and ethics. This trend has been disguised over recent years by feeding off of a historic bull market in stocks. Little to no new intellectual capital has been created during these boom years and instead of firms focusing on innovation, firms as well as advisors let the surging markets do all the work. Instead of creating personalized value for clients, the firms relied on glossy brochures and growth projections to make a sale. With little new intellectual capital to fall back on, firms were pressured to pursue petty practices of questionable ethics. The industry is in dire need of a change.

So what should the ideal Financial Services firm look like? How would I set up a financial advisory practice today to reflect my views on what is important to the individual investor? How do we make a significant difference in peoples financial lives? Do we truly add value to that relationship? Or are we just sales people earning commissions on the latest product sale?

The principals needed to run a financial services firm in the future are non existent in today's culture. I believe that if these principals are not adapted within the next 10 years, many firms and advisors will be out of business. It is that important to shift now towards these principals.

First, firms must give their clients the ability to think about their financial problems in ways that have never before been possible. I always say the problem is never the problem. The problem is people don't even know how to think about the problem.

Second, a firm must be able to provide a greater sense of direction, confidence and capability in all areas of a client's life. An advisor should become a

financial coach to their clients. They should meet with clients regularly and design their coaching around their specific needs to build their knowledge, confidence and capabilities in managing their finances.

Thirdly, all advice should be based on the individual client's dangers, opportunities and strengths and not on an advisors need for fees or commissions. Client dangers need to be eliminated, opportunities need to be captured and strengths need to be maximized. All strategies and advice should stem from the conversations surrounding these three important and unique characteristics.

Fourth, all product sales must be eliminated from the advisory firm. Product sales are the root of all evil. They destroy the unbiased nature of any conversation or advice given to an individual. An advisor should advise, period! They should not sell or even have the capacity to sell any product to any individual. Instead of advisors getting paid for selling a product and earning commissions or gathering assets and getting paid an asset fee, they should get paid for their knowledge, experience, creative thinking and the unique financial strategies or services they bring to the table. Clients can then choose to buy the products elsewhere at a fraction of the cost. Financial products are a commodity item today and costs to buy them will continue to drop. So, to truly add value to a client relationship, an advisor has to be unique and make a difference in that client's financial life. Selling them a mutual fund or stock is not unique and does not add value.

Finally, financial advisors need to educate. Financial seminars should be learning and educational experiences, not a sale's pitch for the latest and greatest product. People need education. By eliminating the sales process, the new financial services firm can truly educate the masses by holding

workshops that teach and not sell. People will attend these workshops knowing in advance that it will not be a high pressure sales event but an actual learning experience. By educating people, the scams and bogus investment vehicles common today will be greatly diminished. An educated investor is a wiser, savvier investor. The entire industry will benefit.

This is my model of the new financial services firm and industry. An advice only firm that sells no products and whose principals are outlined above. This would be a firm that challenges and changes the culture and practices within the financial services

industry. This new firm would be cutting edge, that creates intellectual capital and caters to what I believe people are craving in a financial relationship; direction, confidence and capability. There will be millions of baby boomers retiring every day over the next 20 years. They are all in need of unbiased, no strings financial advice. They all need to be educated and not sold. It is of utmost importance to change the old way of doing business.

The time is now for financial advisors to stop selling products and start advising clients.

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