Advocis

PFA Study Group

CHAPTER PROGRAM

PRACTICE DEVELOPMENT SERIES

Module 5
Discovery

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Module 5: Discovery

Learning Objectives

With your client's agreement to move from Initiation into the Exploration stage of the Client Relationship Cycle, you are ready to advance to a "discovery" meeting. This meeting typically occurs after a Client Engagement Letter is discussed or signed. In this stage, you continue to build rapport with clients as you collect relevant financial data regarding goals and gain an appreciation of their priorities, values, preferences and concerns. You want to learn all you can about your clients in order to build an accurate picture of their current situation and to be able to identify current and future needs and opportunities. The outcome of this exploration will help tailor a financial plan uniquely suited to the client's needs, goals and aspirations.

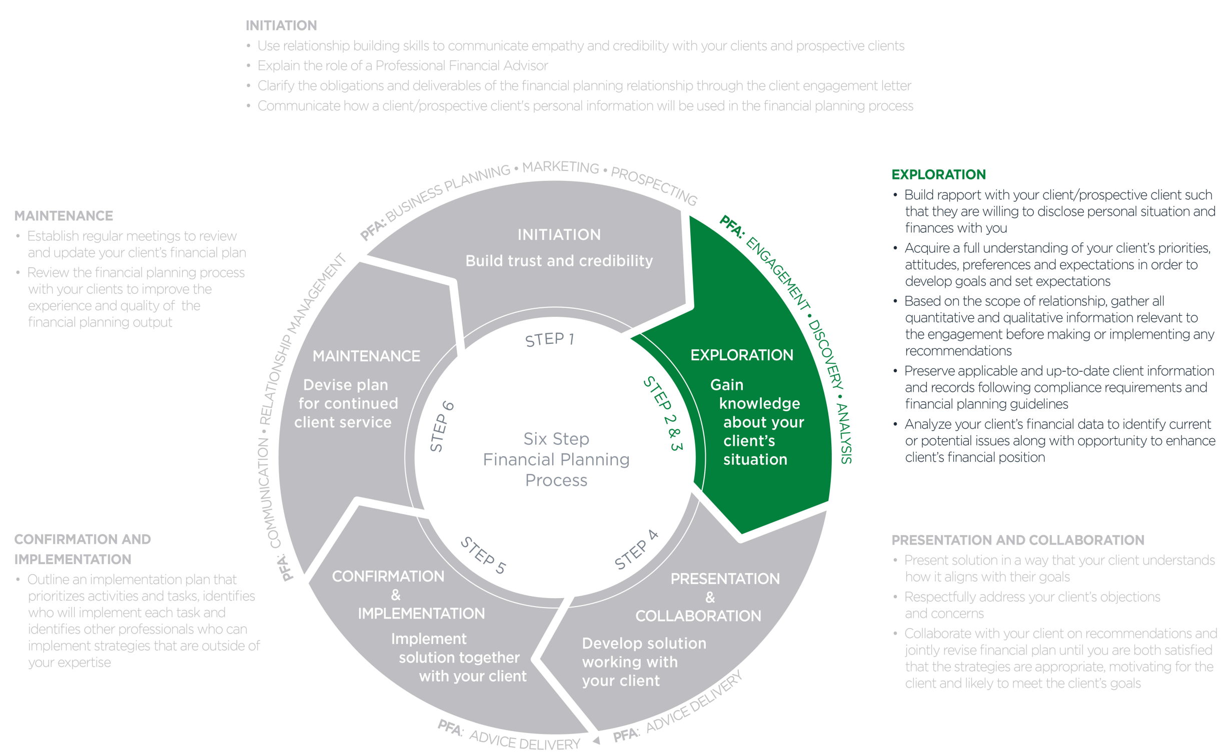
Upon completion of this Module and the accompanying Practice Development Activities, you will be able to:

- Conduct a fact-finding assessment to reveal a client's hopes, dreams, goals and concerns
- Apply different questioning techniques using open-ended questions
- Discover the power of active listening and use these skills to assist with fact finding
- Understand the importance of having a good system to keep accurate and complete records of client interactions for business and regulatory purposes

The Discovery Meeting

The Discovery Meeting is part of the Exploration stage of the Client Relationship Cycle. It involves building further rapport with the client and collecting all of the relevant financial data to gain a full understanding of a client's priorities, values, preferences and attitudes. Note that information can be both quantitative as well as qualitative. This information is gathered through a combination of a standardized questionnaire and open-ended questions in a face-to-face meeting.

Advocis Client Relationship Cycle



Please note that a clear distinction between the initial interview and the discovery meeting may or may not be the case. There are many times a prospective client arrives at an initial interview mentally prepared to discuss personal finances and armed with the data required to analyze a personal situation. Most often though, there is overlap between these two meetings with some data gathered at an initial meeting with further details revealed in a follow-up discovery meeting.

Once you discuss or sign the client engagement letter with your client, exploration can begin. Signing a Client Engagement Letter prior to the discovery meeting is considered a best practice as it clarifies there is an agreement to work together. You can decide to schedule a follow-up meeting in the near future, or you may decide to proceed directly to the discovery stage, depending on a number of factors such as the client's available time (or your own), their preparedness and your own personal preference.

As the discovery meeting is in-depth, consider providing your clients and prospective clients with a checklist that includes details about the appointment as well as a list of items they should bring and/or have prepared for the meeting. Please see the Resources section in the learning environment for a Sample Discovery Meeting Checklist. As for the timing of the next meeting, "Same day, same time, same place, next week" is an easy way to keep things simple for both parties. As clients may have busy schedules, this is not always possible, be sure to send them a meeting invite and confirm the meeting with them. As the meeting approaches, it is always a good idea to call them or send a meeting reminder.

The process of fact-finding or discovery consists of systematically collecting accurate and detailed information about your client's current financial situation. It also includes learning about your clients' goals and aspirations for themselves and their family as well as their business. The more detailed information you are able to collect from your client or prospective client, the more effectively you can assess whether there are gaps between their current situation and their desired state.

Discovery or fact-finding gives you the raw materials you need to analyze a client’s current financial situation to determine if there are any gaps to achieving their goals that should be addressed in a financial plan. Having a complete set of information (or as complete as possible) will help you draw up a relevant and effective financial plan. The fact-finding meeting is about uncovering how you can help the client. This critical stage is about getting to know the client and learning about their financial goals and priorities. This is also a good time to assess their financial literacy, which will guide you in how you ask questions and explain concepts.

TIP

Always check for client understanding before moving on. Clients of all levels of financial literacy should be encouraged to ask questions whenever a term or explanation is not clear. This gives you the opportunity to reinforce a point and help move the client forward to better understanding. Using everyday language versus industry jargon is always a good approach.

Uncovering Hard versus Soft Facts

Some fact-finding questions will uncover “hard” facts such as name, age, income and current savings. Other questions will uncover “soft” facts, such as their hopes, dreams and fears. This stage provides you with the data (hard and soft) you need to analyze the client’s financial situation.

This process, because it is driven by the client’s financial goals, (known as goals-based planning) will result in recommendations that are in the best interest of the client. The way you conduct your fact-finding interview can distinguish you from other advisors. You build trust and create lasting client relationships by conducting the fact-finding exercise with understanding, compassion and attention to detail.

Later in this module, there are best practices tips on how to conduct such an interview. Let’s start with the discovery questionnaire.

A Questionnaire Helps to Provide Structure and Consistency

A financial advisor’s most effective tool at this stage is the ability to ask questions. Many advisors use a fact-finding or discovery questionnaire to help guide them through the process. Using a questionnaire ensures the consistency of information collected and helps to keep the meeting on track. Advisors may use questionnaires provided by their MGA or organization, or choose to develop their own. (For a Sample Client Questionnaire please navigate to the Resources section of this course.

Before the meeting, complete some of the questions with information you already have about the client. At the beginning of your discovery meeting you can ask the client to confirm the accuracy of the information. Until you become comfortable with the process, it is also a good idea to rehearse the questions you plan to pose so you are able to keep the meeting conversational rather than sounding like you are reading the questions for the first time. Typically, fact finding questionnaires are designed to record specific data relating to several key financial planning areas some of which may be unfamiliar to your client. For this reason, it is a best practice to go through the questionnaire with your client, rather than having the client complete the form on their own.

Properly Setting Up a Fact Finding Meeting: You Can’t Do a Financial Plan on the Back of a Napkin

It is important to set up a fact finding meeting properly. You want to ensure that you are gathering all of the quantitative and qualitative facts from your client you need to form the basis of your financial plan. In other words, it’s impossible to do financial planning on the back of a napkin, and this meeting will help you get all the inputs you need to help your clients achieve their goals.

Agenda in advance – As in your initial meeting, a great best practice is to send out an agenda ahead of time. If you did not already talk about the fact- finding process in the initial meeting, you should include an explanation of how your process works, why it is important and how you will be collecting and analyzing this data.

Time to gather documentation – Outline exactly which documents to bring in in order for the discovery meeting to be a productive session. Your client likely needs time to find and gather these documents, so be sure to provide a list well in advance (ideally, at the end of the initial interview). During the session, encourage your client to be open about their goals, fears and aspirations.

Ensure your questionnaire is designed properly – You want to ensure that you cover off both quantitative and qualitative items so that your questionnaire isn't too narrow in scope. Even though determining a client's risk tolerance is very important, for example, you don't want to solely cover off the quantitative aspects of a client's financial situation. You need to probe effectively and respectfully for qualitative information too so that you have as holistic a picture as possible at the end of the meeting – and throughout your relationship.

Rehearse your questions – While you are using a questionnaire to guide your conversation, you don't want your session to feel impersonal or too mechanical. Run through the questionnaire with a colleague, your manager or peer to ensure you are delivering it in a natural, fluid manner. Much of this will come with experience, and in no time, it will be second nature to you.

Case study – How Can a Discovery Meeting Add Value to the Client?

Joan and Adam have come in to see you about a portfolio review, hoping to earn a better rate of return on their retirement portfolio. However, after some fact- finding you learn that they are struggling to save money and are looking to their portfolio to grow faster so they can meet their future needs (without allocating more of their cash flow towards savings).

Additional probing reveals that restructuring their debt to reduce interest costs or income splitting to reduce taxes can help to free up cash flow. This will enable them to save more money and not have to rely as much on the portfolio rate of return to meet their goals.

A complete financial plan can help Joan and Adam solve their challenge through other strategies and decrease their reliance on an investment rate of return alone to achieve their goals. This is something that they would not have anticipated before they came to talk to you.

Questioning Techniques

Mastering the art of questioning is vital to collecting quality data that you can use to determine your client’s values, preferences and concerns. Asking the right question in the right way can help your clients provide you with the right data and insights to help them solve their financial challenges.

Mastering questioning techniques is a skill set that you will continue to perfect and leverage in a variety of contexts in your journey as a financial advisor – it is of course a critical skill set in the Discovery stage. Let’s take a deeper look into questioning techniques you can apply during this stage, and beyond.

Questioning Techniques: Open-Ended vs. Closed-Ended

There is no such thing as a bad question – but there are questions that are asked badly. A question that is asked badly results in a response that isn't helpful or is very generic. For instance, we are conditioned to ask, "How was your weekend?" And we are conditioned to respond, "Fine thanks, how was yours?" Not much thinking or imagination is used to respond to such a common question. Even though we know to expect that question, how many actually respond in a creative way?

If this question were asked differently, the response would be different. What if the question "How was your weekend?" was asked this way: "What was new or exciting for you on the weekend?"

Both are open-ended questions, however the first elicits an automatic response and the second question causes the responder to think about the answer, more likely responding in a way that conveys their thoughts, opinions and feelings.

Closed-ended questions are those which can be answered by a simple "yes" or "no," and may not tell the entire story while open-ended questions are those which require more thought and more than a simple one-word answer. While both types of questions are necessary to get to know the client, open-ended questions are the key to discovering a client's goals and, dreams, and uncovering concerns.

Open-ended questions	Cause the responder to think about the answer and convey their thoughts, opinions and feelings in their response.	"What do you envision your retirement lifestyle to be?"
Closed-ended questions	Result in simple yes or no	"Do you have a retirement plan?"

To get the most out of fact-finding, ask open-ended questions and make them purposeful. In other words, know what type of information you are probing for with clients and use a variety of questioning techniques to explore and obtain different responses from your client. These might include:

- A triage-style line of questioning where you prioritize and organize questions in order of importance
- A big picture approach (What is the best thing about working with your current advisor?
- Use a series of probing questions that successively uncover more information (For example, "Tell me more about your TFSA account. What types of investments do you hold in it?")

Asking good open-ended questions is a conversational art and may take you some time to master. Try to avoid questions that lead clients to the answer – where they can answer yes or no or give a generic response. Questions such as "Do you agree it's important to save for retirement?" will likely generate a yes response even if the client has no cash flow to make the required contributions to an RRSP. Asking, "What's stopping you from saving for retirement and making the maximum RRSP contribution?" will help uncover more relevant information about the client.

With every client concern, financial advisors should be able to ask questions to uncover three levels of understanding.

- **The Now** – What is the client's current situation?
- **The Later** – What is the client's future desired situation?
- **The Gap** – What is missing or holding the client back?

In financial planning – this equals understanding where you are today, where you want to get to, and then creating the financial plan that is the road map to getting you there.

Some examples of what this might look like:

Example 1

- **The Now** – The client is worried retirement won't be feasible at age 60.
- **The Later** – The client wants to retire at age 60 in order to spend time travelling before age-related healthcare concerns limit the ability to travel or make the costs prohibitive.
- **The Gap** – The client has not saved enough, wants to invest better, and does not know what funds will be available to spend on travel in retirement.

Example 2

- **The Now** – The clients are married with two young children.
- **The Later** – The clients want to know if their children will be taken care of should anything happen to them.
- **The Gap** – The clients need additional life insurance and need to determine how much they can afford. They may also need estate and trust advice.

Good probing questions to ask as part of your fact-finding meeting include:

1. What made you decide to come see me today? (This may serve to confirm what you already know).
2. What are your top two financial concerns? (This will give you more context into the client's financial situation).
3. Have you worked with a financial advisor in the past? If so, tell me about your experience.
4. What do you hope to achieve as a result of us working together? (When you meet a client who has different expectations from the services you deliver, how will you address it?)
5. What comes to mind when you think of the word "wealthy"?
6. Tell me about the most important people in your life.

7. What would need to happen to give you complete peace of mind?
8. What is your first memory of money?
9. If you could leave your family a lasting legacy, what would it be?

The following table provides a convenient summary of some of the key factual areas to probe for more information and includes sample scripting on how you can approach topics that may be sensitive, explaining to clients why it is important for you to gather this information.

Topic	Question	Why?
General Client Information	With your permission, I'd like to ask some specific questions to better understand you and your financial situation to determine how I can help you. If at any point you have concerns as to why I need to know this information, or would prefer not to answer, please let me know. On that basis, would it be okay if I proceeded?	Permission questions prepare clients for what you're about to ask them. This can avoid them being surprised or feeling as though they're being interrogated.
Mortality/Life Expectancy	This may seem like a strange question; however, life expectancy is a major factor in developing a financial plan. Is there a specific reason that your life expectancy could be shorter or longer than the average Canadian?	You need life expectancy to do retirement and estate planning. Using arbitrary numbers limits client involvement, which can lead to them lacking confidence in the assumptions upon which you make recommendations.

Citizenship	Have you or anyone in your family lived in a country other than Canada? Can you tell me more about that please?	Foreign residency or citizenship is a major consideration for pensions and taxation.
Other Financial Obligations	Do you have any other financial obligations that impact your situation which we haven't yet discussed?	For example, support payments have a huge impact on financial plans.
Employment Status	Can you tell me about the nature of the work that you do? How long have you been doing this type of work for? How long with this particular employer? Do you see your work situation changing at some point?	Understanding in detail what a client does, their employment history and goals can help you better understand benefits and pension entitlements, as well as potential insurance needs and other planning considerations.
If Self-Employed	Can you tell me how your business is structured? Do you have partners or key employees that are critical to your business' success? Can you tell me about any financial planning that you have done that's specific to your business?	The sooner you understand how their business is set up, the sooner you can add value. These questions will help you ensure that their personal finances are set up, and that buy/sell agreements, key person arrangements and even business succession plans are properly funded. The more you know, the better!

	Does your partnership agreement (if applicable) reflect your business goals? When was the last time you reviewed the agreement to ensure that it does, and that proper funding is in place? Do you look to anyone else when considering financial decisions for your business? For example an accountant, partner, etc.? Should they join us for our next discovery meeting?	If they have an accountant, partner, or any other third party that they rely on for making decisions, you want to have them involved in the process as soon as possible, so that you have more control in what message is being relayed.
Cash flow	At the end of the month, once you've paid all of your bills and had some fun, what is left over? Of all of the things that you spend money on, what are the three most important? If I were able to find efficiencies in what it is that you spend money on, would that be of value to you?	If there is cash left over, this is a great time to congratulate them. If there isn't, follow up and ask them if that bothers them? The answer to this can give you some insight into what motivates them. This sets the stage for you adding value beyond what they think you may be able to do. Examples of this can be duplicated group benefits, unnecessary interest costs, fees that may not have to be paid.

Employee (Group) Benefits	When was the last time that someone discussed and reviewed your group benefits plan, to make sure that it covers what you need and that you aren't paying any more than you have to?	Added value, offering to review benefits can often free up cash flow or enhance benefits if multiple plans are in place. Can also find deficiencies in plan and eliminates group benefits as a potential objection.

Don't rush the fact finding process as you may miss the most important issue or concern. Keep it conversational and be interested in what the individual has to say. It's important that you are authentic, honest and truly engaged in order to build the trust and credibility so vital to a client relationship. Your ability to ask thoughtful, courageous questions and actively listen will be crucial to building your credibility with your client.

Initiating Courageous Conversations

A comprehensive financial plan by its very nature can bring up some uncomfortable or sensitive topics; no one likes to think about dying or the inability to generate an income due to an illness or severe injury. Many financial advisors and clients avoid these conversations because they fear the discomfort that each may experience. It is, however, an obligation for financial advisors to achieve a deep understanding of their clients' fears, desires and goals as well as create a sense of urgency around those issues that can have serious financial implications for their clients. To gain that understanding, you may have to probe deep into your clients' feelings and concerns around uncomfortable topics such as death and loss of income. It is normal to feel this fear however when you see the results from these conversations you will gain the confidence to continue initiating uncomfortable but courageous conversations with your clients.

The questions you ask your clients will assist them to gain insight into their own problem(s). Your questions should magnify the problem and allow your client to explore the implications associated with it. These are also known as implication questions and it takes courage to ask them. To see this in action, consider a situation where you want your client to consider his family's situation should he die prematurely? You could ask:

"What would your family do if you were to pass away?" However, to dig deeper into the issue and learn more about your client's goals and desires consider asking instead: "What lifestyle would you want for your family if you died last night?" This second question helps to frame the real problem very quickly in your client's mind.

If you feel your client may be uncomfortable discussing these topics, as mentioned earlier, it's a good idea to seek their permission to ask a few uncomfortable questions before you begin. By gaining their permission to do so, you not only show respect and concern for your client, you will be able to proceed with a productive and purposeful conversation.

Putting a client or prospective client outside of their comfort zone is difficult at first, but it can strengthen your bond of trust over the long term. That's because you are able to uncover what truly motivates your client as well as identify their fears and blind spots, which can ultimately lead to a stronger financial plan representative of the client's goals and values.

Here are examples of 'courageous questions' you can ask your clients:

1. What motivates you? This type of question helps find out who your client is as a person. It's a classic "tell me about yourself" question that encourages your client to open up about his life, including priorities that may include family, career, business, philanthropic interests, hobbies and more. This is a great way to get to know your client and find common ground. It is important to give your client the time and space to open up to you. At the same time, it is vital that you be genuinely interested in what the client is telling you in order to forge a strong bond.

2. What do you want from a productive financial advisor relationship? This question helps to uncover a client's expectations and perceptions (and potential misperceptions) about working with an advisor. Perhaps your client has never worked with a professional financial advisor before. Or it's likely that he worked with another advisor, but had a bad experience. In this case it's important to understand why the client was dissatisfied with his previous advisor to plan how to chart your course to ensure that you meet and exceed your client's expectations. If the client has misperceptions about an advisor's role, it's important to make note of these and set them straight.
3. What is your ideal outcome? In other words, what are your goals, dreams and aspirations? This question is a good one to enable your client to "blue sky" about his goals, dreams and aspirations. It's important to get your client to open up and envision what success looks like. Many people talk about "big hairy audacious goals" and this is a good place to probe for what this might look like for your client. Is it to retire early and spend more time with family? Does your client want to work well into his retirement years, but have the flexibility to work part time? Is it the freedom to travel well into retirement years? Or to support a favourite cause and volunteer for a charity, not-for-profit or political organization? There are many possibilities here, and getting your client to make his dreams more concrete by articulating them can help to lay the groundwork for a robust financial plan that is aligned with his unique definition of success.
4. What keeps you up at night? While it may be uncomfortable, it is also important to discuss the financial fears your client harbours. Is he worried about outliving his savings? Is he concerned about market volatility? Is he worried he won't have enough to support his children through university or college? Is he unaware of the insurance options available to meet his family's needs? Who will take care of his family in the event that something happens to him? Many things could be weighing on your client's mind. Articulating these fears can help you to itemize them and help him take concrete steps to conquer them with your advice and assistance.

5. What are the biggest roadblocks preventing you from accomplishing your goals right now? This question will help you address and potentially help remove current obstacles. It's possible your client may need to build up his financial literacy. Or lacks the objectivity and technical skills to plan for his financial future and therefore requires an expert such as you. It is also possible that your client has difficulty finding the time to get organized or lacks the cash flow to maximize retirement contributions. You can ask whether your client has a household budget at this stage. If the answer is no, you know that an important next step is helping put one together for him as part of the planning process.
6. Tell me about your future. How do you picture yourself, 5 years, 10 years and 20+ years in the future? What do you anticipate changing? This is similar to asking your client about their hopes and dreams, but phrasing the question in this way can help your client become accustomed to the notion of short and long-term goals. It can also help your client begin to wrap his head around changes that are required at different life stages. Does your client understand that insurance and medical needs will become a greater factor later in life? When will your client need to start thinking about will and estate planning? Does he have aging parents to consider? A question like this helps your client to start thinking about his financial journey in holistic terms. It can also help your client see how you can advise them and add value to help him progress through each life stage.
7. What are the things that are most important to you in life? This is a great question to address your client's value and belief system. As your client's advisor, it is important for you to understand what your client values most. That way, you can tailor a financial plan that aligns with those values. If your client is an environmentalist, he may be interested in responsible investing solutions. If he doesn't believe in paying high fees for his investments, you may wish to direct him to more cost-efficient solutions, or help him bundle together assets to achieve cost savings.

8. What’s your experience with financial matters? This question helps to assess a client’s level of financial sophistication and literacy. It is important that you appear non-judgemental in asking this question as a client may be uncomfortable expressing that he lacks financial knowledge. The opposite may also be true: you may have a client who perceives that he knows more about investing than you do! The answer you receive will help guide the starting point for future discussions and the level of involvement that needs to occur in this relationship. Some clients may require a lot of guidance along the way while others may just need some reinforcement and help with specific areas of their financial plan. In either scenario, it’s a good opportunity to reinforce your role as financial advisor.
9. How would you like to proceed with next steps? It might take clients out of their comfort zones to talk about next steps, especially if they are not accustomed to working with a financial advisor. This is a good question to help set the stage for your next meeting. At this point, it is effective to paraphrase the issues you heard about during your fact-finding conversation and talk about constructive next steps. You may have built an excellent rapport and the beginning of a strong bond with your client, but without establishing next steps and building on what you learned in this fact-finding meeting, your efforts could be wasted.

Linking Techniques

At times during your fact-finding conversation, you will feel as though you have great chemistry with a client. Your conversations will be very fluid and you are able to collect all the facts you need very naturally. At other times, it takes a bit more effort to get the information you need from your client. In other words, you have to ask a few extra questions to probe for more detail.

To keep the conversation going and to learn more, ask additional probing questions by using these linking techniques:

- Clarify for me what you meant when you said…
- Can you expand on …
- Tell me more about…
- Tell me why you …
- Describe what success would look like…

Try to minimize the times you ask a client "why" because it can put the client on the defensive. Think about how these two questions might evoke different emotions in a client: "Why did you leave your previous advisor?" versus "Tell me about your relationship with your previous advisor."

TIP

Minimize the number of times you ask a client "why". This may help prevent them from reacting defensively.

The objective of the discovery meeting for an advisor is to learn as much as he can about a client's issues and concerns and to understand what success will look like for that client at the end of year one, two and three etc.

Success could be high returns, peace of mind, income stability, tax efficiency or meeting a savings target. Whatever it may be, it's best to hear it directly from your client! For instance, if a client is concerned with asset protection but then tells you that for him success means a 10% annual return as a result of working with you, then there could be problems meeting those expectations.

Power of Listening

There is true power in those that listen more than they speak. Listening is one of the most underrated skills for advisors and is the one skill that successful, effective advisors are really good at. We have one mouth and two ears for a reason. We should listen twice as much as we speak. Effective salespeople are not the best speakers; they are the best listeners. However, listening does not come easily to experts. In an attempt to showcase their knowledge or experience, advisors tend to talk too much, especially in client meetings. As experts in their field, some advisors see a need and immediately want to prescribe the remedy!

Unfortunately, by taking this approach, some advisors may come across as arrogant and pushy. This type of advisor may intimidate clients by their actions – by talking too fast, using too many financial terms and often confusing the client. By listening more, the advisor helps the client feel important and then comfortable enough to open up about their personal financial situation.

Remember the meeting is not about the advisor; it is about the client. If the client didn't feel the advisor had the knowledge or skills required to help, they would not be in the meeting.

Listen to **understand** the issue (listen with your ears and your eyes) – and acknowledge what is said.

Listen to **ask** more questions to dig deeper and get clarity – one way to show you are listening and confirm your understanding is to paraphrase what your client has said. Don't be afraid to probe if you don't understand what your client is saying. If you aren't clear on what your client's desired outcomes are, it's likely that they aren't either.

Listen to **diagnose** - uncover the real issue behind the words.
While you are listening, be aware of changes in tone of speech or speed. Some people leave large gaps of space between sentences and before responding to questions as they think about what has been said and how they should respond. Others may interrupt you before you even finish what you have to say. Sometimes this is due to cultural upbringing or a client's personality. Think about your personal style. Do you like to listen to what

is being said and then take time to formulate your response or do you tend to finish other people's sentences? As a best practice, you may find that you need to slow yourself down when talking to clients. If you want to hear what you sound like, record yourself explaining a concept to a client, colleague or to your mentor. Listen to the playback – did you rush? It might be a good idea to role play with a colleague and get feedback from a respected peer to ensure that you're pacing things properly. You will need to adapt your pacing between questions to suit each situation and client, but you never want to rush or talk over your clients.

Facial expressions, interactions and body language

Learn to listen with your eyes – there is so much more to listening than what is being said. You want to make sure you are looking for visual cues too. You can observe facial expressions, interaction between a couple and body language.

Here are some cues to watch for and what they might suggest:

- Eye contact – Is the client making eye contact? Direct eye contact suggests confidence and understanding while lack of direct eye contact suggests unease and mistrust
- Facial expressions – Is the client smiling and nodding with understanding and approval? This suggests the client understands and is open to what you are saying. If you are met with a blank look or a furrowed brow, you may need to explain a concept again. Remember to be patient, financial concepts can be very complicated and may take time for clients to understand.
- Leaning forward versus leaning back – Is your client leaning forward with interest or leaning back to avoid?
- Gestures – Is the client making wide sweeping gestures, suggesting that he is at ease? Or are the client's movements abrupt or non-existent? This may indicate discomfort.

- Vocal pitch – When a client discusses something emotional, their pitch might go from low to high or their voice may tremble. If your client lowers his voice, it might indicate that he is discussing something significant, or it may even signify that he is uncomfortable with the subject matter.
- If you are speaking to a couple, there are many cues to take away from their body language. Are they on the same page? Does one person tend to speak on behalf of the couple or do they both have equal say? If they are seated apart with their bodies turned away from one another and frequently squabble, then they may not see eye to eye on issues. Are their defenses up? Is one spouse more guarded with his arms crossed? Is one more detached? These relationship dynamics are all important observations to take away as you help them build their financial plan.

Active listening

Active listening is a powerful concept in which you don't simply listen to the words, but devote your complete and undivided attention to consuming the entire message being communicated – including verbal and non-verbal cues. Remember, active listening is a two-way street, and you will want to encourage the speaker and show that you are listening by smiling, nodding and occasionally using listening responses such as "yes" and "I see" to show that you understand and are engaged in what your client is sharing with you. Up until this point, we have learned about the importance of effective questioning, but listening is the other side of the equation. The great questions you ask are pointless unless you actively listen and synthesize your client's answers. Listening can reduce the risk of conflict and misunderstanding, as many miscommunications are based on one individual not truly hearing what the other is trying to express.

Tips for Active Listening

- Ensure you conduct your meeting in a private space that is free from distraction
- Listen with your undivided attention: Don't take calls, check your email or look at your smart phone
- Put your client on equal ground by being in a neutral space such as a meeting room with a round table rather than at your desk
- Take notes and jot down your observations as the client speaks. You may not remember these important insights after the meeting. Explain to your client that you are listening at all times, and may be taking a few notes to ensure that you capture key points
- Don't interrupt your client. Ensure that your client has adequate time to finish his thoughts. Even if there is an action item or concern that you want to follow up or circle back to, allow your client to finish his thought first
- Encourage your client to speak and show that you are listening by exhibiting welcoming body language. You can smile, nod, give the occasional listening response, such as "yes" or "I see" to indicate you are listening without being distracting to the client. Just enough to let him know that you are following what he is telling you, but not so frequent as to be distracting
- Paraphrasing what a client is saying back to him and asking clarifying questions are other ways to indicate that you are listening to your client and understanding what he is conveying to you
- It might help to open a conversation or fact-finding session with open-ended questions to encourage a client to open up to you. You can then ask close-ended questions to clarify and drill down on important points

Listening can add value at any stage of the Client Relationship Cycle. Here are some examples:

During Initiation (when building rapport with your prospective client)

Actively listen in order to:

- Build trust and credibility with the prospective client
- Get to know a prospective client's motivations and needs
- Unearth issues that the prospective client may not himself be aware of

During Exploration (When acquiring an understanding of your client's situation)

Actively listen in order to:

- Encourage clients to relax and open up
- Encourage clients to express their hopes, dreams and fears
- Become familiar with your client's current state of financial affairs
- Clarify facts that are unclear or potentially conflicting

During Initiation and Exploration (When confirming and clarifying client expectations)

Actively listen in order to:

- Manage expectations
- Build consensus and come to a common understanding
- Arrive at a win-win situation

During Presentation and Collaboration (When making recommendations)

Actively listen in order to:

- Resolve client questions about the financial plan you've prepared
- Clarify areas that your client may not understand
- Manage resistance and help your client adapt to change

During Confirmation and Implementation (When outlining and gaining consensus on an implementation plan)

Actively listen in order to:

- Negotiate effectively
- Gain buy-in

During Maintenance (When reviewing and updating your client's financial plan)

Actively listen in order to:

- Identify material new developments in your client's life
- Gauge satisfaction with and adherence to the plan and your services
- Continually improve the outcome based on evolving needs and changing market conditions

►Please complete **Activity 5.1, "Effective Listening Assessment",** which will help you prepare for client meetings by helping you audit how often you engage in effective listening skills and behaviours.

Fact finding is a process that continues throughout the entire client relationship to help you provide great financial advice. These initial client meetings help to establish the facts from which you will formulate your financial recommendations and solutions, but remember that client circumstances evolve and it's important to constantly listen for and be informed about changes in facts and circumstances throughout your entire relationship. As a trusted advisor, this is critical to ensuring that your client's financial plan is on track to meet their ultimate goals and expectations.

When conducting fact finding, you need to ensure the collection of personal information is limited to that which is necessary for the purposes of providing financial advice. In short, whenever you collect personal information, you should be able to explain why the information is needed.

Documentation

As you begin to build your business, you will be involved in many different activities that will help you to define and grow your business. At each stage of the Client Relationship Cycle you will generate a paper trail. From the moment a prospective client comes to your attention and later becomes a client, you will generate notes, collect information and keep records.

Information flows in from a myriad of places: the client, a COI, other professional advisors, financial institutions, insurance companies and mutual fund companies. That's why you should find a good system to record, analyze, cross-reference, access, maintain and store information and documentation related to your business.

TIP

Don't try to commit things to memory. Make it a habit to record everything you collect from your prospecting, networking, marketing activities and client meetings you conduct.

At a minimum, you should file and maintain original or first-copy versions of agendas, contact letters, instructions to and from clients and other professional advisors, insurance policy records, fact-finding folders and contact logs. This is valuable data and you need a system through which this information is easily stored and accessible or, even better, a system that presents information "automatically" to the advisor as needed by automated alerts and reminders. Storing data electronically gives you the advantage of decluttering your office, enhanced privacy and increased efficiencies / reduced costs in being able to spend less time doing administrative tasks and searching for client documents. At the end of the day, having a more efficient system will also help your practice to grow or scale up.

Today many advisors are moving away from hard copy file folders in favour of electronic versions. Having access to this technology means advisors are now able to access client information whenever they need it, making them better able to respond to client queries, manage compliance and regulatory requirements and react to changes in circumstances more quickly. Before you go completely paperless, make sure that this practice is aligned with the processes in place at the

What kind of information do you retain?

- Notes from each of your client meetings and telephone meetings
- Client correspondence – letters, emails important contracts and evidence that a correspondence was sent and the client acknowledged receipt
- Special instructions given by the client
- All official documents: KYC forms, Investment Policy Statements, Offering memorandums
- Trading instructions and authorizations
- Other special instructions or points of clarification given by the client verbally and/or in writing
- Marketing campaigns and initiatives you have directed at the client, including all documentation pertaining to DNCL and CASL

It is the advisor's responsibility to ensure he keeps all records required to provide a professional level of service.

TIP

When possible, be sure that there is a paper trail for everything and try to capture instructions or clarifying questions in writing.

No advisor likes to think about litigation, but keeping good records also helps you to defend against any potential lawsuits, escalations or complaints.

Collecting all of this information comes with an additional requirement – advisors are required to ensure that the confidentiality of client information is maintained, both as required by law under The Personal Information Protection and Electronic Documents Act (PIPEDA) and as a matter of professional conduct. Whether you keep paper files or electronic, it's important to ensure you have a good backup and disaster recovery plan. Most organizations have strict rules on the handling of client documentation and file retention. Consult with your compliance department to ensure you are following the rules, in compliance with your regulatory obligations.

Summary

In this module, we explored the concept of client discovery. You learned how to prepare and conduct a fact-finding meeting as part of the discovery process. You learned about the importance of uncovering both quantitative and qualitative information and how to modify your line of questioning using a combination of open- and closed-ended questions to help you find out more about your clients' hopes, dreams goals and concerns. You learned about how to broach sensitive topics and how to ask courageous questions in a caring and sensitive way. You discovered the power of being engaged and practicing active listening to uncover the information pivotal to creating an effective financial plan – and the important role listening plays at every stage of the Client Relationship Cycle. Finally, you learned about the significance of documentation and keeping accurate and complete records of client interactions for business and regulatory purposes.

Module Checklist

You should now be able to:

- Conduct a fact-finding assessment to reveal a client's hopes, dreams, goals and concerns
- Apply different questioning techniques using open-ended questions
- Discover the power of active listening and use these skills to assist with fact finding
- Understand the importance of having a good system to record, analyze, cross-reference, access, maintain and store information and documentation related to your business