ECONOMICS OF LOYALTY

This study was created and conducted by:

Advisor Impact

641 LEXINGTON AVE., 14TH FLOOR
NEW YORK, NEW YORK, 10022
www.advisorimpact.com

Research Sponsor:

Vanguard®

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Introduction

The Economics of Loyalty is about the scope, depth and quality of the relationship between a client and his or her financial advisor. It is about understanding more about what clients need, want and expect in a relationship and how, if at all, delivering on those things is rewarded. The study started with a question: If we can increase the level of client commitment and then leverage that commitment, what is the economic impact on an advisor's business and on the quality of the client relationship?

With the challenge set, Advisor Impact developed a study that would involve input from 1,000 American investors[1] and would dig deep to understand these issues while providing some tactical direction for advisors who wanted to make changes in the way they manage and grow client relationships. Enter Vanguard. A study of this magnitude demands the support of the industry and Vanguard stepped up as the exclusive sponsor of the research. It would not have been possible without them and for that we are grateful. The study has allowed us to contribute to an important discussion that seeks to understand more about what clients need and want, and help advisors to deliver on that in a meaningful way.

At Advisor Impact, our focus is entirely on helping financial advisors and accountants to improve productivity and profitability. Through our Client Audit program we help individual advisors gather and use feedback from clients to enhance relationships and improve profitability. This study informs the work, which we do on a daily basis, and will help our clients interpret and use that feedback. Our hope is that it will also help advisors to create concrete action plans that will allow them to build truly engaged client relationships.

We look forward to your feedback and thoughts on this research. This will help us formulate the next questions that we need to ask to continue this important discussion.

If you have any questions or comments on the study, please e-mail me directly at jlittlechild@advisorimpact.com.

Sincerely,

Julie Littlechild
President, Advisor Impact

[1] See Methodology and Participant Profile section for more information

A Message From Vanguard

It should come as no surprise that your most satisfied clients are also the best clients for your practice. They tend to be the most profitable, the most loyal, and the most likely to pass along qualified referrals to you.

But what may be surprising is how much your business can improve by engaging your clients and focusing on certain aspects of your client relationships.

Vanguard and Julie Littlechild of Advisor Impact set out to quantify those benefits in this new study called ***The Economics of Loyalty***.

This study underscores that there is a direct economic correlation between having engaged clients and a thriving practice. Knowing what makes clients engaged is essential for an advisor's success. Vanguard is proud to sponsor this study by Julie Littlechild and to also provide a suite of value-added services to help you act on this information through our website, www.advisors.vanguard.com, or by contacting a Vanguard sales executive.

Vanguard is committed to helping you attract and serve clients, grow and manage your business, and continue your professional development. ***The Economics of Loyalty*** is the latest example of these efforts.

I hope you find the insights offered by this study useful in driving your relationships and business.

M. Papariello

Martha Papariello
Head of Vanguard's Financial Advisor Services group

About Advisor Impact

Advisor Impact works with financial services firms to improve productivity and profitability. To that end, the firm provides research, training and tools to help advisors build a foundation of profitable and loyal clients. Advisor Impact works with financial advisors, accountants, broker/dealers and investment management firms across North America and the United Kingdom. The company was founded in 1998 and formed a strategic alliance with Moss Adams, LLP (www.mossadams.com) in 2002.

The Company's flagship program, the Client Audit, is an out-sourced client feedback program designed to help advisors improve profitability by enhancing client loyalty and revenue. Advisor Impact surveys tens of thousands of investors annually, resulting in a database of more than 40,000 clients. As a result, the firm has unparalleled insight into how clients view their advisors, their expectations with respect to service, and gaps with respect to products and services.

ADVISOR IMPACT OFFERS THE FOLLOWING PROGRAMS FOR ADVISORS:

The Client Audit is an outsourced client feedback program that helps financial advisors and accountants gauge client satisfaction and identify specific cross-selling, referral and consolidation opportunities among existing clients. For more information go to:

http://www.advisorimpact.com/client_audit_presentation.html

The Business Success Kit is a practical guidebook and toolbox to help advisors improve practice efficiency and productivity.

Practice Management Workshops address many critical practice management issues to provide advisors with the ideas and tools to streamline their practices, structure effective teams and build for the future.

For more information on Advisor Impact and its programs, visit www.advisorimpact.com,
e-mail your request to info@advisorimpact.com, or
call 877.686.0660 x222

Key Findings

The results of the Economics of Loyalty study support the initial hypothesis that you can positively impact client profitability as you move clients to higher levels of commitment. And while that statement may be intuitively obvious, the real challenge is understanding how advisors can move the needle to push clients to higher levels of commitment. It is at these higher levels of commitment, which we define as the engaged client, that the needs of the client and the advisor are most closely aligned because there is an overlap between satisfaction and profitability.

The following are some of the high-level findings of the study, all of which are explained in more detail in this report:

- There are four client clusters--disgruntled, complacent, content and engaged--that reflect individual behavior and that suggest three distinct client strategies.

- All complacent, content and engaged clients are technically loyal, indicating they have never thought of moving from their current advisor. Because some of these clients are not particularly satisfied, client loyalty is a relatively hollow indicator of the quality of the client relationship.

- As we move up to increasing levels of commitment (from disgruntled to engaged) there is an impact on share of wallet, scope of cross-selling, the extent to which the advisor works with other family members, and referrals.

- Although a majority of clients described themselves as satisfied, all satisfied clients are not created equal. Although average satisfaction ratings between content and engaged clients are not large (8.6 versus 8.8 respectively). there is a potentially large difference in profitability because engaged clients are more likely to refer and/or bring family relationships to the table. As a result, client satisfaction is a poor predictor of referrals.

- Both loyalty and satisfaction are necessary, but are not sufficient conditions of an engaged client relationship.

- The relationship with the engaged client is defined by a higher degree of contact, a more holistic offering and a deeper personal relationship, suggesting specific tactics that would help to engage more clients in a typical business.

- Although a positive client experience may encourage more referrals -- and is clearly a prerequisite for more referrals -- data suggests that advisors must intervene to help clients identify referral opportunities in order to leverage client commitment. Simply asking clients for the names of potential clients is not the most effective strategy.

The Client Groups: Overview

Data was analyzed in a variety of different ways. The primary method of presenting the data, however, is based on four client clusters.

Cluster analysis is a process that groups respondents based on similar patterns of response and can be very helpful in examining and understanding behaviors. Specifically, it allows us to analyze groups based on the outcomes we hope to see (such as referrals or loyalty) and understand what is leading to those outcomes. Based on this form of analysis, the four clients groups – and three primary strategies – emerged:

The cluster	Percentage of sample	Satisfaction rating out of 10	Primary strategy
Disgruntled clients	17%	6.1	Isolate and either fix a known concern or find the client a better solution.
Complacent clients	19%	7.9	Isolate to better understand expectations, particularly if there are any unstated issues that are impacting satisfaction.
Content clients	31%	8.6	Engage the client in order to encourage a more active relationship that includes referrals.
Engaged clients	33%	8.8	Leverage existing commitment to increase referrals.

As might be expected, a very high percentage of clients indicate they are somewhat or very satisified. However, that does not always translate into such things as referrals. By sorting those satisfied clients into different categories and understanding the differences between them, you are in a position to impact the outcome.

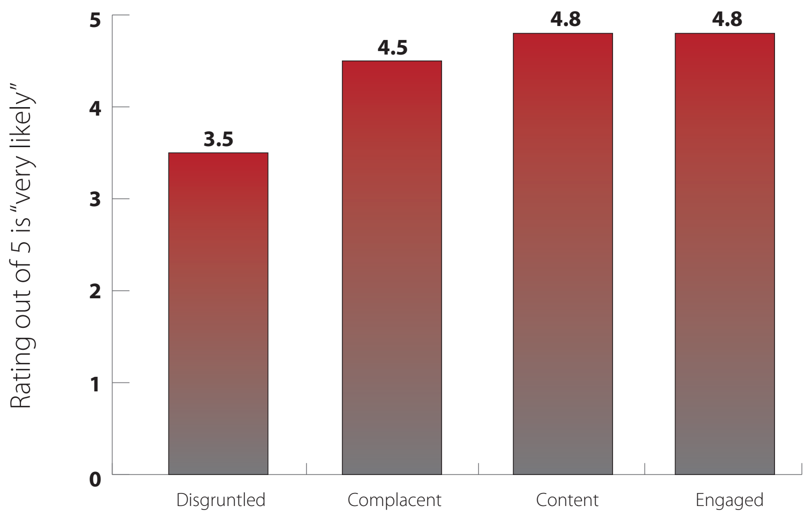
As the data will show, despite relatively similar satisfaction profiles, engaged clients are much more likely to refer business and therefore are more profitable relationships. Understanding the differences between the content and engaged client experience is a primary focus of this study and this report.

A Question of Loyalty

Client loyalty has long been considered the ultimate goal of a service business. The assumption is that our most satisfied clients are our most loyal clients and that loyalty, in turn, supports our business goals. And while we certainly do not disagree that loyalty is a laudable goal, we also believe that it is, ultimately, a hollow indicator of the quality of a client relationship.

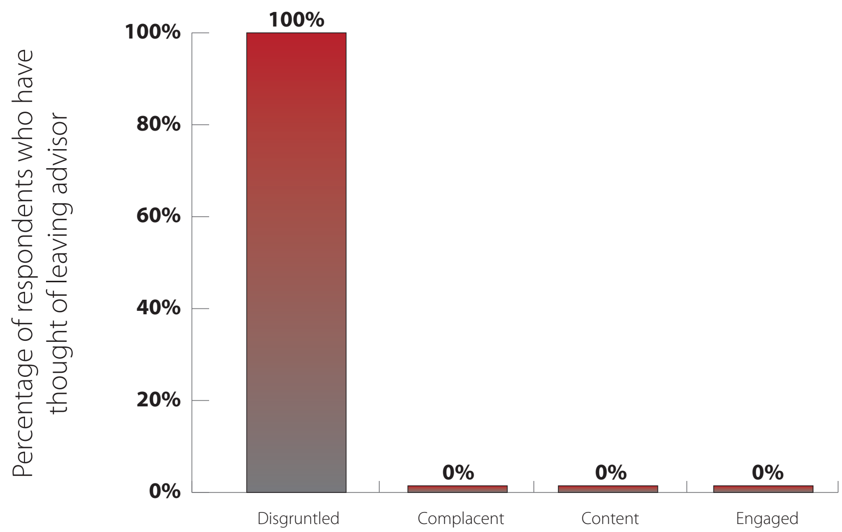
We define a client as being loyal not only if he/she has continued to work with an advisor, but if he/she has never thought of leaving the advisor. This is a simple definition of loyalty, but true nonetheless. The problem is that a very high percentage of clients are technically loyal and many of those are not particularly satisfied.

When asked about their likelihood of continuing to use their advisor, we find the following:



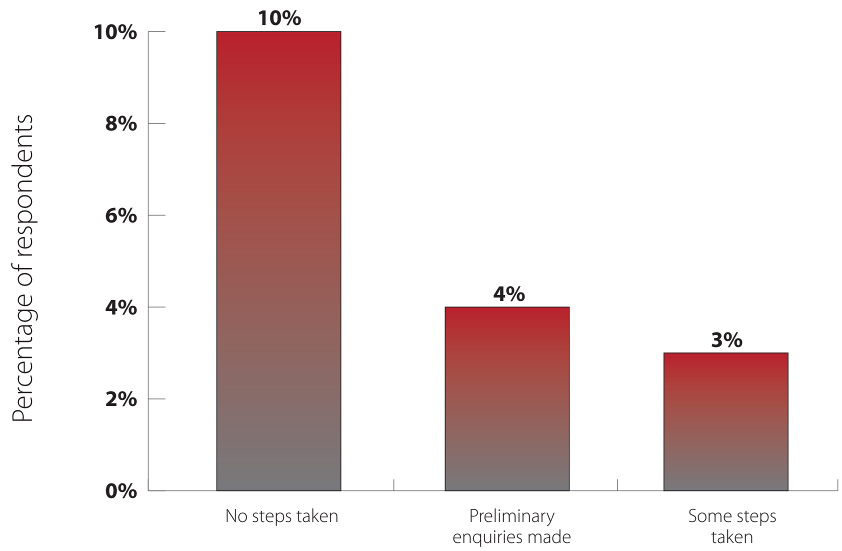
Q: ***How likely are you to continue to use your Financial Advisor to manage your financial plan or portfolio in the next 12 months? Please use a 5-point scale where 1 is not at all likely and 5 is extremely likely.***

However it is simpler to understand risk by focusing on the number of clients who have actually thought about leaving their advisor. As the chart below clearly demonstrates, this is limited to the disgruntled group of clients.



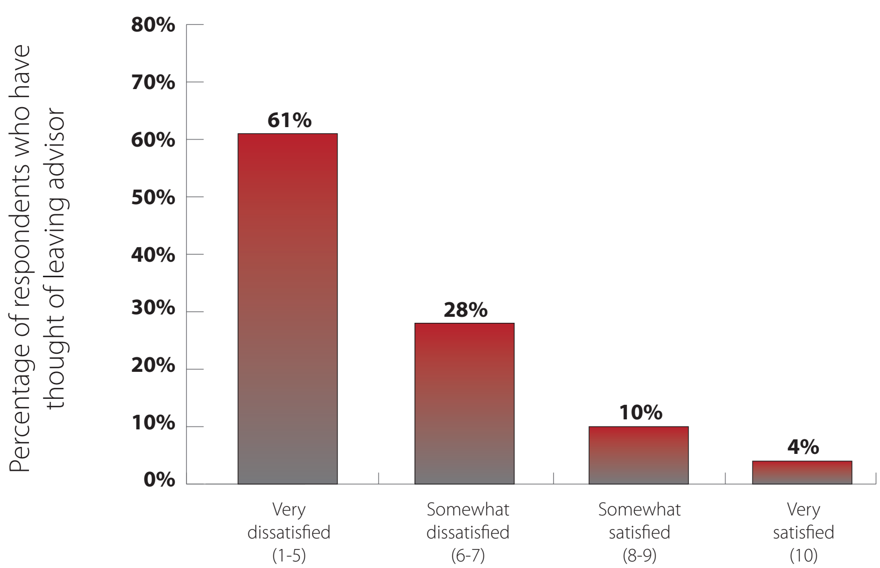
Q: ***Thinking about your current Advisor, which best describes your desire to stay with him or her? (Shows percentage responding "I have not considered switching to a new advisor.)***

Further, we find a disconnect between having 'thought about leaving' and actually doing something about it. Of the 17 percent of clients who said they had thought about leaving their advisor, only 3 percent had taken concrete steps to doing so.



Q: Thinking about your current Advisor, which best describes your desire to stay with him or her? (Shows those who have considered switching and description of action taken.)

Even if we take the focus away from the client clusters and focus only on satisfaction levels, it is clear that many dissatisfied clients have not, and probably will not, leave their advisor.



Q: Thinking about your current Advisor, which best describes your desire to stay with him or her? (Shows percentage responding "I have thought about switching to a new advisor.)

While the pattern of the chart above seems logical, the implication is that nearly 40 percent of very dissatisfied clients have never thought about leaving their advisor.

The reasons that clients stay are varied, however the over-riding issue appears to be a view that the grass is unlikely to be greener should they decide to move. It appears that inertia may be a simple but powerful explanation for the low levels of attrition in this industry.

Reasons for Staying with Advisor	Percentage of Respondents
I don't know that I would do better with a different advisor.	43%
Other	20%
I don't know how I would find a better advisor.	18%
My advisor understands me well and that would be difficult to replicate.	12%
I like my advisor, it's the company he or she works for that I don't like.	11%
I've already tried switching advisors, but found the transfer process too complicated.	11%
My advisor is connected to my other professional relationships (e.g. my accountant).	11%
I have other family members who also use this Advisor.	8%

Q: Why have you not switched Advisors yet? Please select all that apply.

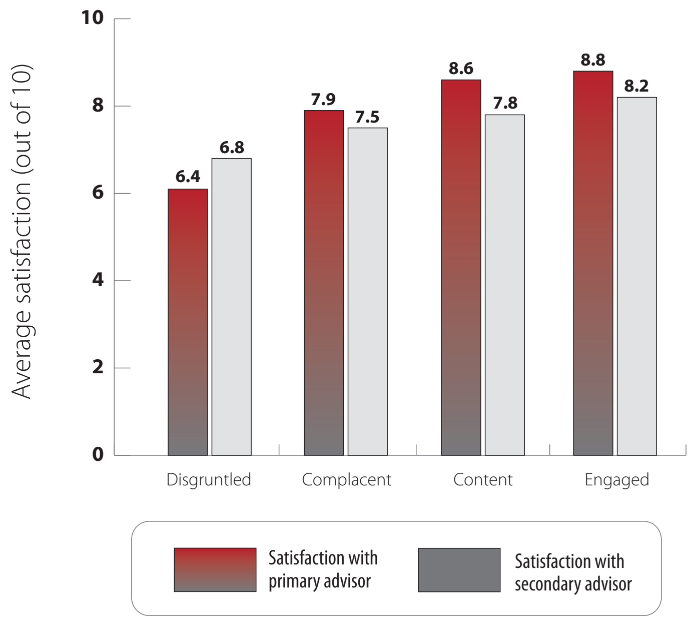
For advisors, there are several implications from the loyalty data.

- Do not assume that a loyal client is a fully satisfied client. You need to dig deeper to understand how clients really feel about the client experience to understand if there are any concerns that need to be addressed.
- As a result of the above, you cannot identify client loyalty as the standard or primary objective in a client relationship.
- When you are asking clients for feedback and then following up on that information, those clients who are merely complacent (as well as those who are disgruntled) will identify themselves in satisfaction scores, providing an opportunity to follow up and understand the situation more clearly.

A Question of Satisfaction

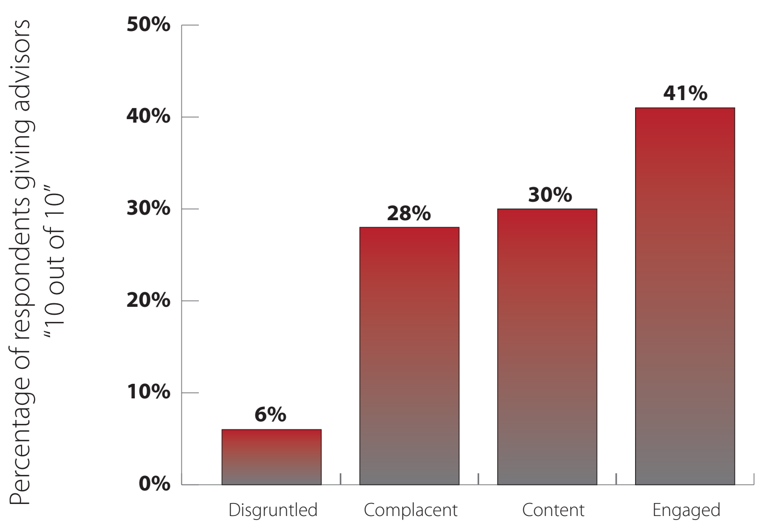
If loyalty does not tell us a great deal about the quality of the client relationship, the level of client satisfaction tells us something more. However, it is important to remember that satisfaction is difficult to understand because it is ultimately a very personal thing. In the same way that the likelihood of continuing to use an advisor doesn't tell us everything about loyalty, satisfaction doesn't tell us everything about the quality of the relationship.

The good news is that clients are, on average, satisfied with their relationships with their financial advisors and the industry can give itself a collective pat on the back. Clients give their advisors an 8.1 out of 10 on overall satisfaction. Satisfaction levels with a secondary advisor (for those who work with one) are somewhat lower.



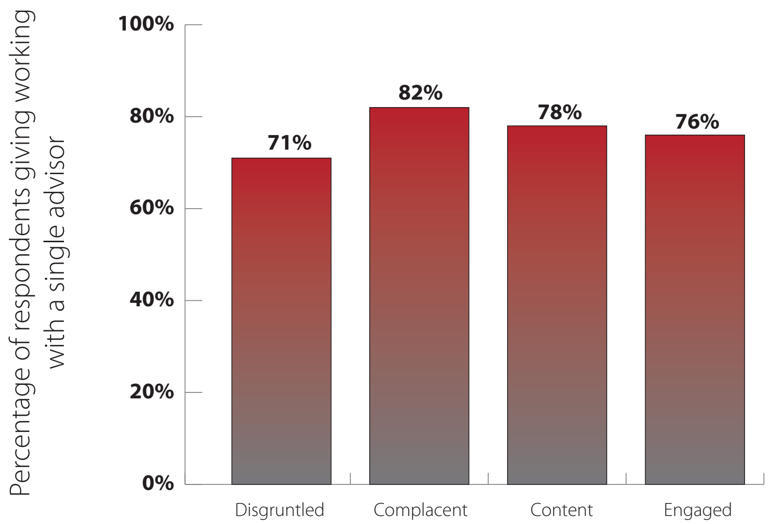
Q: Using a 10-point scale where 1 is not satisfied and 10 is very satisfied, please rate your overall level of satisfaction

At first glance there is little difference between content and engaged clients, which is part of the reason we tend not to differentiate. However, when we focus on the extremes, the picture becomes clear. Forty-one percent of engaged clients give their advisor top marks -- a 10-out-of-10 -- compared with 30 percent of content clients, so the extremes of satisfaction are a differentiating factor.



It is tempting to believe that there is a direct correlation between levels of satisfaction and the tenure of the client relationship. However, the level of engagement is not closely linked to the length of the client/advisor relationship, which suggests that commitment doesn't just grow naturally over time, but is actively built.

Of course some clients work with more than one advisor, even those that are satisfied. About a quarter of clients say they work with more than one advisor, reflecting the view held by most advisors that they manage the bulk of their client assets. Even though that is the case, there may be an opportunity to increase share of wallet.



Q: Do you work with one or more Financial Advisors to help you invest those investable assets or manage other aspects of your financial life?

Client Risk

When is a client at risk? One of the notable factors about client satisfaction in this industry is that clients are, on average, very satisfied and that may lead us to believe that very few relationships are at risk. The key point for advisors is that the relationship seems to have been at risk when overall satisfaction is at a seven out of 10, or less. The numbers suggest that the relationship may never have been great, but there was a further decline in satisfaction just prior to making a change.

	Satisfaction out of 10			
	Disgruntled	Complacent	Content	Engaged
In the three months leading up to me making the change	5.3	6.4	5.5	4.5
Prior to that time leading to making the change	5.8	6.7	6.0	5.7

Q: How would you describe your level of satisfaction with your previous primary Financial Advisor?

If nothing else, the fact that 52 percent of all clients said they had changed advisors at some point suggests that clients will move if they feel pushed to do so or, although many clients make the change because it becomes necessary (e.g. they move away or an advisor passes away).

Implications:

- Satisfaction levels do tell us something about the depth of the relationship, however only the extremes will provide information as to whether a client is actively engaged in the relationship.

- By understanding levels of satisfaction, advisors can intervene early and mitigate the inherent risk in any book of business.

- It would be wrong to assume that just because a client is satisfied he or she will refer, as the data in the next sections will demonstrate. A satisfied client may not be the final goal.

Client Engagement: The Risk and Return

Before we examine the differences between the client segments that were identified, it is important to understand why it is important to try and move clients to higher levels of commitment. What are the risks and what is the potential return?

The risks can only be inferred from the data, although the following seem evident:

The Segment	The Risk
Disgruntled	Given that all disgruntled clients have considered switching, the risk of attrition is high with this group. While many have not taken any concrete steps to make a change, the risk is clear.
Complacent	Complacent clients would not necessarily describe themselves as dissatisfied, but nor would they describe themselves as satisfied. They are sitting on the proverbial fence and this creates both a reputational risk and what we might call an 'emotional risk' -- the cost and effort of dealing with clients who are not particularly satisfied.
Content	While there are no traditional risks associated with working with satisfied and loyal clients, in this case there may be an opportunity cost as these clients are not necessarily actively engaged in the relationship.

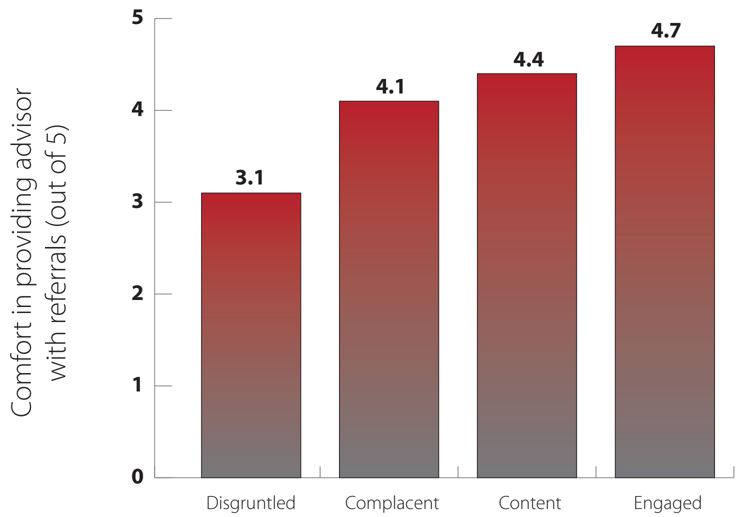
The real story, however lies in the return because there is a demonstrable impact on the potential profitability of the client relationships as we move to increasing levels of client commitment. The study examined four different aspects of return: client referrals, working with family members, cross-selling and share of wallet.

Client referrals

Referrals were the most obvious form of return on client commitment and the data clearly reflects the mystery we described at the outset: Why do some satisfied clients provide referrals while others do not?

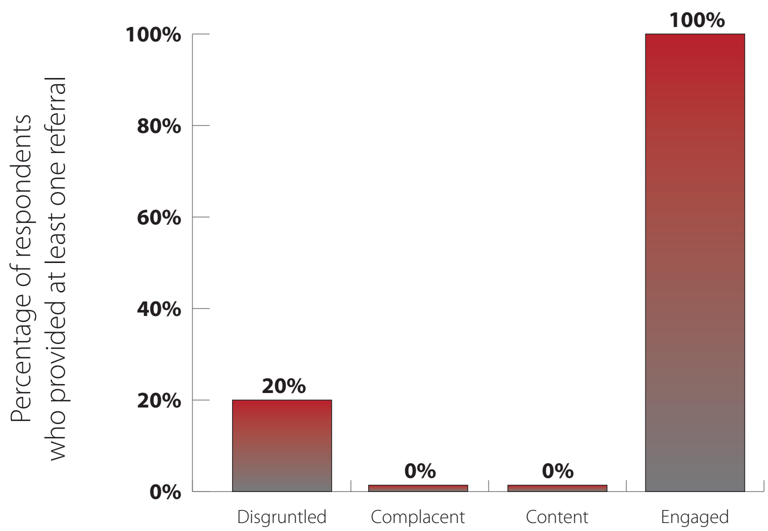
Perhaps the most important point to recognize is that there is a difference between being comfortable providing referrals and actually providing referrals. It is up to the advisor to leverage client comfort and that is what is likely to produce results. You'll find more information on the data in this area in the next section on Leveraging Client Commitment.

As the chart on the next page shows, clients who are more committed to the relationship are more comfortable providing referrals.



Q: ***I am comfortable referring my Financial Advisor to a friend, family member or colleague. Please use a 5-point scale where 1 is Strongly disagree and 5 is Strongly agree.***

However, there is a similarly clear disconnect between comfort and action. The chart below shows that virtually all of the referrals are coming from engaged clients.



Q: ***Have you provided a referral to your Financial Advisor in the last 12 months?***

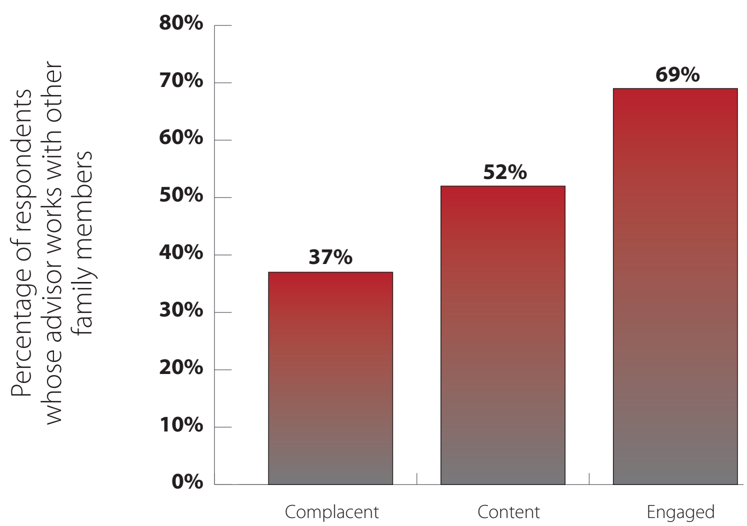
There is an obvious anomaly with disgruntled clients, although one that may be explained by the frequency with which those clients were asked for referrals despite the fact that the relationship is on a shaky foundation[2]. This anomaly aside, the impact of client engagement on referrals is striking. The average engaged client provided 2.3 referrals to their advisor, so each engaged client is worth (depending on the size of the referral) more than 200% of their own business.

[2] See Leveraging Client Commitment section

Working with Family Members

Although some advisors see the opportunity to work with other family members as a referral opportunity, Advisor Impact takes the view that successfully implementing family wealth management is a strategic issue. It is more about structuring a business and a team to manage wealth across generations than a tactic to increase referrals.

We will look at including family wealth management later in this report (see the section entitled The Offer). However, the impact on profitability when working across the entire family is clear: engaged clients are much more likely to say that their advisor also works with other family members.



Q: Does your primary Financial Advisor work with other immediate family members?

Cross-Selling

It is more difficult to identify the benefits of cross-selling simply because many advisors are charging fees that incorporate all services. However, in an effort to understand this issue, the study asked clients about a range of services that they had in place with their primary advisor versus those that were in place with a secondary advisor. This provides insight into the extent to which clients are taking advantage of the full range of services available to them and we can infer that this may impact the fees charged.

In addition to asking clients about the services in place through a primary advisor, we also asked if there were services not yet in place that they defined as a need. While not a perfect indicator of real need, it sheds some light on the potential opportunity that still exists among clients – or the low-hanging fruit.

Service	In place with primary advisor	In place with secondary advisor	Not in place but may need	Not in place and don't need
Planning for income needs in retirement	66%	10%	8%	15%
Comprehensive financial planning	64%	8%	12%	15%
Estate planning	35%	19%	23%	22%
Tax planning	32%	25%	14%	26%
Trust services	26%	16%	19%	36%
Life insurance	23%	32%	5%	38%
Education planning	20%	7%	4%	68%
Disability insurance	15%	20%	12%	49%
Critical illness insurance	14%	20%	20%	41%
Planning for needs of aging parents	10%	5%	11%	71%

Q: ***There are many different services available through Financial Advisor, depending on your specific needs. For the services below, please select the best response for your situation.***

It is interesting to note that, although not included here, insurance services were considered among the services most in demand, suggesting an opportunity for advisors to partner more closely to ensure that all needs are met. There may, in fact, be a direct link between engaging clients and proactively introducing them to the services that are needed and/or of interest.

The difference between the clusters is underscored when we focus only on the services in place with primary advisor (the second column in the above table).

	Percentage indicating service was already in place with primary advisor			
	Disgruntled	Complacent	Content	Engaged
Estate planning	20%	27%	33%	47%
Tax planning	19%	26%	31%	42%
Planning for needs of aging parents	11%	7%	7%	14%
Planning for income needs in retirement	45%	57%	71%	77%
Education planning	19%	14%	16%	27%

Trust services	17%	20%	21%	37%
Comprehensive financial planning	38%	52%	72%	77%

There is a pattern of proactive behavior among the advisors of engaged clients, as the table below shows.

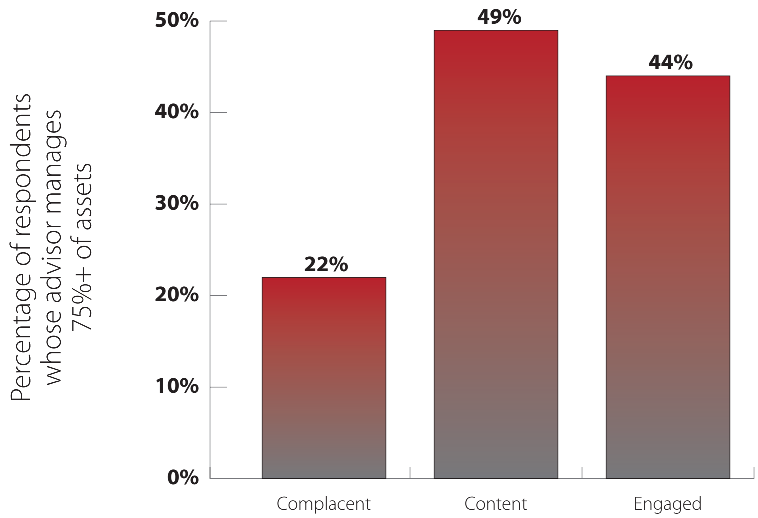
	Disgruntled	Complacent	Content	Engaged
My financial advisor proactively makes recommendations during our review meetings	32%	39%	59%	67%
My advisor provides information or education (e.g. a newsletter or workshop) to keep me abreast of what is available	30%	35%	41%	51%
Learning I read new products or opportunities... then I ask my financial advisor for more information	47%	47%	41%	50%
Other	7%	5%	4%	4%
None of the above	22%	15%	11%	4%

Q: How do you typically learn about new services, such as those listed in the previous question, that you should consider? Please select all that apply.

Share of Wallet

Share of wallet tends to increase as clients move into the content category and is less impacted by client engagement. However, it is clearly impacted by moving from complacent to content, supporting the overall trend.

While it is difficult to assess maximum share of wallet, we have looked at those clients who indicate that their advisor manages 75 percent or more of their total investable assets.



Q: What percentage of your investable assets are managed by your primary Financial Advisor, including all mutual funds, stocks, bonds, 401(k), IRA and other retirement accounts (excluding real estate)?

Only about one-quarter of clients say they work with more than one advisor; those numbers are broken down by cluster in the table below.

Number of advisors	Disgruntled	Complacent	Content	Engaged
One	71%	82%	78%	76%
Two	20%	13%	18%	20%
Three	5%	4%	3%	2%
Four or more	5%	1%	1%	2%

Q: Do you work with one or more Financial Advisors to help you invest those investable assets or manage other aspects of your financial life?

There is no correlation between client commitment and those who have said they have consolidated with a single advisor. In fact, 40 percent of disgruntled clients say they have consolidated with a single advisor, compared with 34 percent of engaged clients.

A share of wallet that is less than 100 percent does not necessarily mean, of course, that clients are working with other advisors. Although engaged clients (and clients with higher assets) are less likely to have consolidated with a single advisor, the reason is less likely to be that they have spread the assets across multiple advisors. Rather, they are more likely to have tied some assets up in a retirement account or other vehicle that cannot be influenced by an advisor.

	Disgruntled	Complacent	Content	Engaged
Yes, I have split my assets among more than one advisor.	44%	25%	30%	31%
No, they are locked into a retirement account or other vehicle that cannot be influenced by an advisor.	56%	76%	70%	69%

Q: You mentioned that your primary Finacial Advisor manages less than 100% of your assets. Are the other assets managed by another advisor?

In the final analysis, we can see a clear and consistent pattern when we move up the client commitment scale from complacent to engaged. Engaged clients are more profitable because they provide referrals, bring their families to the table and take advantage of a broader range of services. It is at this point that the needs of clients and the needs of advisors are most clearly aligned. Clients are satisfied with the level and scope of services, and advisors are able to build on that satisfaction to improve revenue and profitability. That very alignment makes client engagement the new standard and the appropriate goal in client relationships.

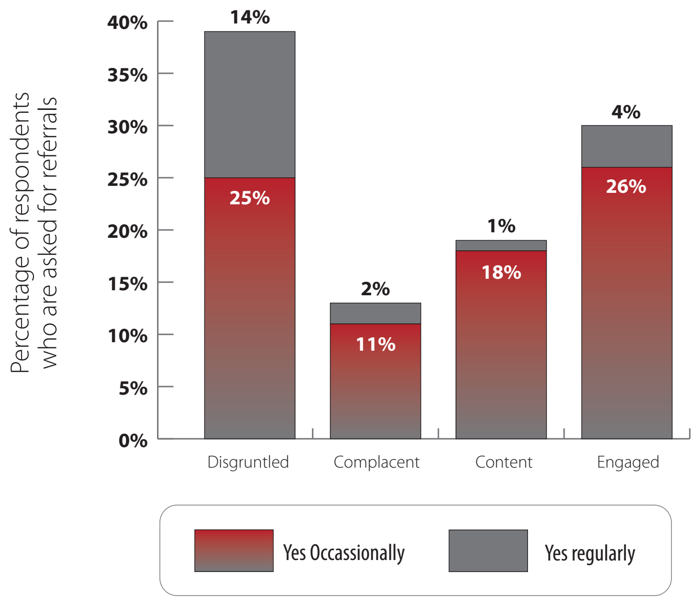
The implications:

- Engaged clients are more profitable than content clients, so a primary goal should be to move more clients into the engaged category.
- The above supports the notion that fewer, better clients may be the best path to improve profitability and efficiency.
- Although it is always difficult to ascertain drivers of behavior, there appears to be a circular relationship at play. More engaged clients tend to do more business – and clients who do more business tend to be more satisfied.

Leveraging Client Commitment

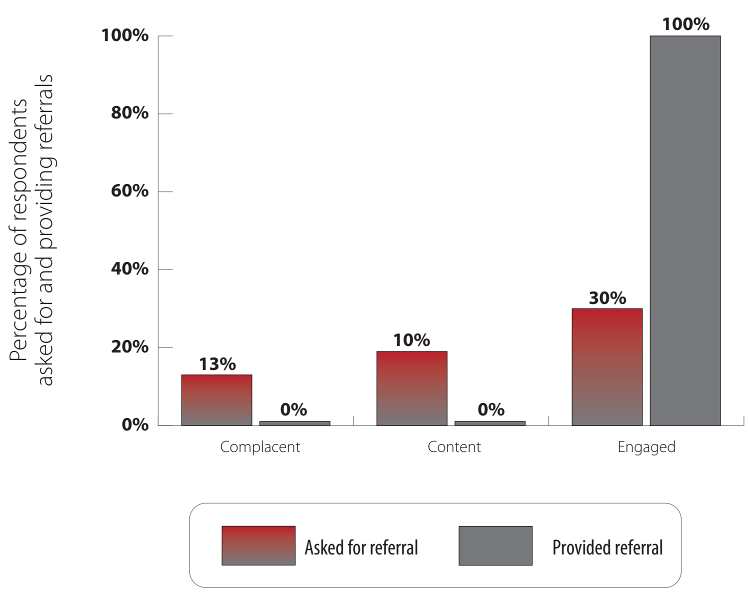
In addition to seeking to understand the link between client commitment and client profitability, the study had a tactical goal: to understand how advisors can encourage clients to offer referrals once they have achieved a high level of commitment. To that end, the questions focused on the circumstances around client referrals and shed light on the strategies that advisors can employ.

While there is a correlation between asking for referrals and getting referrals, the relationship is complicated. As a result, "just ask more" may be very bad advice. You need to ask the right clients, those who are comfortable providing referrals and those who are at least content, if not engaged. The data suggests that the clients who were asked the most were those who were the least satisfied – and that is a recipe for disaster.



Q: Has your Financial Advisor asked you directly to provide referrals?

If we take those disgruntled clients out of the equation, it is clear that the relationship between asking for referrals and receiving referrals is not precise, as the chart below demonstrates.



These numbers suggest that engaged are simply more apt to provide referrals, although the circumstances of those referrals provide some insight as to how you might encourage even more referrals. A majority of engaged clients provided one or two referrals, with an average of 2.3 referrals. However, that number was higher for about 25 percent of engaged clients, as the table below shows.

	Percentage of engaged clients
1 referral	37%
2 referrals	38%
3 referrals	14%
4 referrals	5%
5+ referrals	7%

Q: How many people have you referred in the last 12 months?

Engaged clients were asked about the circumstances of providing referrals and the numbers are telling. It was, at best, rare for a client to provide a referral simply because his or her advisor had asked for a name.

	Percentage of engaged clients
My advisor told me he/she was interested in referrals and I provided a name at that time	6%
A friend/colleague asked me if I knew about a good financial advisor and I made the introduction	45%
A friend/colleague told me about a financial challenge they were having and I suggested my advisor might be able to help.	54%

Q: What were the circumstances of providing the last referral?

The results show very dramatically that the process of asking for referrals does not impact the likelihood of providing referrals. Looked at a different way, the data suggests that the reason clients refer is to do their friend or colleague a favor, not to do their advisor a favor. If that is the case, it substantially changes (or should change) our approach. This is not an issue of just asking for names because you have provided outstanding service. It's about helping the best and most engaged clients to understand the kinds of problems an advisor can solve for their friends, making you a resource that clients want to share. The focus has to be on problem-solving for their friends, not business building for the advisor.

It seems logical that the person most likely to give us a referral in the future is one who has given us a referral in the past. As a result, a key referral strategy is to focus on those engaged clients and leverage their commitment further. To that end, it's instructive to understand any underlying obstacles they see to providing referrals.

When you understand the barriers to providing referrals, it can be even more instructive. It is true that when clients have not provided a referral, it is often because they are simply uncomfortable discussing financial matters with a friend or colleague. That said, among many clients – particularly engaged clients – that isn't the biggest barrier.

	Percentage of 'engaged' clients who responded 'yes'
I am not comfortable discussing financial issues with my friends/colleagues	56%
My advisor has a minimum asset level and I cannot know if others are above or below that minimum	44%
I cannot be sure that my friends/colleagues will receive the same high level of service that I have received	11%
I am not satisfied with the level of service that I receive	0%

Q: Why is it you feel you would not be very likely to recommend your Financial Advisor?

The solutions? You can overcome the minimum barrier simply by letting your clients know the kinds of people you can help. In the example above, for example, you might clarify by saying you work with business owners with 10 or more employees, suggesting a minimum net worth. While it is important to give clients enough information to help them identify a potentially good fit, recognize that they cannot know for sure (think "house poor" neighbors). More importantly, you need to reassure them that if there isn't a fit then you'll refer the individual on to someone else. Remember that the issue of fit doesn't have to be about assets, but more about the needs of that client.

It also helps to be sensitive to the most comfortable approach for your clients. In 75 percent of cases, our engaged clients gave their friend the advisor's name and contact details and in only 20 percent of cases did they give the advisor the contact details to make the first approach. The joint email approach, which may be the most effective, only happened in 11 percent of cases for that group, but may be something you can encourage because it allows you to take control of the message with the clear permission of the client. (A joint email is where the client emails a friend recommending your services, copying the email to you.) It is interesting to note that only 20% of engaged clients said their advisor had provided a thank-you gift in return for a referral. If the assumptions about why clients refer are correct, then this seems logical.

Implications:

- Target referral efforts on those who have expressed a level of comfort in referring to friends, family and colleagues.

- Once targets are identified, the primary strategy should be to help clients spot a referral opportunity. Recognize that clients refer to help their friends and family (rather than the advisor). Thus you should improve your skills in helping clients understand the kinds of problems they can solve and for whom.

- In order to execute this strategy, you need to get back to basics and refine the way in which you communicate the value you deliver to clients. The more effective you are in doing this, the better your clients will be at providing the right kind of referrals.

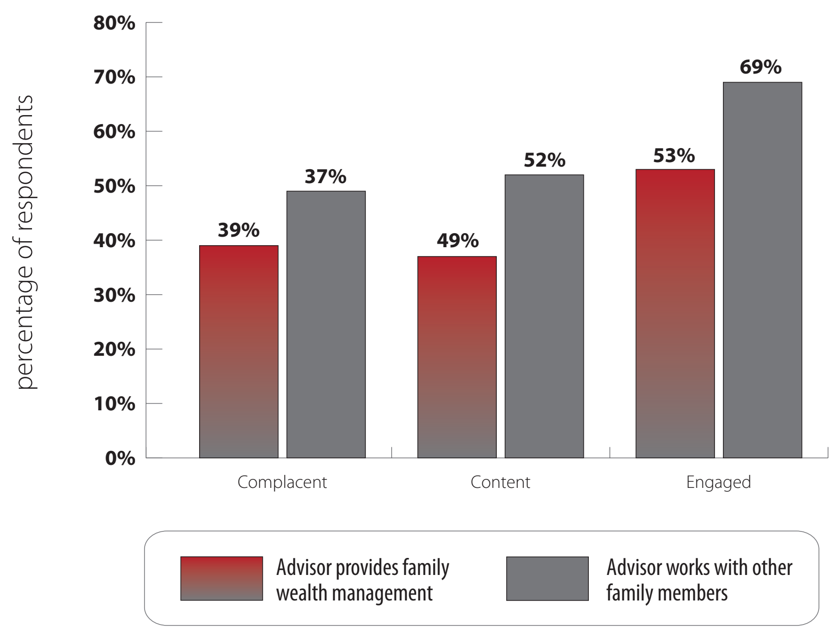
Engaging Clients: The Process

One of the study's primary goals was to focus on the key strategies to help move clients from content to engaged. Of course, you won't know what category a client is when they come in the door, so these strategies are not focused on a single group, but across all clients. Although there are many different strategies, we were able to group them into three distinct categories that are the most useful in examining the behaviors and preferences of engaged clients. These are the offer, the service structure and the relationship, and they reflect some of the key differences between content and engaged clients.

The Offer

Three specific results of the study – family wealth management, trusted advisor role and scope of planning – support the notion that clients receive an increasingly holistic service as they move from complacent to content. We introduced this notion in the section on cross-selling as a means of highlighting the potential revenue or profitability associated with engaged clients. Engaged clients said they tended to take advantage of a broader range of services offered by their advisor, including estate planning, trusts and tax planning.

Family Wealth Management: Engaged clients are more likely to take advantage of the family wealth management opportunity presented by their advisor; 69 percent of engaged clients indicated this, compared with 52 percent of content clients. This aspect of advisor service was defined as working to manage the wealth, as a family, rather than working very separately with individual family members.

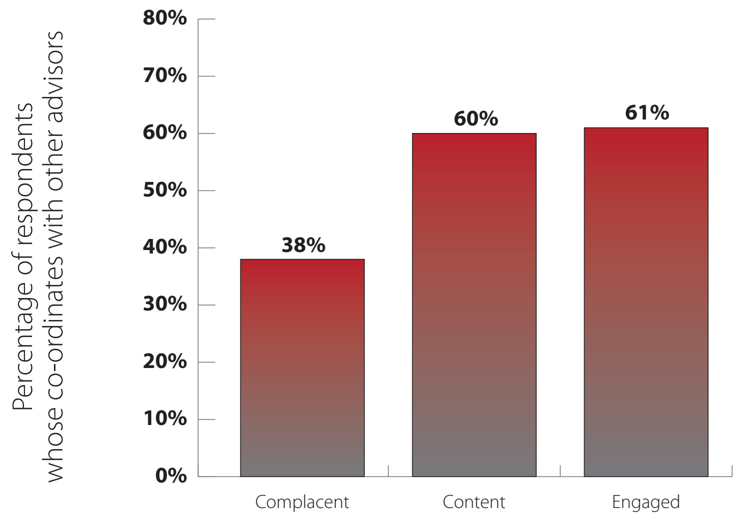


Q: Does your advisor provide a service that helps you with managing or transferring your wealth across generations, often referred to as 'family wealth management' ?

Q: Does your primary Financial Advisor work with other immediate family members?

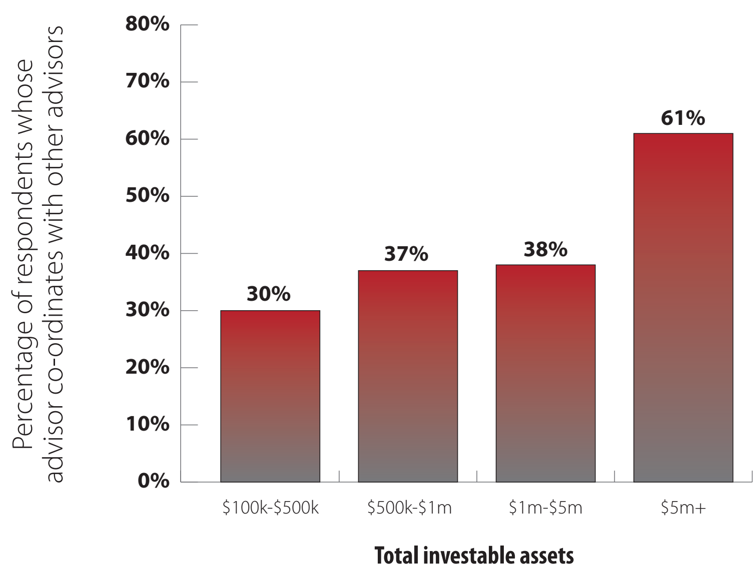
It is interesting to note that while roughly the same percentage of clients say that their advisor offers family wealth management, a much higher percentage of clients say their advisor works with their children, this suggests a higher level of success in implementing that strategy.

The Trusted Advisor Role: The holistic trend continues when we look at how the role of trusted advisor changes as we move from complacent to engaged clients (This is particularly noticeable during the gravitation from complacent to content.) As we move from one level to the next, advisors are more likely to play a co-ordinating role (the "quarterback") across a client's other professional advisors.



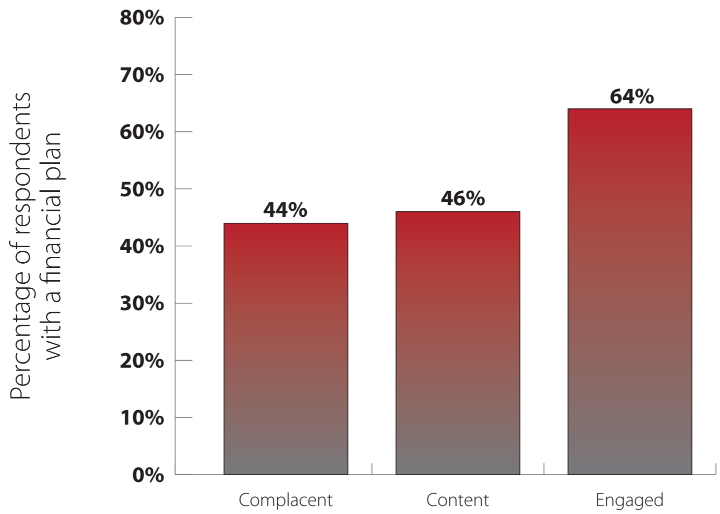
Q: Which, if any, of the following best describes the role that your primary advisor plays relative to other professional advisors with whom you work (e.g. accountant or lawyer)? (Shows percentage responding "My advisor plays a central role in my financial life, coordinating or working with my other professional advisors as and when required.)

This trend is even more pronounced when we look at the client's assets -- an important element in determining the importance of this role.



However, client assets are not the primary driver of this demand for an advisor to play a co-ordinating role. Engaged clients respond positively to this type of service, whether large or small.

Scope of planning: The final aspect of the offer addressed by the study is the existence of, importance of and satisfaction with the financial plan. The data suggests a very clear trend toward financial planning among the most engaged clients. To begin with, we find that a much higher percentage of engaged clients have a written financial plan.



Q: Do you have a written financial plan which may include insurance tax planning, retirement planning, estate planning, or some combination of these items?

Furthermore, 57 percent of engaged clients indicated that having a written financial plan is critically important and another 26 percent said that it was somewhat important. Fifty-one percent of content clients think of this as critical; the number declines substantially to 43 percent for complacent clients.

In terms of satisfaction with the plan, 69 percent of engaged clients say they are very satisfied that they have a clear plan in place for retirement, and that number drops to 58 percent among content clients.

Implications:

- Advisors may need to evaluate their offer to ensure it reflects the needs of existing clients and that it takes a comprehensive approach to managing client/family needs.

- If you focus on high-net-worth clients, make sure you are actively positioning yourself as the trusted advisor, co-ordinating across the other advisors in the lives of their best clients.

- Those who offer family wealth management or financial planning should not assume that the offer is enough. It may be important to focus instead on the extent to which those services are actively used by your clients.

The Service Structure

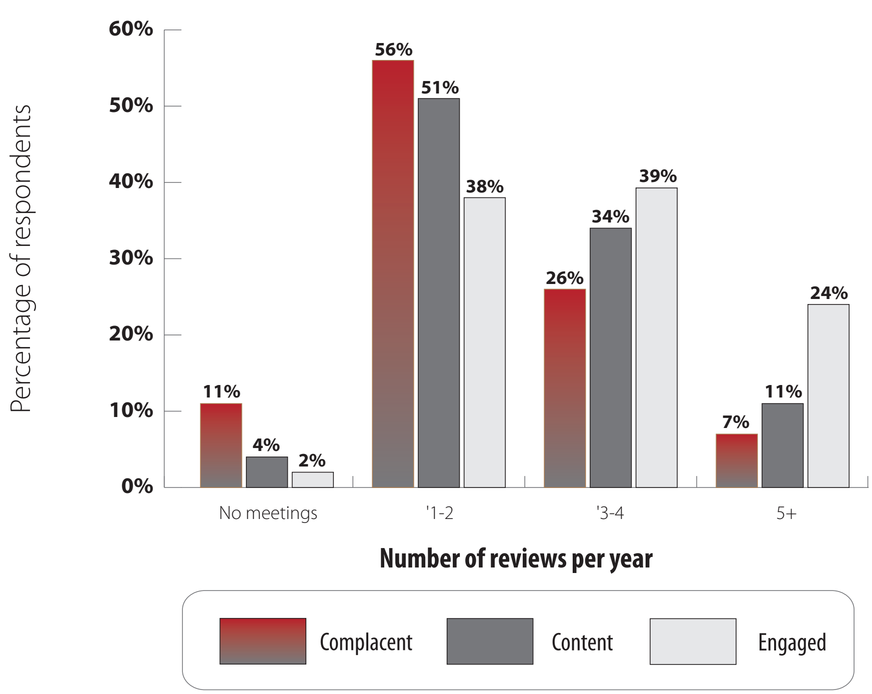
The *Economics of Loyalty* gathered a great deal of information on the subject of what clients need, want and expect from an advisor, so there is a wealth of information on service. Results related to service delivery are summarized here, as they relate to the expectations of engaged clients, however you will find all of the detailed findings on this topic under the section called General Findings: Satisfaction and Importance.

When it comes to client expectations and the scope of contact provided to clients, it is clear that engaged clients may be more expensive relationships to manage. They demand slightly more contact, on average, and they also receive slightly more contact. It may be important to remember this point when we look at the relationship issues. The reality is that engaging a client is an active and personal process, so makes perfect sense that they meet more often with their advisors.

Clients were asked about their expectations regarding the number of times they meet with their advisor to review their plan, and about the number of reviews they actually received. As typically is the case – and reinforced by Advisor Impact's ongoing client research – clients generally indicate that their advisor is outperforming with respect to frequency of contact.

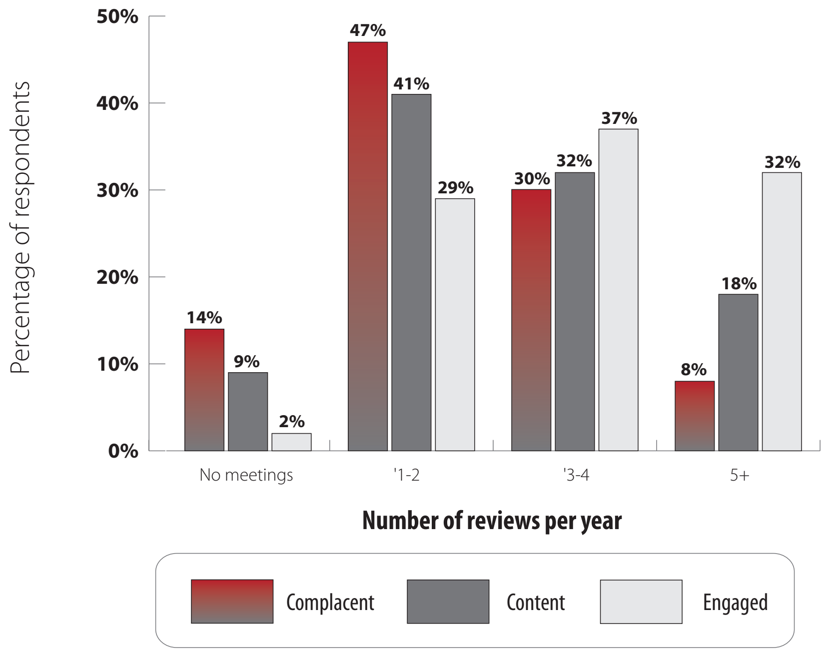
Not surprisingly, clients have ranging views regarding the expected frequency of contact, which supports the notion that tiered service levels are appropriate -- both as a way to manage client profitability and in order to deliver a meaningful level of service.

The chart below shows the levels of contact expected. Fifty-two percent of engaged clients expected four or more review meetings per year, a jump from 36 percent of content clients. The range of contact expectations is as important as the scope of contact expectations.



Q: In a typical 12-month period, how often do you expect to meet with your advisor (either face-to-face or by telephone) to review your financial plan or portfolio.

When we focus instead on the number of review meetings that clients actually held, a few things become clear. Similar to expectations, there is a wide range in the number of meetings held. Moreover, as we move up the commitment scale, advisors tend to outperform on frequency of contact. And very few engaged clients were forgotten, compared to disgruntled and even complacent clients.



Q: Thinking about the last year only, how often did you actually meet with your advisor (either face-to-face or by telephone) to review your financial plan or portfolio?

The extent to which expectations were exceeded on this issue also come to light when clients were asked about their satisfaction on the issue of frequency of contact. Seventy-three percent of engaged clients gave top (5 out of 5) satisfaction ratings, compared with 62 percent of content, 49 percent of complacent and only 27 percent of disgruntled clients.

We provide complete details on the 21 different service dimensions in the General Findings: Satisfaction and Importance section. Below is a summary of those service dimensions that represent the most substantial differences between content and engaged clients, expressed as the percentage of clients rating a 5 out of 5 on satisfaction. The analysis suggests that the more advisors can understand and improve in these areas, the more likely they are to engage clients.

Service dimension	% of content rating as 'very satisfied'	% of engaged rating as 'very satisfied'	Difference
My advisor demonstrates that he/she values my business	68%	83%	27%
My advisor is reliable	68%	92%	24%
My advisor has clearly defined the level of service I can expect	56%	83%	23%
My advisor clearly explains difficult financial concepts	60%	83%	23%
I have a strong personal relationship with my advisor	45%	64%	19%
My advisor provides access to other professionals (e.g. CPA) when appropriate	43%	57%	14%

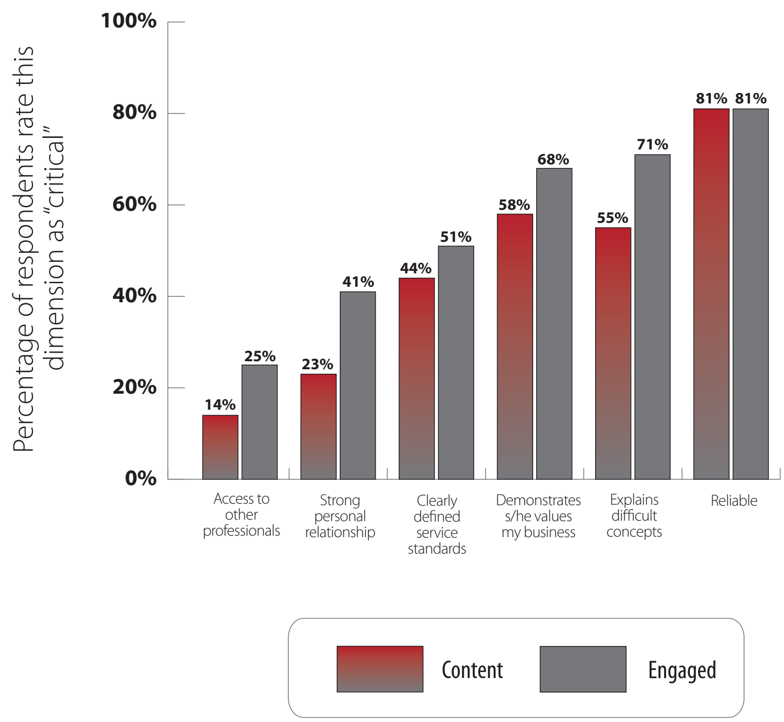
Q: We'd like to know how much you agree that your Financial Advisor is satisfying you, when you think about each of the following statements. Please use a 5-point scale where 1 is strongly disagree and 5 is strongly agree.

At least two of the items above (having a strong personal relationship and an advisor who is reliable) are quite subjective. What is most important is that these are the kinds of words that resonate the most with clients – and that is an important insight when you consider how you communicate with both existing and prospective clients. From a practical perspective, it is possible to reverse-engineer several of these concepts to understand the practice and process implications.

The Relationship

One of the most striking features of the last table in the Service section is all of the service dimensions that differentiate content and engaged clients relate to things we might categorize and as either relationship- or communications-focused, as opposed to service-focused. This highlights the importance of these more intangible aspects of the client/advisor relationship and further indicates an important, if subtle, difference between content and engaged clients.

When clients are asked what is most important to them in an advisory relationship, top marks typically go to things like trust, reliability, respect and responsiveness (see detailed information in General Findings section). However, engaged clients tend to give them higher importance ratings than content clients. Two survey results highlight the differences regarding what is important to engaged clients: a strong personal relationship and an ability to explain difficult financial concepts.

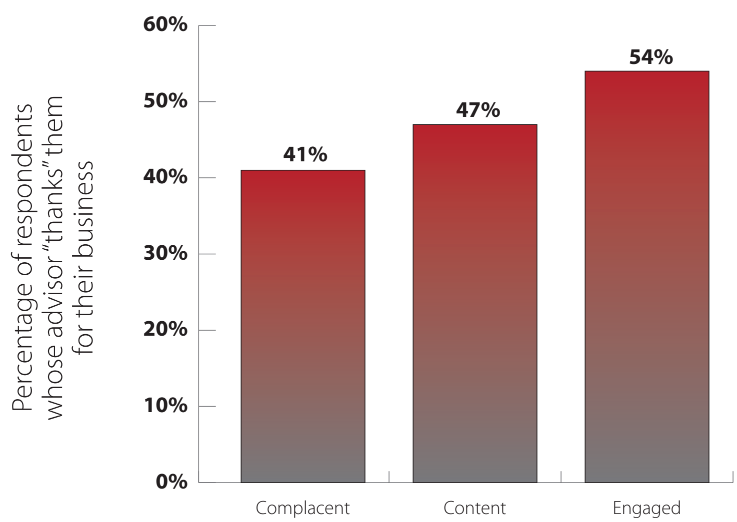


The above chart shows the same dimensions that were identified in the Service section as being different in terms of satisfaction. In this chart, which demonstrates the importance of specific service dimensions, only those two dimensions show a substantial difference. Further, when Advisor Impact created indices that showed average satisfaction across all dimensions, the biggest differences between content and engaged clients was on the "relationship index", which comprised the following:

- My advisor fully understands my goals for the future
- Difficult financial concepts are clearly explained
- My financial advisor is trustworthy
- I have a strong personal relationship with my advisor
- My financial advisor treats me with respect
- My financial advisor is reliable
- My financial advisor demonstrates that he/she values my business

The question, of course, is what does this mean to clients. That is ultimately something you will need to address when face-to-face with your clients. At the highest level, however, it does tell us something important about what really matters to clients and it speaks to a true sense of connection with the advisor.

Two additional details support the notion that the relationship is a critical factor. The first relates to the last point in the list above: my financial advisor demonstrates that he/she values my business. Engaged clients are more likely to indicate that their advisor finds a way to thank them for their business as the chart below suggests.

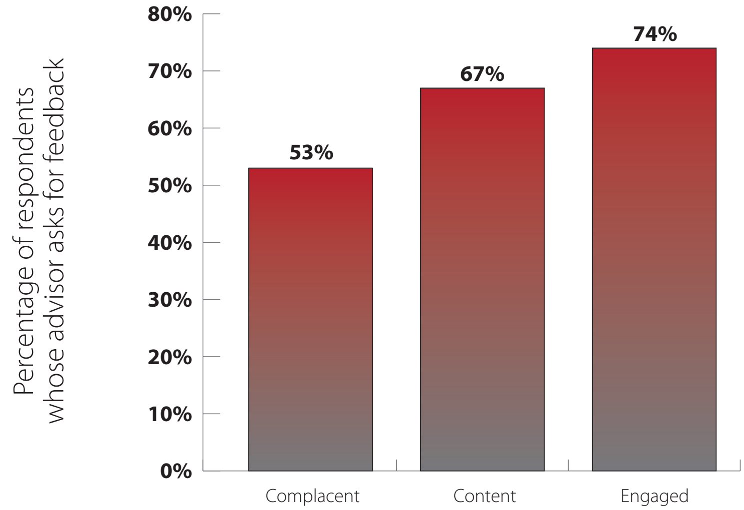


Q: Does your Financial Advisor find ways (such as a client social event or gifts) to thank you for your business?

It is clear, however, that the process and form of appreciation ranges dramatically from one advisor to the next, and that it reflects the personality of the clients in question. It is interesting to note, however, that client appreciation tends to receive the lowest value ratings among clients (based on ongoing data gathered through the Client Audit[3]) when compared to things that are core to the relationship (such as review meetings) or educational activity (for example, workshops).

[3] The Client Audit is Advisor Impact's client feedback program for financial advisors. www.advisorimpact.com.

The second study result that underscores the importance of relationship is the use of client feedback. Advisor Impact's research demonstrates that, when structured effectively, client feedback can positively contribute to the quality of the relationship. This is due, in part, to the fact that it allows you to measure your performance. But, more importantly, it can be used to facilitate a deeper client conversation. Engaged clients are more likely to have been asked for feedback on the scope or range of services that are provided by their advisors.



Q: Has your Financial Advisor ever asked you for feedback on the service that he or she provides?

When clients provide feedback on what is most important to them, on their expectations or on the services they would like to receive, it opens a door to a deeper client conversation that is focused on their needs and expectations.

Although the choice of how to ask for feedback has a substantial impact on the quality of the and usability of the results, for advisors, clients are less concerned with how they are asked for feedback. Eleven percent of clients indicate that they had been part of a client advisory board, 25 percent of clients had taken part in a written or telephone survey and 40 percent had been asked for feedback during a face-to-face review meeting.

General Findings: Satisfaction and Importance

The Economics of Loyalty study examined 23 different aspects of service in order to uncover client views on how their advisors were performing, what was most important to them and any gaps between the two. To following table shows the means provided, comparing the average to engaged clients to highlight key differences.

	Average		Engaged	
Service Dimension	Average Importance Rating (out of 5)	Average Satisfaction Rating (out of 5)	Average Importance Rating (out of 5)	Average Satisfaction Rating (out of 5)
Working with an advisor who is trustworthy.	4.7	4.7	4.9	4.9
Working with an advisor who is reliable.	4.7	4.7	4.8	4.9
The accuracy with which my account is handled.	4.6	4.6	4.8	4.9
Returning my calls and e-mails.	4.5	4.6	4.6	4.8
Being comfortable with the level of risk in my plan/portfolio.	4.5	4.5	4.6	4.7
Achieving long-term performance (6+ years) that meets my expectations.	4.5	4.3	4.6	4.7
Working with an advisor who fully understands my goals for the future.	4.5	4.4	4.6	4.7
The speed with which any problems are resolved.	4.5	4.6	4.6	4.8
Working with an advisor who treats me with respect.	4.5	4.7	4.7	4.9
Receiving good value for the fees I pay my advisor.	4.4	4.3	4.5	4.7
Working with an advisor who demonstrates that he/she values my business.	4.4	4.4	4.6	4.8
Working with an advisor who clearly communicates the level of service I can expect	4.3	4.3	4.4	4.6
Receiving statements that are clear and easy to understand.	4.3	4.3	4.4	4.5
Working with an advisor who takes a proactive approach to managing my plan / portfolio.	4.3	4.2	4.5	4.6
Working with an advisor who can clearly explain difficult financial concepts.	4.3	4.3	4.5	4.6
Understanding the level of service I can expect from my advisor.	4.3	4.3	4.4	4.6

	Average		Engaged	
Service Dimension	Average Importance Rating (out of 5)	Average Satisfaction Rating (out of 5)	Average Importance Rating (out of 5)	Average Satisfaction Rating (out of 5)
Having a clear plan in place for retirement.	4.2	4.3	4.3	4.6
Having confidence in my Advisor's support team / assistant.	4.2	4.4	4.4	4.7
Having access to services that meets all of my financial needs, through my advisor.	4.1	4.4	4.2	4.6
Having a strong personal relationship with my advisor.	3.8	4.0	4.1	4.5
The frequency with which my advisor contacts me.	3.6	4.4	3.7	4.7
Financial advisor to provide you with educational opportunities about the markets.	3.3	4.2	3.5	4.5
Having access, through my advisor, to other professional advisors.	3.3	4.0	3.4	4.3

Q: To what extent are the following statements important to you when you think about your relationship with your Financial Advisor? Please use a 5-point scale where 1 is not at all important and 5 is critically important.

Q: The previous question asked about the importance of services you receive. Now, we'd like to know how much you agree that your Financial Advisor is satisfying you, when you think about each of the following statements. Please use a 5-point scale where 1 is strongly disagree and 5 is strongly agree.

Another way to look at satisfaction gaps is to compare the percentage of clients rating something as "critical' to the percentage of clients rating themselves as "very satisfied". This focuses attention on the high end of the scale, something that can be overlooked when we look at averages.

	Average		Engaged	
Service dimension	Percentage of clients rating as 'critical (5 out of 5)	Percentage of clients rating as 'very satisfied' (5 out of 5)	Percentage of clients rating as 'critical (5 out of 5)	Percentage of clients rating as 'very satisfied' (5 out of 5)
Working with an advisor who is trustworthy.	82%	79%	88%	94%
Working with an advisor who is reliable.	73%	76%	81%	92%
The accuracy with which my account is handled.	72%	74%	78%	88%
Returning my calls and e-mails.	63%	75%	70%	87%

	Average		Engaged	
Service dimension	Percentage of clients rating as 'critical (5 out of 5)	Percentage of clients rating as 'very satisfied' (5 out of 5)	Percentage of clients rating as 'critical (5 out of 5)	Percentage of clients rating as 'very satisfied' (5 out of 5)
Working with an advisor who treats me with respect.	60%	77%	70%	93%
Working with an advisor who fully understands my goals for the future.	59%	60%	70%	78%
The speed with which any problems are resolved.	59%	70%	66%	85%
Achieving long-term performance (6+ years) that meets my expectations.	58%	55%	68%	72%
Being comfortable with the level of risk in my plan/portfolio.	57%	62%	66%	77%
Working with an advisor who demonstrates that he/she values my business.	57%	63%	68%	83%
Receiving good value for the fees I pay my advisor.	52%	54%	61%	71%
Having a clear plan in place for retirement.	49%	53%	58%	69%
Working with an advisor who can clearly explain difficult financial concepts.	49%	52%	59%	71%
Receiving statements that are clear and easy to understand.	48%	54%	52%	65%
Working with an advisor who takes a proactive approach to managing my plan / portfolio.	47%	50%	56%	67%
Having confidence in my advisor's support team / assistant.	44%	57%	52%	72%
Working with an advisor who clearly communicates the level of service I can expect	43%	54%	51%	83%
Having access to services that meets all of my financial needs, through my advisor.	39%	56%	48%	71%
Having a strong personal relationship with my advisor.	27%	45%	41%	64%
The frequency with which my advisor contacts me.	20%	58%	25%	73%
Having access, through my advisor, to other professional advisors.	20%	43%	25%	57%

Fees and Satisfaction

It can be difficult to gather reliable information on fees and on how fees are paid (e.g. percentage of assets) as many clients simply do not know the answers. However, some interesting trends can be identified.

The clients who participated were, more or less, equally split across different fee structures as the graph below suggests. The client clusters reflected the average distribution which means that fee structure was not an influencing factor on the level of client engagement, which is an interesting finding in and of itself.

	Percentage of Respondents
A percentage of assets only	24%
A combination of a percentage of assets and other fees/commissions	16%
Fees only (not linked to assets)	34%
Other	25%

Q: How does your Financial Advisor charge for his/her services?

Although roughly 27 percent of clients say they do not know how much they paid in fees last year the data suggests that there may be a link between the fees that are paid and the level of engagement. Disgruntled clients say that they paid more fees, on average, than the other client clusters.

	Disgruntled	Complacent	Content	Engaged
<$1000	30%	44%	26%	33%
$1,000 - $4,999	15%	7%	20%	21%
$5,000 - $9,999	10%	5%	5%	9%
$10,000 - $49,999	18%	3%	5%	8%
$50,000+	5%	3%	3%	2%
I don't know	19%	29%	34%	21%
Decline to answer	4%	9%	8%	6%

Q: How much did you pay your primary Financial Advisor in fees, commission or other forms of compensation in the last 12 months?

When we compare fee levels to satisfaction levels, it is clear there is no correlation between the total fees paid and overall satisfaction.

	Clients rating1-5 on satisfaction	Clients ratings 6-7 on satisfaction	Clients rating 8-9 on satisfaction	Clients rating 10 on satisfaction
<$1000	37%	34%	33%	29%
$1,000 - $4,999	14%	20%	17%	16%
$5,000 - $9,999	4%	9%	8%	7%
$10,000 - $49,999	9%	8%	7%	8%
$50,000+	4%	2%	1%	3%
I don't know	25%	20%	27%	30%
Decline to answer	8%	6%	7%	7%

Financial IQ and Satisfaction

Clients were asked to rate themselves on a scale that reflected the depth of their own financial knowledge. Those who considered themselves more knowledgeable were slightly more satisfied; however, this factor did not play a big role in satisfaction or loyalty.

	Disgruntled	Complacent	Content	Engaged
"I know very little about investing and investments."	8%	6%	7%	3%
"I know a bit about investing, but only enough to have a limited discussion about it."	22%	15%	17%	15%
"I have an average level of understanding investing and my investments."	31%	42%	42%	32%
"I have an above average level of understanding about investing and my investments."	29%	26%	28%	37%
"I consider myself a very knowledgeable investor."	9%	11%	5%	14%

Q: If asked, how would you classify your personal Investment IQ? That is, how personally knowledgeable are you when it comes to managing your own personal assets?

It is interesting to note, however, that those clients who considered themselves more knowledgeable expected a much higher level of direct contact and this may represent a trend in the way that advisors need to deal with these individuals.

In general, men considered themselves more financial savvy than women.

	"I know very little about investing and investments."	"I know a bit about investing, but only enough to have a limited discussion about it."	"I have an average level of understanding investing and my investments."	"I have an above average level of understanding about investing and my investments."	"I consider myself a very knowledgeable investor."
Male	3%	13%	32%	29%	12%
Female	9%	22%	44%	19%	6%

Methodology and Participant Profile

In January 2008, Advisor Impact surveyed 1,000 Americans via an on-line survey. The sample was constructed to include investors who met the following criteria:

- 18 years of age or over
- Work with a financial advisor,
- contribute to, or made, the financial decisions in the household
- geographically representative
- met specific asset criteria (described below)

More specifically, the audience breaks down as follows:

Gender

Male	59%
Female	41%

Region

East	25%
Midwest	19%
South	31%
West	25%

Age

18-24	1%
25-34	9%
35-44	13%
45-54	22%
55-64	27%
65+	28%

Total Investable Assets

$50,000 - $99,000	10%
$100,000 - $499,000	30%
$500,000 - $999,000	25%
$1,000,000 - $4,999,000	25%
$5,000,000+	10%

The study did ask clients about the kind of firm their advisor worked with in order to understand differences across channels. Unfortunately, a large number of clients are unable to correctly identify if their advisor works for an RIA, a broker-dealer, a wirehouse or a bank. This became apparent because clients were asked both to select the channel and then include the name of the firm. In a large number of cases, where the firm was known, these did not match. Advisor Impact is evaluating options for analysis in this area.

Appendix One: Implications for Consumers

The following is a news release based on the study that was designed to highlight the implications of the research from the investor perspective.

THE CLIENT EXPERIENCE VARIES SIGNIFICANTLY

Those that do work with a financial advisor are generally satisfied, giving the overall relationship an 8.1 out of 10 in terms of satisfaction. That average is comprised of a wide range of views on the client experience. The study describes a third of clients as highly satisfied, giving their advisors full marks or a 10 out of 10 on overall satisfaction. Forty-one percent are described as somewhat satisfied, giving their advisors an 8 or 9 out of 10. The study defined the balance of clients as being complacent or dissatisfied. Any client providing an overall rating of less than 8 was considered 'at risk' to an advisor, based on client responses provided regarding their satisfaction levels prior to leaving a previous advisor.

CLIENTS WHO ARE AT RISK MAY STILL BE "LOYAL"

Loyalty to a financial advisor was not a strong indicator of real satisfaction with the relationship, suggesting that some clients who are dissatisfied or only moderately satisfied are not taking steps to change the situation. Of the 17 percent of clients who said they had thought about switching advisors, only 3 percent had taken any steps to doing so; another 4 percent had made preliminary inquiries and 10 percent had done nothing. Asked why they had not taken action, most of those "disgruntled" clients said they did not believe things would be any better with another advisor (43 percent) or that they did not know how to go about it (18 percent). In general, older clients said they were more loyal, with fewer indicating they had thought of switching to another advisor.

The most satisfied clients (rating a 10 out of 10) said their advisor:

- Plays a coordinating role (across all of their professional advisors) or acts as a "quarterback":
    - 52 percent of the most satisfied clients said their advisor plays a coordinating role, compared to 19 percent of the least satisfied clients.
- Manages a higher percentage of their investable assets:
    - 55 percent of the most satisfied clients say their primary advisor manages 75% or more of their investable assets compared to 18 percent of the least satisfied clients.
- Works to manage their wealth, as a family, rather than working separately with different family members (e.g. children or parents):
    - Almost three times as many very satisfied clients say their advisor works with them as a family.
- Has asked for feedback on his or her services:
    - 70 percent of the most satisfied clients report that they are asked for feedback on services, compared to 40 percent of the least satisfied clients.
- Provides them with a broader range of services, including estate planning, tax planning, planning for income needs in retirement and comprehensive financial planning
- Has a written financial plan which is reviewed annually; they meet regularly to discuss the plan:
    - Only 6 percent of the most satisfied clients said they did not meet with their advisor in the last 12 months; that number jumped to 21 percent among the least satisfied clients.

IMPORTANCE OF FINANCIAL PLANNING EMERGES AND DRIVES SATISFACTION

On average, 51 percent of the investors polled said they had a written financial plan. There were no significant differences in response across age groups. However, assets made a substantial difference. 40 percent of clients with $100,000 to $499,000 had a plan. Of those with investable assets ranging from $1 and $4,999,999, 59% of those polled had a financial plan. Compare that to 67 percent of those with $5 million plus – all of whom had a financial plan. That still leaves a high percentage of Americans, with wealth, without a plan.

There is a clear and direct link between having a written financial plan and satisfaction with the relationship. 60 percent of the most satisfied clients (10 out of 10) said they had a written financial plan and that number dropped to 27 percent for the least satisfied clients (5 out of 10 or less). In some cases planning still plays a role even in the absence of having a written plan. 80% of the most satisfied clients said their primary advisor provided comprehensive financial planning and that dropped to 30 percent for the least satisfied. Many clients recognize that they have planning needs that they have not yet addressed. Twenty-three percent of clients say they may need to address estate planning, 20 percent say they probably need to look at critical illness insurance, and 28% agree that long-term care insurance is probably required.

PERSONAL ELEMENTS MOST IMPORTANT TO CLIENTS

When the survey participants talked about what is most important to them in a relationship with a financial advisor, they focused first on key personal elements ("my advisor is trustworthy" and "my advisor is reliable"). From there they said they want to know the job is getting done right (accuracy, few errors and "returns my calls").

Understanding Fees: 11 percent of those polled said they don't know how their advisor is compensated (e.g. fees vs. percentage of assets). 27 percent of clients said they didn't know how much they paid their advisor in the last 12 months. There is no correlation between understanding how much was paid and overall satisfaction.

MEN AND WOMEN REPORT DIFFERENT LEVELS OF INVESTMENT INTELLIGENCE

In general, men considered themselves considerably more knowledgeable about investing than women. 31 percent of women considered themselves below average with respect to understanding investments and investments, compared to only 16 percent of men.

	"I know very little about investing and investments."	"I know a bit about investing, but only enough to have a limited discussion about it."	"I have an average level of understanding investing and my investments."	"I have an above average level of understanding about investing and my investments."	"I consider myself a very knowledgeable investor."
Male	3%	13%	32%	29%	12%
Female	9%	22%	44%	19%	6%