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TRUST: *The Key Component in Personal Financial Sales*

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The Key Component in Personal Financial Sales

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It is often said, and generally agreed, that trust is an important factor in personal financial services sales; investments, insurance and financial planning. In fact, trust is an important factor in most sales, and its importance in the personal financial services arena is frequently understated. To understand this, it helps to look at the requirements of trust – under what circumstances will one person trust another – and then to understand why and how trust matters in a sales environment and why personal financial services is a special case. In a future article, having understood the imperative to generate trust, we can explore the steps required to make this happen. The good news for people entering the world of personal financial services sales is that this is something we can all learn to do better.

In order to trust someone, you must firmly believe that they have your best interests at heart.

The Elements of Trust

Three conditions are necessary in order for trust to be present in a business environment (and most personal environments as well). In order to trust someone, you must firmly believe that:

- They have your best interests at heart, meaning that they will not knowingly give you bad advice or do the wrong thing for you, and that if called upon to do so, they would sacrifice their own self-interest in favor of yours;
- They are reliable, which in this case specifically means that they will do

what they say they are going to do;

- They have the competence and capability to deliver on their promises, to deliver the results they say they can deliver.

All three of these elements are prerequisites for trust. It is interesting to note, however, that competence is last on the list. If you do not believe someone who is offering to help you solve a problem truly has your best interest at heart, why would you ever trust him? Likewise, if you find yourself working with someone who, however well intentioned, does not follow through on promises, you quickly will find that there is no point listening to any promise that person makes. In most cases, these two elements come into play long before any results, through which competence ultimately will be assessed, are actually delivered.

Why is Personal Financial Sales a Special Case?

Trust is especially important, but also elusive, in the sale of personal financial services. Why is this the case? Trust is important in part because we have certain social taboos about money. For example, we are taught from an early age not to talk about it. So merely having a candid discussion about your finances with an outsider requires a high degree of trust. However, the most significant factor that makes trust essential

in financial services is simply the fact that the consequences of a bad outcome can be devastating. Losing a significant portion of your wealth, or even just not having it grow as much as you planned, can prevent you from fulfilling your family obligations and living the life you expected and worked many years to achieve. That is about as material a consequence as most of us could imagine.

As important as trust is in financial services, figuring out whom you can trust in that arena historically has been quite difficult. For one thing, the industry operated for years on commission structures that created an inherent conflict of interest between advisor and client. No matter how honest and well-intentioned the advisor, the presence of that conflict cannot be ignored or understated. Similarly, because commission-based sales could produce quite high incomes, the industry attracted some people who were more motivated by their own acquisition of wealth than the wealth of their clients. The combination of these factors gave entire sectors of the industry (for example life insurance and to a lesser extent stock brokerage) a bad name. Even as the industry slowly migrates to compensation structures that align client and advisor interests, the shadow of that negative reputation continues to cast a pall.

In addition, it is particularly hard to assess the competence of a financial advisor, even after the fact. Everyone knows that it is very hard to get into, let alone through, medical school. It is safe to assume that even a doctor who finished in the bottom half of his/her class is still pretty smart. In addition, doctors can achieve board certification in their specialty as further evidence of competence. There

are no specific academic requirements for entering financial services, especially in a sales position. There are some professional designations, and licenses, but these tend not to be very helpful to prospective clients. And where investment decisions are concerned, no one is right all the time. It is a business of judgment calls, many of which can be defended as good decisions even if they produce a negative return. So how many unsuccessful decisions does an advisor have to make before the client should rightly question his or her competence? There is no good answer.

Interestingly, however, changes that have occurred over the past 10 years or so in personal wealth management have reduced the importance of competence. Asset allocation is now a very standard offering. In fact, that and assessment of client risk tolerance often are the only services the advisor actually performs. Both are relatively mechanical and not subject to much judgment. The actual selection of securities increasingly is outsourced to mutual fund managers and other investment professionals. In this environment, the substantive differentiation between financial advisors is quite small. Ironically, the ability to engender and maintain the client's trust now survives as the primary source of differentiation.

Think back to the elements of trust described earlier. Competence has diminished as a source of trust. Doing what you say you are going to do is a matter of fundamental professionalism – anyone who fails on this score is in trouble for a host of reasons. That leaves as the primary source of differentiation between financial advisors the ability to get clients to believe that you truly have their best interests at heart.

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Kathleen Jackson has held many senior management roles in financial services companies. Her primary focus has been on turning sales organizations into vibrant, customer-focused growth engines fueled by the company's most valuable asset, its employees.

Kathleen began her business career selling retirement plans and within 18 months earned the distinction of one of the top ten commissioned sales people out of 23,000 agents in the company. She holds a BS from Portland State University and an M.B.A. from Harvard Business School. She also serves as an Adjunct Professor for the Center for Sales Leadership in Chicago, IL.

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