

# Why Data Is a Differentiator for Financial Advisors



Why do clients choose you as a financial advisor over your competitors? Answer this question, and you can unlock incredible business advantages and growth opportunities.

As you know from experience, this question doesn't have a straightforward response. Prospective investors are swayed by many factors when selecting a financial advisor. Above all, prospects are looking for someone they feel they can trust with their finances.

While many of the traits prospects look for are soft skills—they want a trustworthy advisor, a good listener, and a collaborative partner—there are concrete steps you can take to enhance the more intangible qualities you bring to the table.

Data can help you provide real proof of your soft skills. Here's how data can become a differentiator for your financial advising practice.

## Show You Understand

One of the first things a prospect will look for in early meetings with a potential advisor is emotional intelligence: "Do I trust this advisor to understand what I'm saying and respect my goals enough to create a plan to achieve them?"

Talking about your existing client relationships or current AUM can provide evidence that others trust you, but building individualized trust requires personalized data.

That starts with offering prospects a risk tolerance questionnaire. An individual may say one thing about their risk tolerance, but a risk assessment may reveal

something different. How many conversations have you had where someone claims to have a high risk tolerance but then balks at a potential 30% downside risk?

Assigning actual numbers to a prospect's risk tolerance helps to get you both on the same page. From this shared understanding, you can create plans that address and respect a client's wishes for long-term growth and current risk tolerance.

## **Prove Your Knowledge**

Beyond your ability to show empathy for a prospect's financial reality and dreams, anyone learning about your services also wants to trust your financial expertise.

Again, data can help you. A proposal generator that allows you to demonstrate potential outcomes for two proposed strategies side by side shows that you understand how to craft options that align with goals and mitigate risks.

Stress testing is another helpful tool for investors looking to showcase their knowledge. Inflation will likely be a scenario that looms in investors' minds for years to come—how will a significant move up or down in CPI impact an investment strategy?

With stress testing scenarios, you can paint a picture of potential outcomes. Rather than speaking in generalities, you can show a hypothetical drawdown analysis in an inflationary environment.

## **Demonstrate Your Solutions**

As an advisor, you may consider your offerings as products: annuities, securities or retirement accounts. However, your prospects and clients think in terms of goals. "I want to be able to travel the globe in retirement," or, "I want to pay for my child's college education in 15 years."

Data can help you bridge the gap in client conversations, demonstrating how your solutions align with their goals.

A detailed proposal shows your suggested investment strategy and how it may perform in the coming years and decades. If a client's ultimate goal is to have the

resources to travel in retirement, data can demonstrate that investing \$6,000 each year in an IRA will set them up for the future they envision.

With visuals, like charts and graphs showing hypothetical long-term performance, you can help clients draw the connection between the life they want and the solutions you suggest.

## **Stay Connected**

No one wants to feel like their financial advisor has ghosted them. Making the most of your data is a powerful way to maintain regular contact with clients.

Let's envision a scenario like the 2007 subprime crisis and the ensuing recession.

In a situation like this, investors are rightly concerned about their portfolios; they desperately want to hear something—anything—from their advisors. Even though there's nothing you can do to turn the tides on the markets, proactively making yourself available goes a long way to easing fears.

Even better? Run some stress testing on each client's portfolio before you call them. Gather data on how their holdings might perform in a recession and what the bottom might look like.

In times of crisis, a call from an advisor can be enough to prevent a client from panic-selling. But when you can reach out with actual charts and numbers to show what the future might hold, you give clients some data to hang their hats on.

When you've warned an investor that they could lose 50% of their portfolio's total value before things turn around, suddenly, a 25% loss doesn't look so devastating. They choose to stay invested and ride out the storm.

There is no one thing a financial advisor can do to distinguish themselves from the pack. But data can be a positive differentiator when leveraged at various points throughout the client relationship. Providing clients with data to back up your assertions or justify your strategies can go a long way toward building trust and establishing long-term relationships.

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