

What's the greatest value an adviser offers?

By **Matt Ackermann**

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Investors who worked with a financial adviser from 2006 to 2009 outperformed those that didn't by 4%, and that gap becomes more pronounced in times of economic uncertainty.

“Advisers offer a tremendous value,” Dr. Daniel Crosby, a behavioral finance expert, said at the Peak Excell Conference in Omaha on Thursday. “The greatest benefit advisers bring is not financial acumen, but keeping investors from making common mistakes.”

More important than the investment products advisers offer, Dr. Crosby said the greatest value an adviser provides is to help clients “develop their why.”

“Your 'why' provides the jet fuel to spur you on to hit your goals,” he said. “Your clients want to have a conversation with you about what matters most. You simply need to begin by asking the question.”

Clients, who are overwhelmed with information 24 hours a day, rely on information that is recent, available and vivid, Dr. Crosby said. Advisers have to simplify the information and pass along what is relevant.

He asked the audience: “Are you going to own the simplification process with your clients or are you going to allow it to own you?”

Advisers have a responsibility to make investors feel safe. Dr. Crosby said investment losses are twice as painful psychologically as investment gains are pleasurable.

It comes down to presentation and framing. Dr. Crosby told a story of a bank that doubled savings by asking customers to label their savings with the specific goal toward which that they are saving.

“Dollars are cold and sterile, but all of these dollars represent something bigger in your clients' lives,” Dr. Crosby said. “If you make savings personal investors will become more rational.” At the end of the day, clients want to be able to sleep well at night, he said, and advisers have to help clients “align their gaze with their goals.”

“True risk is not underperforming the benchmark,” Dr. Crosby said. “True risk is personal. Risk is not risk, unless it is risky to someone.”