

Why demonstrating value on an ongoing basis is a must for fee-based advisors

KELSEY ROLFE

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED JULY 23, 2024

FOR SUBSCRIBERS



Fee-based advisors now make up a sizeable share of the industry, and advisors must be able to show clients what they're paying for.

COURTNEYK/ISTOCKPHOTO / GETTY IMAGES

Sign up for the Globe Advisor weekly newsletter for professional financial advisors. For more from Globe Advisor, visit our [homepage](#).

After the initial financial, estate and investment planning is done for a client, fee-based advisors need to demonstrate their value continually. Otherwise, a few years down the line, they may find clients asking, “What have you done for me lately?”

Advisors using this compensation model say regular communication is key to ensuring clients know they’re getting service for their annual fee.

“If you’re not talking to your client except once a year when it’s time to get their [registered retirement savings plan] contribution, you’ll have a pretty unhappy client after a couple of years,” says Rona Birenbaum, founder of Caring for Clients in Toronto.

Fee-based advisors now make up a sizeable share of the industry. According to Toronto-based research firm Investor Economics, an ISS Market Intelligence business, more than 60 per cent of assets in the full-service brokerage channel and 40 per cent of assets in the financial advisor channel are in fee-based accounts.

Vince Linsley, associate director at Investor Economics, says those figures represent a significant jump over the past decade. In 2011, just 22 per cent of assets in the full-service brokerage channel were fee-based. Investor Economics didn’t begin tracking the financial advisor channel until 2019, but about 20 per cent of assets were fee-based then.

Charles Provost, a wealth management advisor and portfolio manager with Vo-Dignard Provost Wealth Management at National Bank Financial Wealth Management in Montreal, notes that even after a client’s initial financial plans have been developed, their lives, goals and risk tolerance can change, requiring ad hoc updates or major plan changes.

“The financial plan is good now but it’s going to need to be reviewed in the next few years. It’s an ongoing thing,” he says. “Over the years, the biggest value-add is the advice.”

Immediate availability is key in demonstrating value

In addition to comprehensive annual meetings with all clients – covering their net worth relative to their financial plan, portfolio performance, whether they over- or underspent in the past year – Ms. Birenbaum meets more with some clients depending on their preference and life circumstances.

She stresses to clients that they should reach out with any updates in their lives or questions – even something as small as whether a personal finance or economic topic covered in a newspaper article is relevant to them.

“The key, in terms of being of value all the time, is immediate availability,” she says. “That has a couple of impacts: it will lead them to [reach out] more; and to get a very timely, customized response from an organization is rare these days. The human touch and the custom response are worth more now because of their rarity.”

Dana Hicks, a financial advisor with Edward Jones in Delhi, Ont., says she touches base with clients four times a year and revisits their financial plans annually. She says those regular check-ins have helped her build more personal connections with clients and strengthened their trust in her.

“You need to make sure that it doesn’t become repetitive. There are clients I’ve had for 15 years and it’s not like, ‘We *have* to meet,’ but genuinely being interested in their lives and making them understand you are working with them,” Ms. Hicks says.

The Vo-Dignard Provost Wealth Management team switched to fee-based compensation 15 years ago, and now roughly 95 per cent of its clients are in those accounts. Mr. Provost notes the practice also has discretionary portfolio management for the vast majority of its clients and considers that service and fee-based compensation are linked in terms of providing value.

“We’re more agile for the client. When we want to do a trade, we have the opportunity to seize it, and we can do it in an hour for all clients at the same price,” he says, adding clients know they’re being treated the same regardless of portfolio size.

Mr. Provost says he and other advisors also highlight the sophisticated products the practice has access to because of its scale as another point of value, particularly for clients who wouldn’t otherwise meet the asset threshold for those products.

Going beyond meetings and transactions

Both Mr. Provost and Ms. Birenbaum send newsletters to clients to share relevant information outside of the regular check-in cycle.

Ms. Birenbaum's newsletter, which goes out six to eight times a year, provides information on new financial measures in federal and provincial budgets, insights for tax season and more.

She also has a monthly "good news" newsletter with fun or heartwarming stories from around the web, which she started sending out during the pandemic to buoy clients' spirits, and for which she says she receives positive feedback regularly.

Mr. Provost's firm sends quarterly investment newsletters that outline its investment outlook and the trades its portfolio managers made within their model portfolios.

Ms. Birenbaum also offers to speak with clients' children about money matters. Clients most often want her to provide basic financial education for their teenagers, or to work with their young adult children who are facing financial challenges such as student debt, a tough job market or difficulty saving for their first home.

"Often, they will ask us if we can do some coaching [and] teaching, ... which is often much better received than it would be from a parent," she says. "Parents appreciate that."

She encourages advisors to ask their sandwich generation clients – those with young children and aging parents – about their parents.

"If you open that subject up [and] if something is happening, there's an opportunity for them to unburden themselves, for one, and all sorts of ways that we can help," she says, such as with will and power of attorney documents, and determining whether the parents will need financial support.

Ms. Birenbaum says she's cultivated a contact list of more than 100 professionals, including those outside finance-adjacent professions, such as psychologists and gardeners, to whom she can refer clients if needed.

For more from Globe Advisor, visit our [homepage](#).

Sign up for our new Business Brief newsletter. A daily look at the most important business stories that are making news and moving markets, written by Chris Wilson-Smith

[Report an editorial error](#) | [Report a technical issue](#) | [Editorial code of conduct](#)

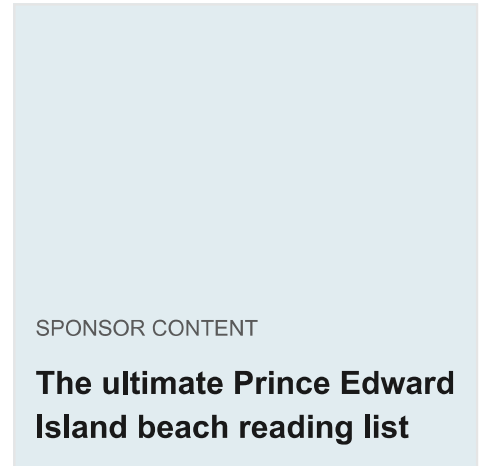
More from Investing



The most oversold and overbought stocks on the TSX 🔑

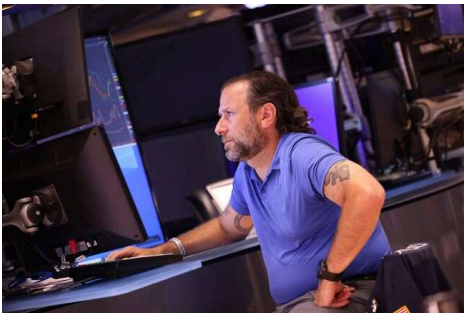


This portfolio has average annual gains of 20% over 25 years – and some wild swings to show for it 🔑



SPONSOR CONTENT

The ultimate Prince Edward Island beach reading list



At the open: TSX gets an energy boost as investors prepare for U.S. Fed decision 🔑



OPINION

The hidden cost of entrepreneurship is the emotional toll on couples 🔑



PREET BANERJEE



A teenaged Donovan Bailey was delivering fish and chips at record speed 🔑