

Adviser value proposition

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Your value proposition is the primary reason your clients and potential clients buy from you. It should therefore explain how your service or solution solves their problems or improves their situation. In essence, it's the reason they should buy from you and not your competitors.

Your value proposition should focus on your clients, and not on yourself. It's therefore not a slogan describing your business, or a list of your qualifications, or even claims relating to your character. In the world of terminology, whereas alpha and beta are the excess return over the benchmark and the market return respectively, "Gamma" refers to the additional value that investment and financial planning provides by helping clients make better and more informed financial decisions.

Goals of your value proposition

Your value proposition should serve to attract new clients, service existing clients and grow the value of your business.

Why is Gamma so important?

A number of industry studies highlight the importance of Gamma:

- The University of Montreal estimates that the saving of an advised client will be 2.73 times larger over a 15-year period than that of a non-advised client.
- USA-based Russell Investments estimated that advisers can add 4.4% per annum in net returns for clients by preventing behavioural mistakes.
- The International Longevity Centre stated that clients who received ongoing advice had retirement wealth that was 50% greater than those who took once-off advice.
- Investment management company Vanguard estimated that advisers can add over 3% per annum.

Your value proposition comprises building the financial plan, executing the plan, ongoing services and soft skills – all with the idea of Gamma at the centre, holding everything together.

Let's take a closer look at these elements of the value proposition, and their components:

Building the financial plan:

Total wealth / comprehensive view of assets and estate	Provide timelines and manage expectations
Comprehensive plan	Cash flow modelling
Step-by-step implementation	Client's choice of platform

Executing the plan:

Consolidate information and document the plan	Decumulation strategy, tax efficiency, asset/liability matching
Communicate, provide clarity, direction and confidence	Simplify language and avoid jargon
Asset allocation and risk tolerance	Budget interrogation

Relationship management and soft skills:

Show empathy	Work with speed, skill and professionalism
Honesty and integrity, become a trusted confidant	Ability to ask the right questions
Be objective	Simplify concepts

Additional components:

Digital strategy	Back office and continuity
Additional resources	Industry best practice / legal framework
Value proposition – accessible and documented	Service level agreements

Each one of the elements listed in the tables above enhances the overall Gamma factor, or additional value created for the client by the investment and financial planning that you do for them.

Comparison between an advice-driven model vs a non-advice-driven model

Non-Advice	Advice
Fee driven	Value driven

Limited options	Personalisation
Default options	Needs and goals driven
Limited touch points and access	Customised to the client
Transactional relationship	Trust relationship

Measuring Gamma

Successfully implemented, the end results will reflect additional income, tax savings and additional savings for the client.

The benefits for the adviser include growing and protecting your revenue stream; positive referrals; creating a legacy; building trust; negotiating power; and protecting your client base.

References:

The gamma factor and the value of financial advice – C Montmarquette and N Viennot-Briot, University of Montreal

Alpha, Beta, and Now...Gamma – D Blanchett and PD Kaplan, Morningstar

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