

The Hidden Value In Estate Planning



Four years ago, Adam Smith was at the top of his game. He had embarked on a five-year business transformation exercise, resulting in a successful hybrid fee and commission risk advice model, with a strong value proposition and client segmentation model, operating out of a paperless office. He had recently been named the Association of Financial Advisers' (AFA) 2008 Adviser of the Year (an accolade which he shared with Paul Daily) and was sharing his pioneering approach to risk advice with his peers via a series of national workshops. But having finally reached 'the summit', Smith said he was left feeling flat and unmotivated.

"When I reflect on it now I think I may have had a little bit of an 'entitlement complex'," says Smith. "I thought that business would naturally come to me because of all I'd achieved. And when it didn't I actually lost a little bit of confidence.

"But then I realised that you never actually reach the summit. You've always got to stop, reflect, take stock of where you're at, and reposition where you want to go. And that's ultimately what I did."

Resetting the sail

Operating under his mantra of 'always begin with the end in mind', Smith visualised himself in three years.

"The area that I'd always had an interest in was estate planning. Estate planning is similar to risk – it's a very emotive subject, so it suits a right-brain person like me. Risk is all about talking to clients about wealth protection, and estate planning is an extension of that because it's a wealth distribution conversation; that is, making sure that what they've got ends up in the right hands."

At the time, estate planning was a relatively uncommon area of advice, so Smith looked around for an expert in the field on whom he could model his own process. He found it in Mike Sayer, founder of The Corporate Will Company, who became both Smith's associate and mentor.

Smith adopted a seven-step process, which incorporates insurance as part of the broader estate planning



conversation. The first three steps focus on introducing clients to the concept of estate planning, discovering their needs, and providing choices for their future. This is followed by the implementation of the advice, which concludes with the presentation of an 'Estate Directory' and a 'where to from here' conversation.

Taking the risk conversation to another level

Unlike his previous model, risk insurance is now wrapped in a wider advice conversation. "Rather than it (risk) being the conversation, it's now part of the conversation," says Smith. In utilising the estate planning process, not only does the client gain a different perspective on insurance as an enabler, but Smith says that as an adviser, he is also employing new risk strategies. "For example, you never want to assume that because a client is older they no longer

need insurance. I'm writing policies for clients that are in their 60s and 70s because there's an estate funding need that would never have been picked up unless they went through this process."

Smith's estate planning model also means he can position both the value of his advice, as well as the cost to implement that advice. "Whenever you want to charge a fee, you have to demonstrate value, and having a process helps you do that." Any risk statement of advice preparation costs, legal fees, or other related expenses are built into the whole fee.

But before fees are discussed, Smith holds a discovery meeting with the clients, offered at no cost, to determine whether he will be able to add value to the clients' circumstances.

“It’s like a helicopter view,” he explains. “We do their family tree, we look at their assets and liabilities, the ownership structure of all their entities, and so forth. At the end of that meeting I summarise by saying: ‘Here’s your situation, this is what we need to do, this is the way I propose we do it, and this is the fee that we charge to do it.’”

This approach means the client has a better understanding of the complexity of what’s involved, and helps to drive the agenda for each client meeting. “Every time a client comes into my office, the first thing that we do is recap what we did last time around, what we’re going to do this time, and when they leave the office, what we’re going to do next time.”

Real results

According to Smith, the shift from risk specialist to estate planner took twelve months, but the results speak for themselves: “Last year, even with my busy schedule as AFA Vice President, I had the most successful year I’ve ever had in the risk space, because of estate planning.”

Another benefit to the transition has been improved relationships with referral partners.

“Accountants, who are my major referral source, are far more likely to have a conversation with their clients about their estate, or around business succession, or the entities they hold, than they are around insurance. As a result, we get far more referrals for estate planning because they’re comfortable with having that conversation,” he said.

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“They (referral partners) hold you in a different esteem. All my tools of the trade – like the process map, and even a sample Estate Directory – are given to the referral partners. Most of my referral sources have also been through the estate planning process themselves so they’re familiar with it.”

A process can also be duplicated and refined; a practice with which Smith is very familiar. “Back in 2002 I wanted to differentiate myself as a risk writer by charging a fee, segmenting my services and completing all my applications electronically. But it took me a good five years to get that risk advice model to a point where I was satisfied. Now that I’m an estate planner, I’m on a journey as well. My processes will continue to evolve.”

Over the next few years Smith says he expects he will launch his own brand, and reposition himself as a ‘succession planner’. He also intends to continue to leverage technology within his business, and is already hosting the majority of his client meetings via Skype and GoToMeeting (an online conferencing tool).

“There are not too many new ideas out there, so it’s all about reshaping existing ones. I’m happy to say I’m always learning, and I love talking to successful people. So if you want to be really good at something you’ve got to seek out the best, develop that process and add your own flavour. There’s no right or wrong. It’s more important to understand what works for you.”

He also believes more risk advisers should explore estate planning.

“With the Future of Financial Advice reforms, the rise of online direct solutions, and with consumers generally being more cost conscious, I believe risk advisers have to find ways of deepening the discussion with clients. We need to take the risk conversation away from a transactional, cost-based discussion and focus it around a more advice/value-based discussion. Having an estate planning process is a way of achieving this, and is a natural fit for many risk specialists like me.” ♦

– Adviser Quotes –

“Always speak the truth and you’ll never be concerned with your memory.”

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