



**DEVELOPING AND MANAGING
A PROSPECT PIPELINE**

Top producing financial advisors all have robust pipelines of prospective clients. These top advisors have realized that the quality and quantity of their pipeline is the leading indicator of the growth of their practice. We have found that while most financial advisors recognize that their greatest challenge is the acquisition of new affluent clients, most admit that their prospect pipeline is either anemic or nonexistent (as defined as less than 10 prospects).

As we tell financial advisors, “Hope is not a good strategy” for client acquisition. The bottom line is that if an advisor wants to acquire new affluent clients they must build up a strong prospect pipeline and engage in a process to effectively manage it.

Defining a Successful Prospect Pipeline

We have determined that for experienced advisors (with at least three years in the business) the ideal number of prospects is 50. Fifty prospects should result in a 20 - 25% conversion of prospects to clients within 12 months. We have also found that 50 prospects is a manageable number.

A prospect is defined as an affluent individual that the advisor has met with and offered to manage all or a portion of their investments, meets the asset minimums the advisor is willing to work with, and is receptive to the advisor staying in touch with them.

Ideally the advisor will build the pipeline to 50 over a 12-month period. Once the pipeline is built to 50 prospects whenever a new prospect is added, the weakest prospect is dropped. This results in a pipeline where the quality of potential clients continuously improves throughout the advisor’s career.

Treat Prospects like Clients

One of the most important defining characteristics of a successful practice is the quality of service provided to affluent clients, which includes frequent communication. Advisors find it harder to distinguish themselves through performance than through the service and depth of relationship they have with their clients. Portfolio performance has to some degree become a standardized commodity

A recent survey of affluent clients revealed that only 15% considered themselves “loyal” to their financial advisor, which means that 85% were open to alternatives. Not loyal doesn’t mean unhappy or not satisfied with their advisor – it means that the majority of people would consider another advisor if they believed their interests were better served.

Our strategy is for the advisor to treat their prospects as if they were already their best clients – building a case through their actions that the prospect is better off with them than their current advisor. Our research, based on reviewing hundreds of affluent client surveys, shows that the frequency of proactive contact that affluent clients prefer from their

advisors is monthly - including both face-to-face meetings and phone calls. As a result of affluent clients preference for monthly contact we recommend that the advisor contact each prospect once a month.

The advisor should start their day thinking about ways they can develop better and deeper relationships with their prospect pipeline, and execute those strategies every month with every prospect. Examples of potential prospect contact could include investment recommendations, asset allocation changes, research reports or opinion changes on a particular holding, invitation to a fun or educational event, a birthday call, or the acknowledgement of a significant event in their family's lives. One of the most effective strategies is to email or send the prospect an idea, white paper, or recommendation and follow up with a call.

How Does The Strategy Work?

The cornerstone of an effective prospect pipeline process is for the advisor to position themselves as a strong #2 choice with their prospects. Typically there is no competition for the #2 spot because when most advisors can't convert a prospect to a client right away, they either discard the lead or file the prospect away with good intentions to follow up, but never do. As a result of positioning themselves as a strong #2, the advisor has no competition for that spot and when the current advisor makes a mistake and the client is looking for other options, the #2 advisor moves up. We have found that if the advisor builds their pipeline to 50 qualified prospects and effectively manages their pipeline, they can expect to convert 10-12 prospects to affluent clients every year.

In our industry it is so easy for an advisor to have a disillusioned client, either because they made a mistake, a poor investment recommendation, had a problem that doesn't get resolved, infrequent contact, turnover of client associate, or even changing firms. And because a client can change advisors with just a signature, we have found that between 20 and 25% of the time the #2 advisor will easily move into the #1 spot if they have developed the right relationship with their prospects.