

WHAT MAKES A GREAT ADVISOR?

CAPE TOWN: Over the past few days, I have participated in a number of radio and TV interviews after I was nominated as the Financial Planning Institute's Financial Planner of the year. The most frequently asked question in these interviews was, "what makes a great financial planner?" I don't classify myself as a great planner but I have spent years researching the subject. I think there are a number of factors that define a great planner: technical ability, experience, integrity and skill as a marriage counsellor.

THE COMBINATION IS MOST IMPORTANT

Financial planners need a rare combination of abilities in order to be really good in their role. Firstly, they need to have an in-depth technical knowledge about their field. This means they need a strong academic foundation, preferably at post graduate level. In South Africa, one can obtain a Post Graduate Diploma in Financial Planning or a B.Com Honours in Financial Planning at a few SA universities. These should be the minimum academic qualifications for any professional planner.

Malcolm Gladwell, the acclaimed author of *Tipping Point* and *Outliers*, says that you need 10 years or 10,000 hours to become an expert in any field – this is certainly true for financial planning. If you have not been a practicing financial planner for at least three years, you should consider yourself an apprentice rather than the finished item. All Certified Financial Planners[®], have this minimum level of experience in addition to the academic qualifications.

Great planners also need very strong interpersonal skills, specifically the ability to teach, coach and empathise with clients. There are many advisors who are technically very strong but have limited understanding of the human being behind the numbers. They are not able to convey their knowledge to their clients nor are they able to help them emotionally which means that they are not really helpful at all. As we all know, investing money is not a difficult business to understand but it is very difficult to implement in practice. This is because stock markets are driven by emotions in the short term and all investors will feel emotional pressure in different market cycles. Great planners have the ability to help their clients deal with the emotional aspect of investing as they can coach them through the bad times and manage their irrational expectations in the good times. This is why the best golfers in the world have coaches – they already have the technical knowledge but they also need objective, trustworthy advice.

THE X-FACTOR

The world's best sports stars are often said to possess an x-factor which separates the good from the great. By definition, this is not something that can easily be described - otherwise it would have a better name. In financial planning, the x-factor is the ability to convey the fact that you care, that you are trustworthy and that you understand the person you are helping. I believe that this is something that cannot be taught or described in a text book. I'm sure you have had the experience of meeting someone and just "clicking" with them or conversely, feeling that there is something "off" about the person. You would not be able to explain to someone why you feel that way, you simply do. Great planners have the ability to put their clients at ease and to make them feel cared for. Very often, this leads to some interesting situations where planners unintentionally become marriage counsellors, life coaches or grief counsellors in bad times. As a trusted advisor, people will automatically open up to you, especially because you are dealing with their personal financial matters. The best planners know when to draw the line in these situations; you cannot become the

unlicensed psychologist – you must always remain the financial planner. Great planners often have the same clients for decades because the relationship of trust is impossible to replace.

HOW TO FIND A GREAT PLANNER

The starting point is to look for someone who meets the minimum criteria for a good planner. This means the person must be a Certified Financial Planner®. You can find a full list of them at www.fpi.co.za. The next step is to find out if the person specialises in a particular field e.g. investments, risk or estate planning. Then you should find out how they charge because there are very few great planners who earn upfront commission. Financial planning is a long term business and your planner should be incentivised to look after you for many years not just for one deal. Great planners understand this concept whilst average planners don't. As a next step, you should try to meet with a minimum of three different planners so that you can compare them. You need to feel comfortable with the planner as you might be working with them for decades so you must get along with each other. Great planners are able to build long term relationships of trust so it is worth spending the time to find one.