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AN EXPLORATION OF CONSUMER ATTITUDES AROUND THE  
PURCHASE AND CONSUMPTION OF LUXURY FINANCIAL SERVICES  
WITH RECOMMENDATIONS FOR  
FINANCIAL SERVICES PROVIDERS

by

J. Dayne Lamb

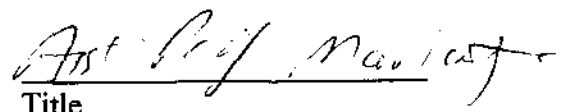
A research paper submitted in fulfillment of the requirements for 3 credits, GRADUATE INDEPENDENT RESEARCH PROJECT Winter Term 2000, Professor Joseph Priester, Faculty Supervisor, University of Michigan Business School.

Faculty Comments

An excellent example of using  
market research to understand  
customer needs and to align a  
service to better meet those  
customer needs.



Signature of Faculty Supervisor



Title

## Executive Summary

*"Miss Adele, you 've been reading tea leaves for over 40 years. Has anything changed in what people care about in that time?" Nick Spitzer of American Routes.*

*"Nope, not really. Most people want to know about relationships and finances, and those are the things that sustain us through life." Miss Adele, New Orleans tea-leaf reader interviewed on Public Radio International's American Routes broadcast on Michigan Public Radio, April 1, 2000.*

This report summarizes the results of my research performed to explore and understand consumer attitudes around the purchase and consumption of luxury financial services.

Luxury financial services are defined as high-priced advice which is tailored to the individual needs of the consumer and delivered through a personal relationship with the financial professional. Financial planning, investment advice and wealth management and generational planning may all be luxury financial services.

I sought to gain insights into consumers' feelings and behaviors with the goal of offering market strategy recommendations to enable a boutique provider of luxury financial services to develop and execute a marketing and service delivery plan which would meet the wants and desires of the target consumer. My research was conducted as in-depth, qualitative interviews with nine subjects, individuals or couples, and a review of existing literature on marketing and delivering services with a particular emphasis on high-stakes decisions related to the purchase and consumption of intangibles.

This paper is a modern commercial argument for professional behavior. What is it that people want from a luxury service? They want a relationship with someone they can trust, someone who will support and empower them to live more confident, fulfilled lives. It is something akin to the "old family lawyer" relationship. The old standard meant that the client could trust a lawyer, *ipso facto*. The new standard says that the provider must build a relationship of trust and that every marketing and service delivery choice and action must support and reinforce this strategy. The final section of this report presents specific market strategy recommendations to result in marketing and delivering services at the highest level of professionalism. A luxury financial service provider who listens to the voice of the consumer and acts on what is heard will have a viable practice.

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## Introduction

The consumer experience of selecting, purchasing and using a service is distinctly different from the same consumer's experience of selecting, purchasing and using a good. A service is an intangible, incapable of being evaluated, understood or judged by physical interaction with the product. A service is primarily consumed as it is purchased, although elements of the service experience may be physically embodied and thus retained over time in tangibles like the complimentary personal care items provided by a hotel or documentary evidence of a service such as written estate plan. Services are provided by human beings, and the relationship established by or with the individual service provider (brief or prolonged) will affect consumers' experience and evaluation of the service.

Luxury financial services<sup>1</sup> are particularly difficult for the consumer to evaluate due to factors which include a lack of consumer expertise and the reality that the outcome of the service, such as a financial plan's adequacy to meet the long-term objectives of the client, can be known only in the *long* long-term. Client uncertainty, the problem a client has in evaluating performance characteristics *before* purchase and use *and after* purchase and use make consumer decision making around the purchase and retention of such services problematic (Bloom & Kotler, 1984) for consumer and service provider. The fact that a consumer also faces numerous options for addressing her perceived need for financial services only makes the decision more difficult. *Choice conflict* in behavioral economics, often referred to colloquially as "options overload," says that the more and better choices an individual faces the more likely she is to do nothing or the harder it will be for her to choose. Once a decision has been taken, the *status-quo effect* predicts that the consumer will stay with her decision, perhaps longer than is appropriate for her or for the provider, and be unwilling to make a change (Belsky, 1999).

These factors—that prospective consumers find it difficult to evaluate and select a luxury financial services provider, that increasing competitive choice in this marketplace may

<sup>1</sup> Luxury financial services are defined as high-priced advice which is tailored to the individual needs of the consumer and delivered through a personal relationship with the financial professional. Financial planning, investment advice and wealth management and generational planning may all be luxury financial services.

make it more difficult for a consumer to decide and that once decided a consumer is likely to remain with her initial choice—make understanding the targeted consumer's needs, wants and satisfiers essential to crafting an appropriate marketing strategy for luxury financial services. In-depth knowledge of the consumer will enable the service provider to develop an effective program to attract appropriate, qualified clients who will most value and benefit from the services on offer. For the sole practitioner or the smaller, boutique luxury financial services firm, an ability to identify the "right," or most appropriate, clients to serve is of particular value since resources are scarce and unique, and divesting the practice of clients is likely to be difficult.

### Statement of Objectives

My objective in conducting the research reported herein was to identify and analyze consumer attitudes around the consideration or the purchase and consumption of luxury financial services. I sought to gain insights into consumers' feelings and behaviors around such services specifically to enable a boutique provider of luxury financial services to:

- Establish a consumer orientation based on the expressed voice of the consumer
- Understand and formalize the implicit "value proposition"
- Communicate a targeted, compelling market offer in all written promotional materials and in all provider-to-targeted-consumer contacts
- Design terms of the service relationship (duration, number and nature of contacts, price) to match consumer expectations and result in a profit to the provider
- Design a service mix to provide consumers with the services they seek and value
- Evaluate the suitability of a potential client based on her expressed expectations and attitudes regarding the nature of the services provided and method of delivery

I had the further objective of gathering data sufficient to form a basis for developing a quantitative and short-answer qualitative survey instrument to be used by a boutique provider to measure cumulative client satisfaction for the purpose of setting quality and service improvement priorities. That instrument is not a part of this paper.



## Secondary Research

I reviewed academic, business and popular press literature on marketing and delivering services including customer targeting, communications and relationship building; aspects of and influences on consumer decision-making, particularly with respect to high-stakes decisions related to the purchase and consumption of intangibles; and research and commentary related to various topics such as "luxury" purchases and financial services. (See Bibliography and References.) The purpose of this review was to familiarize myself with the current state of thinking about the nature and distinguishing characteristics of a service purchase from the points of view of consumer and provider to inform my primary research design, execution and interpretation.

### *Services Marketing and Delivery*

Academic research and literature on services is characterized as "relatively young ... (from the last 15 years of so)" by Iacobucci and Ostrom (1993). Key observations in the literature I reviewed are that: services are intangibles, performances experienced during consumption (Berry, 1999) rather than objects which may be purchased and possessed; services with high labor content—such as luxury financial services—are heterogeneous, with the service delivery inseparable from the deliverer and with performance subject to variability from individual provider to provider (Zeithaml, Parasuraman & Berry, 1990; also Bloom & Kotler, 1984); and credence information is not readily observable, even after purchase, leading to heightened consumer uncertainty (Bloom & Kotler, 1984).

Providers of luxury financial services first market promises. "For professional services, personal contact is probably the most important tool within the communications element of the 'marketing mix.' The risk that most perceive in selecting a professional makes it necessary to be able to reassure and persuade the target through direct, personal messages rather than impersonal media" (Bloom & Kotler, 1984). This comports with the finding that consumers who purchase professional services first must trust the firm to deliver on its promise. "A service company's competence is instrumental in establishing customer trust" (Berry, 1999). Once competence is found, consumers will "latch on to it" (Berry,

1999) and be reluctant to make a change.

By the same token, while getting a new customer is expensive, the lifetime value of a consumer increases geometrically with relationship duration (Godin & Peppers, 1999; Peppers & Rogers, 1993). The payoff to loyalty-of-consumer-to-provider is high, and compelling. Service profits are maximized when providers invest in achieving a level of consumer satisfaction that results in actionable consumer loyalty (Reichheld & Teal, 1996). The popular marketing dictum to gain *share of the customer* not share of the market is reference to this phenomena. However, multiple transactions with the same consumer are conditional events; the next transaction occurring depends on cumulative satisfaction with previous encounters (Peppers & Rogers, 1993).

Gender affects satisfaction with service marketing and delivery. The hypothesis that men will focus on the core service (competence of provider) and women on the relationship (interpersonal abilities of provider) component of the service encounter is generally borne out, but the prediction should be nullified with long-term service encounters according to Iacobucci and Ostrom (1993). They predict relationship will be especially important (irrespective of gender) in consumer interactions with professional service providers. Marketing materials and promotional communications, however, are most effective when these communications fulfill short-term gender preference.

The price of the service and the expertise of the provider affect consumer perception of *quality* of service; the timeliness of service and physical environment in which it is provided affect consumer *satisfaction*. *Quality and satisfaction* drivers are the degree to which a consumer considers the service customized to her and the extent to which she feels recognized as a valued customer (Iacobucci, Ostrom & Grayson, 1995). The same research showed that a perception of high quality by the consumer did not automatically translate into a feeling of high satisfaction. Quality was determined by literal attributes which served as cues to the level of quality (for example, high price may be interpreted as

high quality, particularly in services high in credence attributes ), while satisfaction was determined by the experience of the service as evaluated by the consumer.

### *High-Stakes Consumer Decision-Making*

Certain decisions, like purchasing luxury financial services, require extensive problem solving which necessitate considerable search and deliberation by consumers. These complex issues may leave consumers feeling inadequate to evaluate the alternatives (Bloom & Kotler, 1984). The National Endowment for Financial Education's 31-member think tank found that, with respect to financial and retirement planning, "too much information, too many sources" leave consumers uncertain of where to go for help to "sort through it." The result is the consumer "shutting down and failing to take proactive steps" (Anonymous, 1999), as is predicted by choice conflict.

Kahn and Baron (1995) found that "decision makers may avoid compensatory rules<sup>3</sup> not only because they require difficult cognitive effort but also because they require explicit resolution of difficult value trade-offs." Their subjects generally *said that* they would use compensatory rules in high complexity, high accountability, time-stressed situations but in fact the subjects used simple decision heuristics or made no decision at all.

Interestingly, "in a study of medical decision making, Strull, Lo, & Charles (1984) found that clinicians underestimated the patients' desire for information and discussion but overestimated the patients' desire to make the decisions for themselves" (Kahn & Baron, 1995). Similar findings with respect to a financial service purchase are reported.

However, while consumers may not use compensatory decision rules themselves, they *do* want and expect their agents to use such rules.

<sup>2</sup> The purchase of wine, while not a service purchase, also is fraught with credence and evaluation problems for the customer, as illustrated by this story: "On visiting a buyer in New York [right after Prohibition had ended], he [Ernest Gallo] offered him two samples of the same red wine. The man tasted the first glass, asked its price, and was told it was five cents a bottle. He tried the second sample, asked the price, and was told it was ten cents a bottle. 'I'll take the ten-cent one,' said the buyer." Gideon Rachman, "The Glass in a Globe: The Price Puzzle." *The Economist*. December 18, 1999: 95.

<sup>3</sup> Compensatory decision making requires that all factors be considered together such that the individual decider makes trade offs among attributes whereby a good value on one attribute can compensate for bad values on other attributes.

Decision making is mysterious. The model presented by dialectical thinking may suggest certain insights into the how consumers decide (Kahle, Liu, Rose, & Kim, 2000). The moment of transformation from contemplation or consideration to decision or action is asserted to be abrupt and explained, in part, by the thesis—antithesis—synthesis process of dialectics. The authors claim that dialectical operations occur in mature, adult thought which is flexible, admits duality and has an ability to tolerate ambiguity. The hypothesis is presented as "Perspectives and Commentary" not yet supported by the authors' original research. Nor does it appear to be supported by previous research such as that done by Kahn and Baron (1995), as reported above, but the dynamic nature of the dialectical model may offer insight into decision making in a world ever more driven by technology, change, speed and new and often contradictory information.

Marketing messages are received differently by target consumers depending on the consumers' level of expertise (Maheswaran, Sternthal, & Gurhan, 1996). Novices in the subject area of the marketing message do a literal processing of the message information, learning from the benefit and other data presented. Repetition of arguments enhances the persuasive impact. Experts are not influenced by benefit repetition or are negatively influenced. Their conceptually driven message processing suggested that a persuasive message for them would present specific product attributes rather than benefits and would then allow them sufficient time to do their own mental elaboration of the message. This is another illustration of the importance of knowing the target consumer.

#### *Professional Services as Relationships*

Bernstein's (1999) report on the *Town & Country* magazine survey<sup>4</sup>, "Buying Luxury," asserts that "today's affluent set makes luxury purchases in an attempt to gain control over their more complicated lives and provide security for the future. And they consider quality indulgences a necessity and reward for their hard work." The most important influence on participants' number one choice of a luxury purchase was the "hyperkinetic speed of their tech-filled lives, *and the corresponding sense of isolation*" (Emphasis

<sup>4</sup> The Town & Country survey was conducted with 12 focus groups of participants with mean household incomes of \$245,000+ and a telephone survey of 1,000 households with mean incomes of \$100,000+.

added.) This finding supports Godin and Peppers' (1999) claim that "consumers are now willing to pay handsomely to save time," and Reich's (1998) observation that America's most affluent citizens have become money-rich but time-poor.

The generation maturing into adulthood (i.e., employees and consumers) right now are identified by some pundits as "MyGens." MyGens, more than their predecessors, but no doubt influencing the generations preceding and following them, "expect work, play and home [to be] tailored specifically to them" (Oliver, 2000). Consumer needs change and develop over time and MyGens, purportedly more than other generations, expect service providers to evolve services to meet their changing needs. Read in light of Iacobucci, Ostrom and Grayson's (1995) findings on quality and satisfaction drivers reported above, this suggests that service providers will need to invest in new levels of customization to attract and retain desired consumers.

Lastly, the concept of "relationship" occurs often in literature on service marketing and delivery. Goodwin (1996) argues that *communal* relationships alter the dynamic of the service encounter. Service relationships resemble friendship, but the commercial purpose of the relationship precludes defining it purely as friendship. Communality of a relationship is evidenced by the presence and extent of conversation in the service encounter that is not related to the core service and is, in fact, irrelevant to the service. Communality is an open-ended form of relationship which suggests the expectation of future interactions and gives a good deal of latitude to the service provider. Goodwin reports "Murray and Holmes (1994) found that individuals in close relationships would not allow negative information about a partner to threaten the strength of the relationship. Rather, they would integrate and defuse negative information within positive stories about their partners. Therefore, theory suggests that the consumer in a communal relationship will attribute service failures . . . to factors outside the provider's control or even to positive qualities about the provider ('she cares about people so much . . .') . . . . Goodwin and Gremler (1996). . . found that customers who express communal feelings ('he's more like a friend') also report a desire to work to maintain the relationship, overcoming core service failures."

The concepts, data and conclusions from the secondary sources presented above provided a starting point for the design and execution of my primary research.

### Primary Research

This study was designed to reveal consumer feelings, attitudes and behaviors around the consideration or the purchase and consumption of luxury financial services through direct, one-on-one interviewing of demographically appropriate subjects. The research techniques employed, target population and method of selecting subjects and data collection methodology are discussed below.

#### *Justification of Selected Research Techniques*

The basic research technique employed was qualitative through a somewhat structured verbal exchange between subject and interviewer with the goal of revealing thoughts and feelings of which the consumer might have been unaware consciously, but on which she acts in her choice, use or judgments around luxury financial services. The consideration or use of luxury financial services is a high emotional involvement activity. Many individuals feel vulnerable around the topic of money due to strong self-imposed, family, social and societal pressures, often combined with a perceived lack of personal expertise to evaluate a financial services provider. One's money can, at the same time, be a private, intimate topic, a source of pride and an external identity marker. Use of qualitative research techniques, including laddering and ZMET as discussed in more detail below, enabled a trust bond to develop between researcher and subject, permitted the series of on-going questions and probes suitable to mine the rich data potential of the topic, avoided social influence (as would be exerted by members in a focus group) and made the specific research environment somewhat easier to control.

#### *Research Project "Client" and Research Author Relationship*

My interest in undertaking the research and analysis reported herein relates directly to my

post-graduation employment as a principal in a boutique luxury financial services provider. The firm will comprise the author, a CPA and MBA; the author's spouse (referred to herein as "Advisor"), a lawyer, CPA and registered investment advisor who currently provides financial services as an individual practitioner on a fee-only, retainer basis to a select group of clients; and a bookkeeper who will perform firm and client bookkeeping. This imminent shift for Advisor from sole practitioner to principal in a boutique firm and for me from student to "expert" prompted us to want to consider more formally the wants and needs of existing and target-population clients of Advisor and the future firm. As a result, I determined that my sample of interview subjects should include both current clients of Advisor and non-clients in the appropriate demographic for luxury financial services.<sup>6</sup> The intention in creating this sample mix was to have the opportunity to identify differences in service expectations and performance, if any, experienced by clients of Advisor versus non-clients and to understand the significance and strategic implications of these differences for the new firm.

*Sampling: Target Population, Sample Size and How Recruited*

The target population was households with annual incomes equal to or greater than \$250,000 or with assets available for investment (i.e., exclusive of residential real estate) in excess of \$1,000,000.<sup>7</sup> Sample size was set to allow a range of other demographic characteristics such as marital status, family composition and occupation without being so large as to make in-depth, qualitative interviewing infeasible for the author. The final sample included a total of nine individuals or households, four representing clients of Advisor, four representing clients of other luxury service providers and one representing a high-net worth individual who has not used a financial services provider. Five participants were located in a major Northeastern USA city, two participants were located in a university city in the Midwest, one participant was located in a small college city in

<sup>5</sup> The author is a second year MBA student at the University of Michigan Business School, and will be awarded her MBA degree in May 2000.

<sup>6</sup> None of the subjects was approached with a solicitation and no element of the interview consisted of marketing of Advisor or the prospective firm.

<sup>7</sup> Advisor, and the new firm prospectively, has no minimum income or asset criteria. For the purposes of this study, however, the *most likely* consumer of luxury financial services is within the target population.

the Midwest and one participant splits the year between resort areas in the Northeast and Southeast.

Exhibit 1, Appendix A summarizes salient "Subject Characteristics" including gender, age, occupation, household status and nature of financial service provider and number of years with this provider. Exhibit 2, Appendix A details the financial services consumed by each interview subject.

Subjects were recruited by direct request. Clients of Advisor were first approached by Advisor to obtain their permission to be contacted by me. Non-clients were recruited in two ways: referral to me as a result of my broadcast to selected contacts of my need for interview subjects (three subjects) and through my direct approach based on a prior working or social familiarity with the target subject (two). Four subjects were strangers before the interview, three subjects I had met once prior to the interview and two subjects are close personal friends. The friendship relationships are disclosed at the beginning of each relevant interview transcript in Appendix B. Exhibit 3, Appendix A is the basic form of the solicitation email sent to non-client prospective subjects.

Thirteen subjects in total were approached to participate in the study. Two were unable to participate due to schedule conflicts; two did not respond to my email solicitation.

#### *Data Collection Methodology and Modifications*

The data collection methodology was in-depth, qualitative interviewing (six subjects) and ZMET with in-depth probes (three subjects). (See Exhibit 1, Appendix A.) All interviews included laddering-style probes such as triadic sorting of types of financial service providers and preference-consumption differences. The intention was to elicit sufficient concrete information to enable subsequent content analysis to result in a hierarchical map representing respondents' ladders in the aggregate, i.e., moving from the concrete to the abstract. At the same time, the interviews were intended to reveal significant constructs in the consumer's thoughts and feelings of which she was unaware prior to the interview, but which inform her choice and service experiences. My analysis the data collected through these interviews are reported in Results, below.



After an initial phase in which I introduced or reintroduced myself and met the subject, each interview generally was structured into two parts. The first segment was organized around a set of similar, but not identical, questions intended to elicit the feelings and meanings surrounding an attribute identified by the subject or to clarify feelings or behaviors implied in a statement made by the subject. ZMET exploration of the images selected by the ZMET subjects was made in this segment. A sample of the questions asked in this segment are presented in Exhibit 4, Appendix A.

ZMET subjects were asked to collect five to seven images, from any source, representing "luxury financial services" to them. During the interview these subjects were asked to tell the story behind each picture, what it meant to them, and to select and further amplify the meaning of the most important of the images. Selecting images proved difficult for one subject and impossible for another. These subjects were asked to "draw" a mental picture and describe it to me. The mental and selected physical images shared by the ZMET subjects are presented in Results and with the transcripts in Appendix B.

One subject was approached through a probe of positive incidents and negative incidents in an effort to explore a specific event in the relationship between Advisor and the subject which I believed was important to understand for the purposes of this study's objectives.

The second segment, roughly one third of the interview time, was devoted to a uniform set of questions tailored only to the extent that the subject was a client of Advisor, a non-client or had no financial service provider. (See Exhibit 4, Appendix A.) This segment was intended to enable cross-comparisons of distinctions between types of providers, and important and unimportant or satisfying and dissatisfying elements in the provider-consumer relationship. Many questions in the second segment appeared to re-raise issues addressed by the subject in the first part of the interview. Except in circumstances where the subject's time was limited or the question's answer more likely to be literal than qualitative, I asked the question with the qualifier that it might appear to be something of a repeat. The interesting result is that the answers given often differed somewhat or markedly from those I might have surmised from the prior discussions.

Information on the personality and socio-cultural identification of each subject was gathered throughout the interview. The subjects were, in the main, surprisingly forthcoming and revealing about intimate, personal details of their hopes, fears, dreams and relationship to their wealth. The interviews were predicated on my clear statement that I would not ask questions about the specifics of the subject's financial position, income or investments. My interest was in their feelings and behaviors, not statistical data, having once assured that the subject met the demographic for my study.

Two interviews were conducted by telephone, one interview was conducted in the subject's office, two interviews were conducted in the home of the subjects, three interviews were conducted at the permanent home of the author and Advisor and one interview was conducted at my temporary home. The interviews ranged from 30 to 120 minutes in length, with the telephone interviews being the least "robust" and shortest, and the interviews in my permanent and my temporary homes being the most revealing and the longest (despite two of the four being with complete strangers prior to the interviews). One interview encounter with a non-client had a significant social component, and Advisor was present for a portion of this interview when he was not otherwise occupied entertaining the subjects' child.

Interviews were recorded by my taking handwritten notes throughout the conversation. This means that the interview transcripts are not "complete" as they would be had the interviews been recorded and transcribed from a tape. I elected not to use a recorder because note-taking appeared to be less threatening to the subjects and, because my desire was for their openness, I decided the trade off between completeness and accuracy and incompleteness and potential interviewer bias lay in favor of the latter. These transcripts are presented in Appendix B.

Note that, as a result of how subjects were recruited and their various relationships to me and to Advisor, no claim of scientific impartiality is made for this study.

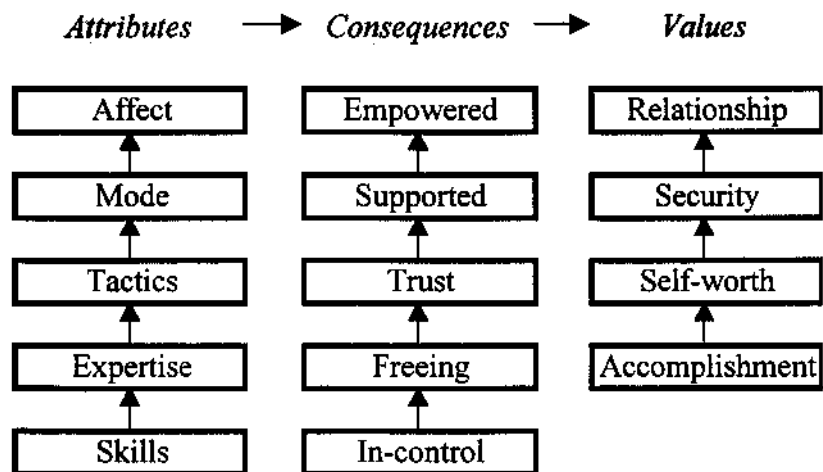
Lastly, I have learned that qualitative, in-depth interviewing around a topic as intimate and fraught with social taboos as money requires the interviewer to follow the subject's

direction and interest as much as to lead the exchange. Subjects are no more trained interviewees than I, the student-author, am a trained interviewer. Subjects for this study were generous, self-revealing, open and interactive, and I am deeply grateful to all who participated.

## Results

I approached the data collected from my interview subjects in three ways. I did a laddering classification of all nine interviews (see Table 2: Summary Ladder Hierarchy Across Subjects on page 18 ) from which I derived the overview at Table 1. An example hierarchical value map for one subject is shown as Figure 1 on page 19. The ZMET technique allowed subjects to reveal significant themes in the feelings they held toward luxury financial services; I present certain of those themes in this section. Lastly, I assessed the *gestalt* of the collective disclosure considering the totality of the interviews and in relationship to findings from my secondary research. A discussion of each of these analyses is presented below.

### *Laddering*



**Table 1: Summary Means-Ends Chain**

I reviewed the content of each interview to identify and classify the subject's responses into *service attributes* leading to *feelings* or *consequences* supporting *values* or *goals*.

Collectively, and summarized, they organized into the means-ends chain presented as Table 1, above. Laddering analysis of a luxury intangible is somewhat murkier than constructing a means-end chain for a straightforward good like a beverage. Selected attribute and consequence links in this summary ladder whose meaning or significance may not be readily discernable from reviewing Tables 1 or 2 are discussed below.

### *Service Attributes—Skills*

Subjects often first remarked on the basic skills they acquired through interaction with their financial advisor. These included such skills as organizing and filing or establishing and following a savings plan. Three subjects stated a desire to have someone in their lives to "impose discipline" in a manner which indicated that they meant impose some of the skill disciplines which can result in achieving higher level consequences and values.

One subject linked the importance of learning how to use Quicken<sup>8</sup>, a skill-level attribute of Advisor's services, to higher level consequences in this way: "It's the ability to have that long view but then to break those big goals down to something you can understand and make progress on. If you told me two years about that I'd have Quicken files, I'd never have believed it.... Advisor made me see that you can get on top of things."

Another subject claimed that doing basic document filing with Advisor during their second meeting was "the trigger to keep going with him" because she otherwise "wouldn't have known what to do with him. And I liked it. It made me feel good . . ."

Subjects who had experienced a skill level attribute were gratified by the tangible outcome and sense of competence they gained regarding their practical affairs. I originally viewed these skill level attributes of a financial service as somewhat trivial, but the characterization of the meaning of these attributes by the interview subjects suggested to me that such services are not trivial to the client—although they may appear to be to the prospective consumer of high priced financial services.

Although this link was not articulated directly, I believe that the time spent by a provider

<sup>8</sup>A financial checkbook, budgeting and investment tracking software package developed and sold by Intuit.

and his client engaged in skill building activities serves to accelerate trust building, a requisite consequence of service attributes for higher level values to be achieved.

#### *Service Attributes—Mode*

I characterize as *mode* those service attributes brought up by subjects as significant that related to elements such as form of referral to their provider, type of practice and remuneration arrangement. "Fee-based" was identified by four of the nine subjects to be a strong positive, leading to such consequences as "confidence in motive" of the service provider and trust. One subject, Simone<sup>9</sup>, was particularly upset when Advisor suggest their arrangement be changed from a fee-based retainer to hourly billing due to her under-use of Advisor in the prior year. She described her reaction as "I felt dumped! I didn't let it happen!" despite recognizing that the service might literally be more expensive on a retainer than hourly fee basis. Subjects who raised the positive of a fee-only arrangement viewed that arrangement as one which entitled them to access and advice without having to "start from ground zero" and, I believe implicit in some of their thinking, without having to earn—be worthy of—their provider's time and attention. The fee structure can clarify the boundaries of the relationship and assure subjects that they come first, their interests will be and are served and the motive of their advisor is to meet their needs.

Three subjects who remunerate their financial professionals on a transaction basis expressed some uneasiness over judging whether or not the transactions suggested or advice received was in their best interest. (See further discussion under ZMET, below.)

#### *Service Attributes—Affect*

My last category of service attributes, *affect*, is an attempt to recognized elements that subjects articulated as expected or desired as a part, not a consequence, of the service received but which are the most subjective of the attributes. One subject spoke of how "[i]t is companionable to have someone coaching you and cheerleading along." I regard such "coaching" as capable of being an intentional service attribute which, in turn, leads

<sup>9</sup> All names of the subjects or their service providers or other professionals used throughout this report are fictitious.

to the consequence "companionable" or, more broadly, to a feeling of being supported. Interestingly, it was the three most overtly self-revealing subjects who articulated *affect* service attributes. One of these subjects has no financial service provider, one is unhappy with her providers and the third is happy with her provider. This may suggest that individuals with a high self awareness of the intricacies of their needs also have a difficult time identifying providers who will be able to meet their expectations.

#### *Consequences—Freeing*

Individuals consume financial services to be freed to do the things that interest them in life. Time is limited. Two subjects specifically used the term "outsourcing." One said "generally I like outsourcing. I am always willing to hire someone to do things I don't want to do myself. Time gets precious—like hobbies and our son—these are where I want to put my time." Freedom comes in the confidence the consumer develops that her financial and life-ordering goals will be achieved and that the steps to this achievement can be taken by an external resource, a service provider. It is, in part, a freedom from having to make one's self do what one has a hard time or is not capable of doing.

"It [investing] needs attention and expertise. You need to pay people who know the rules better than you do. You know, it is very easy to buy—but you make the money selling. I don't care what it is, the buy decision invests you [emotionally] and it becomes very hard to sell whether it is a car or a stock." This subject believed that hiring an expert freed him to benefit from a greater accumulation of wealth than he had achieved on his own.

#### *Consequences—Supported*

A desired consequence of engaging a financial advisor is to feel supported by a trusted professional. "He is a partner in making decisions." "He cares about me being happy with my decision ... He doesn't make judgments about my moral relationship with him [in contrast to family and business partners]. *That's a big differentiating factor. I am not judged.*" One subject who has not used any financial services but now hopes to engage a financial professional said of her situation, "It seems like the decisions I am making now are more critical.... I'm living in the expectation that help is coming." The fact of

having, what I termed in some interviews that "other" in one's life, that paid provider of expertise, had deep emotional resonance for many subjects in this study.

### *Values or Goals*

In general, I organized the values articulated, explicitly or implicitly, in accordance with the list of values (LOV) survey developed at the University of Michigan's Survey Research Center. (I did not rank order these values, however, because I concluded that I had insufficient data to support such a ranking.) The terminal value of an enduring, trust relationship between subject and provider, and, often, between subject and other individuals in her life, was evident in seven of nine interviews. Relationship length also was instrumental as an *attribute*. Many subjects referred to the length time they had had a provider and this duration of relationship linked directly to desired consequences. Relationship also was expressed to be a *consequence* by some subjects. Providers who deliver on attributes and achieve results are proactively retained.

Ultimately, relationship was described as a terminal *value*. Having a relationship with a provider who knows and cares, listens and responds, is a high-level goal. One subject, imagining the perfect financial service, described it like this: "It's a personal relationship, that's very important to me, knowing somebody, that they know you; full service, where you can get it all in one spot. I don't want to deal with a lot of different people [although this subject does in his real financial life]. I don't mind if there are a lot of different people, but I want to go through just one person. I want to get to know that person and trust that they are doing the job for me."

One subject who claimed she did not have, or had not had, a coherent goal, articulated this vision when pressed by the author, who believed the subject's financial situation suggested that she had had a goal, and accomplished it with remarkable success. The subject leaned forward and said: "Here's the goal—I don't want to be poor when I am old. I want to be able to do things and have fun and I want to help my family and my Mends. I want to be kind and generous. I want someone to help me be more clear on what this goal means so that I can achieve it."

Table 2: Summary Ladder Hierarchy Across Subjects

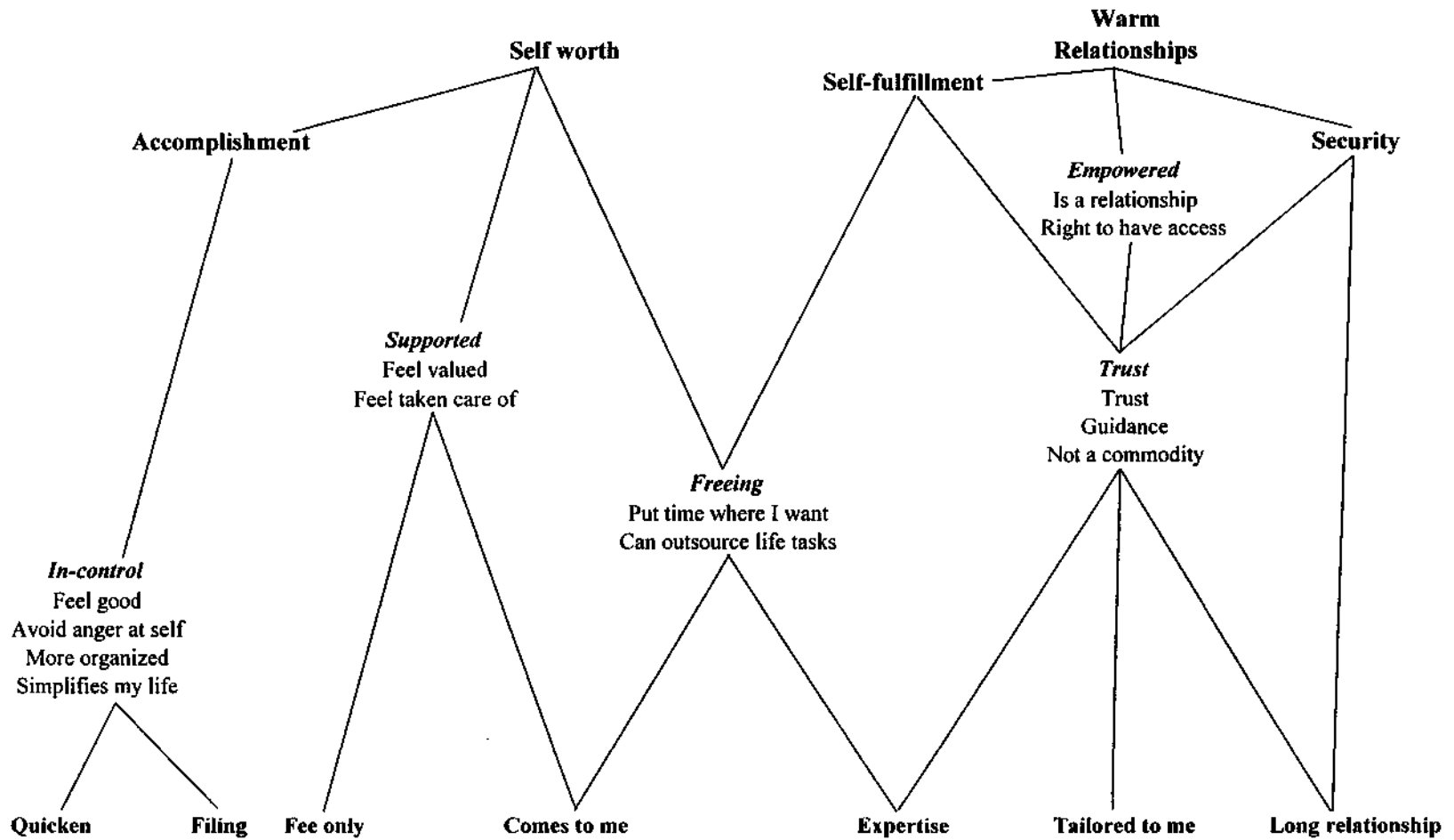
Simone <i>Values</i>	Fred <i>Values</i>	Sara <i>Values</i>	Emma & Ganar <i>Values</i>	Elisette <sup>1</sup> <i>Values</i>	John <i>Values</i>	Laurel <sup>1</sup> <i>Values</i>	Daniela & Jay <i>Values</i>	Ann <sup>2</sup> <i>Values</i>	Summary <i>Values</i>
Accomplishment	Accomplishment	Accomplishment		Accomplishment		Accomplishment	Accomplishment	Accomplishment	
Self-fulfillment		Self-fulfillment		Self-fulfillment					
Self-worth	Self-worth					Self-worth			
Security	Security	Security	Security	Security	Security	Security	Security	Security	
Warm relationships		Warm relationships	Warm relationships	Warm relationships	Warm relationships	Warm relationships		Warm relationships	
	Being respected		Being accepted						
				Fun and Enjoyment			Fun and Enjoyment	Fun and Enjoyment	
<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>	<i>Consequences</i>
10 Is a relationship		Is a relationship	Is a relationship		Is a relationship				Empowered 10
10		Reassuring	Not overlooked		Get attention				
10 Right to have access		No begging, apologizing	Capacity to grow						
10		Solution	Solution					Understand consequences	
9 Feel taken care of	Feel taken care of	I am supported	Feel taken care of					Get help	Supported 9
9		Nonjudgmental	I get to reciprocate				Nonjudgmental		
9 Feel valued	Feel heard	Is there for me	Partner in making decisions			Companionable		Companionable	
9 Put time where I want		Put time where I want						Clarify my goals	
8 Trust	Trust	Trust	Trust		Trust			Trust	Trust 8
8 Guidance on many things	Meaningful discussions	Can discuss anything							
8 Not a commodity	Not a commodity	Cares about my happiness	Not a commodity						
8	Confidence in motive	Confidence in motive	Confidence in motive						
7 Gives me time/freedom	Takes on more & more	My mastery gives me time	Does more & more	Confidence	Available, in touch		Gives us time		Freeing 7
7 Can outsource life tasks		Better quality of life							
7	Save tax money			Start early, further faster					
7	Portfolio gone up			Build assets	Investment success				
6 Feel in control	Feel in control	Feel in control		Feel in control		Feel in control			In-control 6
6 Simplifies my life	Simplifies my life		Simplifies my life						
6 More organized		More organized		More organized		More organized			
6 Feel good		Feel good I am right				Feel good	Feel good		
6 Avoid feeling mad at self		Clarify my goals		Can sleep at night		Feel grown up		Understand choices	
	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>	<i>Attributes</i>
5		Thinks strategically				Coach/cheerleader		A plan, goal setting	Affect 5
5		Asks me							
4 Fee-only/retainer		Fee-only/retainer	Fee-only/retainer				Fee-based/unbiased		Mode 4
4 Long relationship		Ongoing relationship	Ongoing relationship		Long relationship		Long relationship		
4		Individual practitioner	Individual practitioner			Individual practitioner		Private, confidential	
4		Referred by good source	Referred by good source			Referred by mentor		Not family	
3 Comes to me	Comes to me	Comes to me	Comes to us	Comes to me	Access				Tactics 3
3 Tailored to me	Tailored to me	Tailored to me		Tailored to me		Tailored to me		Acts in my interest	
3 Comes to me	In-person meetings	Comes to me/in-person	Comes to me			Comes to me		Formality	
3						"Homework"		"Homework"	
2 Is a lawyer	Expertise	Competence	Is a lawyer, competencies	Competent	Expertise	Expertise	Expertise	Expertise	Expertise 2
2		Right schooling	Right schooling		In the know				
2	Brings up issues	Presents alternatives							
2	Tax planning & return	Breaks issues into pieces	Tax planning & return	Review benefits		Tax planning & return	Tax planning	Taxes	
1 Got me on Quicken		Got me on Quicken	Got me on Quicken			Impose discipline	Impose discipline		Skills 1
1 Got me filing		Got me filing		Savings program		One account banking			

<sup>1</sup> Italics indicate a ladder element that the subject desires or hopes for but feels is not present in the existing relationship(s) or it is not germane to existing relationship(s).

<sup>2</sup> Subject's ladder is based on expressed hope or expectations, not on an existing relationship as subject does not, and has never, used a luxury financial service provider.



**Figure 1: Simone's Hierarchical Value Map**



## *ZMET*

"I had a very hard time coming to grips with what you meant by 'luxury'<sup>5</sup> financial services . . . because I kept thinking 'luxury,' but it [services subject receives] doesn't mean mink or that kind of luxury stuff at all to me. I had to keep thinking and then I realized that luxury financial services mean quality of life . . ." Sara, ZMET subject.

Two of my three ZMET subjects had this difficulty, what picture captured the service, the quality of life, wished for or received? I believe, however, that the technique was effective. The literal or mental images presented to me by my ZMET subjects did reveal what the subjects wished for and what they "saw" in the relationships they have established with their financial service providers.

The ZMET metaphor for Laurel, who could not find any suitable picture-image, was the attention and care her grandmother receives. She drew this mental picture: "My fantasy when I'm trying to conjure up an image . . . They would come to my house although sometimes I would go there, to a 'house of business.' I want what my grandmother has. She has my grandfather's old secretary who is as ancient as my grandmother and dotters into the house and does everything."

A grandparent came up with another interviewee (not a ZMET subject) in response to the question on how she first learned about investing. "My grandfather. I can remember being in his library. He would give me the rings from his cigars and pieces of Wrigley's, which he invested in . . . ."

These are images of continuity, images of security and memory. For Laurel, it is an image of a grown up—her grandmother—being cared for perfectly. Control of her financial affairs related strongly to feeling "grown up" for Laurel, a state she declaimed she had not achieved. Laurel described a second grandparent image in response to a question about the perfect financial service. "I would like having a grandfatherly, respectful mentor, like a man who would take me to lunch and who my family knew and who made me feel I wanted to ask questions but he would take care of me. We would also meet at his office." There is an interesting conflict in this statement with an earlier

comment made when Laurel mentioned her broker calling to invite her to lunch. "It is sort of weird In my profession [psychoanalyst] you do not do lunch with your clients, it would be a violation of a boundary." A grandparent, the imagined perfect caretaker, does not violate a boundary. A grandparent, a generation removed, may reinforce rather than threaten one's grown up status, allowing one be child and adult simultaneously.

Sara, who also had difficulty finding the right physical images, as noted above. Her mental image was based on her "wish [for] a picture of Advisor... It's a picture like those ones with overlapping circles with all the relationships in my life. I am in the middle and Advisor is sort of supporting me [Sara raised her arms as if holding up a globe]. That's what his service makes me feel like, like I'm at the center of it. I am in control. Not like everyone is depending on me."

Sara also selected two images from a magazine (see page 22 and Appendix B). One, a FedEx advertisement shown at page 22, best captured her concept of luxury financial services. "Why it's important is that they [the figures in the ad] have an ongoing relationship. 'Hi Donna... Hi Dave ...' they *know* each other. He'll go the extra mile, and she'll reciprocate. . . . I need to know that people are going to be there when I need them. I need that grace. It relieves all sorts of anxiety. You don't make good decisions under pressure when you really, really need someone. You always overpay when you buy in a pinch. Luxury is knowing you'll never have to do that...."

We returned to this image when I asked Sara what else in it the picture mattered. "The clean lines. Everything is under control. It doesn't look like things being complete chaos—there are parts that I like about chaos in my life, but not in the financial part! And it is sparse. I believe that you are better off having a few things that are high quality than having a lot of junk and that's also true of financial services. I only want one. Only one great relationship. Exclusive. Like the Aeron chair [in the ad]. It is totally exclusive even though it isn't really that expensive. It is 100% adjustable to you. The form—function—style all work together to accomplish its purpose. It exhibits real competence. A luxury chair. It's just the whole picture." Controlled. Exclusive. Holistic. A complete solution.

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Elisette selected a range of images (see page 25 and Appendix B) around "luxury financial services." One image was the Anderson Consulting advertisement reproduced on page 25. It shows a group of wolves eyeing a sheep in wolf's clothing.

Elisette described her reason for selecting this image: "I don't know if my financial planner is not helping me feel like a sheep. I feel like I might not be learning what I should be . . . . I feel pretty satisfied with what we've accomplished so far. But I wonder if there are other decisions we should be doing a better job on, and I'm not sure. I read a story in the *New York Times*, I think, and it was about a woman who was worrying about losing \$200 and being all upset with the \$200 loss and not all that she had and maybe not focusing on the right thing. I don't know, I think maybe I worry about \$30, or something small, when I should be thinking about the big things."

I asked her how the sheep and wolves picture expressed this feeling. Elisette replied: "My naivete. I'm trying to express that there are other things maybe I should be doing but I don't know what they are or z/they are. When we started out we had much less, and things have changed. We have much more today and maybe we should be doing more with it. For example, we do not own any individual stocks, only the mutual funds our planner has us in<sup>10</sup> and our employee retirement accounts through work. I wonder if maybe we should [invest in individual stocks] now."

I asked if this inclination to invest in stocks was something she could call her planner about to discuss, and she affirmed that it was. She had not done so due to "time constraints. I haven't taken the time." However, further discussion revealed that despite Elisette's original statement that she could discuss her wish to invest in individual stocks with her financial service provider, the action she actually planned to take was to invest in stocks using "some money we are expecting and do it ourselves" without his knowledge. The fact that she was expecting some money permitted her to circumvent her financial services provider. She would not have to confront him to request a portion of her money be withdrawn from the mutual funds he managed. She could realize her

<sup>10</sup>The planner receives a commission on these mutual fund sales.

objective of direct investment on her own and not find herself in the awkward position of having to approach her service provider. This exchange presented another interesting picture of a provider and consumer relationship.

Another subject with whom I did not use ZMET, in the course of explaining his meaning of the description "comfortable" in his relationship with his service provider, also revealed a degree of subliminal anxiety. "He just knows [about the stock market]. Those guys know. I feel comfortable that I have this guy walking around worried about these things for me and I'm totally wired into him. I have [communications technology to reach this provider]. He's made me a lot. Only once in a while there's [a boner]." I asked about the meaning of "comfortable" after this statement.

The subject described a piece of literal advice his provider had given him on re-mortgaging his home (presumably to make available more money for investing). The subject went on: "He's put me way over on the aggressive side—but we've done well. But I joke with him that his firm keeps mailing me all these things that say I should have bonds and stuff. Sometimes I worry he's too aggressive. Our communication is rock solid. I only once thought he'd done anything that maybe I hadn't wanted." I asked if the provider had trading discretion on the subject's brokerage account. "Umm, I don't know. I don't think so. I think only once he did something I didn't like. We're in touch all the time. He knows that."

Consumers of financial services do have a difficult time knowing if they are getting what they deserve from a provider. Even the image Elisette selected—a sheep in wolf's clothing rather than the standard caution of a wolf in sheep's clothing—contains an element of ambiguity. Who is the winner and loser? The diner or lunch? Just what, a consumer may wonder, am I getting? Am I getting what I need and what is in my best interest?



simultaneously adapt your strategy and technology to prosper in the new economy. Which means you can truly

be a wolf in wolf's clothing. To see how our eCommerce experience can help your organization, visit us at [www.ac.com](http://www.ac.com).



## *Gestalt*

The subjects who participated in this study shared feelings, attitudes and behaviors around the consideration, purchase and consumption of luxury financial services which were robust, detailed and revealing. I cannot do justice in this paper to the totality of material presented to me by these generous and articulate individuals. My principle purpose here is to present a cursory review of that material in the context of the earlier reported secondary research findings in order to confirm, expand or suggest a challenge to the existing research.

Luxury financial services are an intangible, and the consumption experience *is* evaluated through the relationship established with the individual service provider. How this provider is evaluated—on credence attributes such as schooling and expertise, on motivation for engaging in the service and on actual results such as investment results—is very much affected by the underlying feelings of the client about her good or neutral or bad relationship with the provider. As one subject expressed it: "the perfect planner would be extremely competent, have a wide range of knowledge on a lot of options but someone I could be friends with.... Someone who would understand us."

How do clients find their financial service providers when they are purchasing mere promises at the beginning and when the ability of the provider is impossible to judge by someone who herself lacks the expertise sought? Respected referral sources are the overwhelming route to identifying an acceptable provider. The message within this behavior is the consumer's assumption that the referral source recognizes and can evaluate competence. No interview subject performed a wide ranging search for her provider once a trusted referral source gave the reference. The "promise" purchased generally related to a specific objective such as an ability to do taxes to relieve the subject of the task's complexity and to maximize literal benefits through hiring expertise.

The promise fulfilled was, according to many interview subjects, much more general and encompassing. "I first took on Advisor really thinking I simply was taking on someone to replace [international CPA firm] as a tax advisor and maybe a little more. Now tax



advice is secondary, almost a byproduct. Advisor made me see I needed to get control of much, much more." Or, stated differently: "I'm not sure I knew what to expect [when I hired my financial service provider]. I'll tell you, I got a lot more than I expected! ... I had no clue how he'd get everything else [in addition to investments and retirement planning] under control."

I did not study, directly, the expense of getting a new customer, but my research does suggest that the lifetime value of an existing client does increase markedly with relationship duration. Clients prefer one-stop shopping. "You need to be a 'solution provider' for the client. And who is the general contractor in this picture? It's the first person in or the person with the most contacts and the greatest rapport." Clients may hire to solve a current need, but the provider who is capable and performing in the relationship will be the first provider invited to "go to the next level" and gain a greater share of the customer. These "next" levels generally yield higher margins due to a return-on-time previously invested and the general complexity and client-perceived value of the new work. The second payoff-to-loyalty is the robust referral network formed by satisfied existing clients. The best client-provider relationships can yield the best referrals in part because satisfied clients value their service providers and do valuable pre-screening. "There are people at work [mutual fund portfolio managers] who keep asking me [for a referral to a personal financial service professional], but I want to be sure it would be a really desirable customer for Advisor. I look at it as doing a tremendous favor to [colleagues to whom I refer Advisor] and they have to be worthy."

Gender differences did appear to exist in the elements of the services received noted as satisfactory. For example, men brought up investment return or specific provider expertise more frequently than women who more often spoke to life-goals or equally intangible concepts. The research also predicted that these differences would diminish with duration of relationship, and this, too, appeared to be validated by the gender consensus over the importance of the interpersonal abilities of the provider as summarized, frequently, in the word relationship. Relationship was used to suggest more than an exchange of money for services. It encompassed duration, trust, intimacy and

primacy throughout the interviews for men and women both. Men and women also used language to suggest "reciprocity" in the relationship of client to provider, which reciprocity was not financial payment, but the reciprocity of a more personally committed arrangement. One male interviewee said of a certain action he undertook for his service provider: "it's a way to show reciprocity. In general, for us and probably anyone with an advisor, it is a very personal service, very abstract."

My research suggests that quality *and* satisfaction with a luxury financial service are linked to the form of fee arrangement. Fee-only providers garnered the expressed confidence of my interview subjects around the provider's impartiality, focus on client objectives and needs, lack of bias, concern for the client and a well-articulated, high level of trust by their clients in contrast to a slight un-ease expressed by two of my subjects with transaction-based fee providers. In addition, fee-only arrangements appeared to result in the client feeling entitled to and less required to be "deserving of the provider's time and attention. I believe this latter point could be a valuable area for further study.

Subjects in my study did limited to no searching when seeking a financial services provider. Most subjects found their provider through referral by a high-credence individual or institution in their lives, and they did not expand their search once they had a name. The "trigger" to find and hire a financial advisor was, generally, a specific need such as taxes or a life-transition that caused the subject to experience a sense of urgency around financial matters. Husband: "Taxes! ... I'd prepared my taxes myself, but the private equity stuff made the complexity really evolve and I just was not going to do them again." Wife: "And we'd had our first child and that was going to add complexity to the planning."

Decision making *is* mysterious, and decisions may be made, if not blindly, then with little certainty. "I didn't have a clue what to expect." "I'm not sure what my options are around help." "I guess I didn't realize when we went into it that it would still take effort on our part." "I thought [my provider] would do more to help me get in control." "We use him for more than we thought about when we first decided to hire him for taxes. It's always evolving." Marketing messages around luxury financial services are received by

consumers who are, in fact, ignorant of what will be received whether or not the potential consumer is a financial professional themselves, or comfortable with the stock market and investments or personally disciplined in their finances. Seven out of nine of my subjects expressed a retrospective recognition that they had (or will have) no idea of what it is they will receive when they engage a financial professional.

Lastly, the theme from my subjects throughout the interviews was that professional services are relationships: that relationship is central to the success of the professional service delivery and client perceived outcomes, that relationship informs every interaction between client and provider and that relationship is assumed to be (and must be for success) me-(i.e., client)-focused. There is, however, significant benefit to the provider in a successful professional relationship. My research suggests that these are *communal* relationships, resembling friendship, but with a commercial purpose. One subject said of her provider: "[He] is very nonjudgmental, he's not making a buck off me or making money off me. He's about helping me get clearer with myself. You need to be able to trust someone with that information, someone who isn't in it for any other reason." Of course, her provider is "making a buck" off her, as I reminded the subject. "Yes," she said. "But it's the relationship that's the key thing.... He cares about me being happy with my decision."

Service failures are more easily forgiven, or excused, in such communal-commercial relationships. One client who believed her provider had sent her a notice of termination which she found offensive and hurtful also excused him for his failure. "It was a really formal letter. Knowing Advisor, he wasn't even aware of how formal it sounded." Another subject described a changing relationship—which the subject did not like—with a forgiving qualifier. "He's less hands on . . . We deal with this relatively junior person he has now who is our contact, and she's no Tim. Of course, he's growing and busy . . ." One reason for such forgiveness, in addition to the communal element in a relationship, is the difficulty subjects perceived in finding an alternative provider. The devil you know seems to be preferred, even under poor conditions, to the devil you would have to go out and find. Under good conditions, a communal relationship predicts a high likelihood of

service purchase longevity.

## Market Recommendations

*"Much of the complexity of human behavior is the result of our pursuing relatively simple goals in relatively complex environments. "*

My research was conducted as in-depth, qualitative interviews with nine subjects, individuals or couples, and a review of existing literature on marketing and delivering services with a particular emphasis on high-stakes decisions related to the purchase and consumption of intangibles. The purpose of my research was to hear the "voice of the consumer" to enable a boutique provider of luxury financial services to develop and execute a marketing and service delivery strategy from the insights gained about the feelings, desires and behaviors of the target consumer. The recommendations which follow are based on my research findings. They are, accordingly, limited by the limited scope and number of interviews as well as the finite demographic represented by a sample of only eleven individuals. These significant qualifiers acknowledged, I believe that my research supports the following observations and recommendations for a boutique provider of luxury financial services.

### *Listening to the Voice of the Consumer*

The voice of the consumer was unequivocal and, as expressed by this section's opening quotation, spoke in pursuit of relatively simple needs in a complex environment. The consumer for luxury financial services desires a relationship with a provider who will improve her skill and mastery of daily life, has the expertise to solve complex problems, will apply strategic vision to enable the consumer to articulate and achieve long-term goals while delivering tactical, practical support to the implementation process. The provider's business practices and delivery modes must assure the consumer of her primacy, demonstrate trustworthiness and facilitate a long-term, enduring relationship.

The provider who is successful in responding to consumer needs and desires will:

<sup>11</sup> Herbert A. Simon, The Science of the Artificial. 2<sup>nd</sup> Ed. Cambridge, MA: MIT Press, 1981.

- Be holistic. Approach client issues top down, big picture (strategic thinking and problem solving) *and* bottom up, details (effective implementation). Subjects in this study repeatedly stressed the value of accomplishing basics to be confident and able to identify and to address the larger financial issues of their lives.
- Be nonjudgmental, but lay out expectations and provide support and coaching.
- Be a total solution. Offer complete, comprehensive services through direct performance and interaction with other service providers or appropriate outsourcing, i.e., be the general contractor for a client's financial goals and administration.

#### *Terms of Relationship and Service Delivery*

The model above imposes requirements on the terms of relationship and service delivery for the provider to have a workable, successful business model. The provider must:

- Tailor the services provided to each individual client's wants and needs. This approach to service design insures that each client receives services appropriate and of value to her and it reinforces the client's feeling of being central to the relationship.
- Charge a fee at the appropriate, high price point which signals high credence and quality and allows the provider to dedicate his time to a limited number of clients who expect and receive absolute access and attention.
- Charge on a retainer, fee-only basis. The fee-only component aligns the interest of provider and client, and acts to signal the lack of bias and the dedication to meeting client needs and achieving client goals. The retainer component liberates the client from screening her use of the provider. Uninhibited use of a provider can facilitate stronger, more trusting relationships and prevent "minor" decisions from being made by the client without consultation—and rebounding as big issues in the future.
- Conduct face-to-face client meetings at the time and place convenient to the client and on a schedule designed to promote relationship and trust building and assure the client of her significance and value.

- Actively build a communal relationship by visiting the client's home, interacting with the client's children and exploring personal and family issues beyond their mere financial impact. The extent of these activities must be responsive to and comport with the client's concept of a fitting client-and-professional association.

### *Marketing Strategy*

The marketing strategy necessary to attain the goals outlined above—deliver consumer-desired services at a profit—requires significant investment of time to know and screen prospective clients. Wrong clients, those who are inappropriate to a firm's practice no matter how apparently profitable in the short-term, rob the firm of time and resources to serve the right clients. Selling time-based services limits the number of clients who can be served. Serving clients directly, through close, personal interaction, makes chemistry an important element of relationship success. Standard measures of client suitability such as net worth, complexity of life or technical services needed are not adequate to lead to the conclusion "this is a client I should have."

The competition, then, is not primarily with other luxury financial services providers, but with the time taken by wrongly admitted clients. The implicit contract between a service provider and client is around developing an intimate, trusting relationship in the exchange of literal services for money. This relationship aspect of the exchange makes divesting the practice of a client difficult and emotionally painful for both parties.

These factors suggest that an effective marketing strategy must:

- Concentrate on the screening, intake phase of client acquisition. Time must be taken to evaluate and understand the expectations, attitudes and likely behaviors of prospective clients through a sufficient number of in-depth meetings prior to client acceptance. This unremunerated time is where the marketing budget should be invested.
- Include appropriate communication to existing clients of the status of the practice, i.e., closed or open to new clients, and the profile of target client sought, if any.

Existing clients are a powerful referral resource; many clients enjoy referring an excellent service provider and want to do so. Managing existing client expectations around referrals and the practice is as important as soliciting new clients.

- Use social positioning. Prospective and present clients care about who a provider serves and that the provider is exclusive. It is an implicit component of credence. Some providers apply minimum asset or income requirements to clients to assure a certain income stream, assure prospective clients that they do need the nature and level of services on offer and will not be paying for unnecessary expertise, and assure existing clients of their own social position. Such mechanical limitations are a poor metric for getting to what a provider truly desires: clients suitable for his expertise, who will value his form of service delivery and with whom the relationship can be mutual. Tangible parameters may be easier to define and to apply, but the true marketing necessity is to do the hard work of identifying what intangible parameters define an appropriate client and communicating these parameters to prospective and existing clients.
- Communicate consequences or values that will be achieved by engaging the provider and support these claims by appropriate description of the service attributes that will lead to desired outcomes. Prospective clients will not be compelled by an offer which rests on acquisition of Quicken and filing skills. These are seen as mundane activities at best, and not a compelling marketing message. Individuals want to know that they will be supported and empowered through their relationship with a provider. Yet a marketing message cannot merely claim "we'll have a relationship and you will find that valuable." The message must sell consequences coupled with an explanation of the practical steps which will enable the prospective client to imagine *how*, and thus *that*, their desired consequences or values will be achieved by engaging the provider.

### *Conclusion*

This paper is a modern commercial argument for professional behavior. What is it that people want from a luxury service? They want a relationship with someone they can

trust implicitly, someone who will support and empower them to live more confident, fulfilled lives. It is something akin to the "old family lawyer" relationship. My paper is, in its totality, an argument to re-establish some attributes of that old model which have broken down in modern times: a return to the highest enactment of professionalism. The old standard meant that the client could trust a lawyer, *ipso facto*. Today the regulated professions of lawyer and CP A are hardly regarded as more credible than the unregulated activities of financial planners. The new standard says that the provider must build a relationship of trust. If you do this as a luxury financial service provider, you will have a viable practice.



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## Appendix A: Exhibits

EXHIBIT 1: SUBJECT CHARACTERISTICS.....	A-1
EXHIBIT 2: SERVICES PURCHASED BY SUBJECT(S) FROM FINANCIAL PROVIDER(S) ....	A-2
EXHIBIT 3: EMAIL SOLICITATION TO PROSPECTIVE SUBJECTS .....	A-3
EXHIBIT 4: INTERVIEW QUESTIONS.....	A-4
<i>Interview Segment One</i> .....	A-4
<i>Interview Segment Two</i> .....	A-4

**Exhibit 1: Subject Characteristics**

<i>Interview Subject</i> <sup>1</sup>	<i>Gender</i>	<i>Age</i>	<i>Occupation</i>	<i>Household Status</i>	<i>Interview Mode</i>	<i>Method</i>		<i>Interview</i>		<i>Financial Service Provider</i>	
						<i>Ladder</i>	<i>ZMET</i>	<i>Date</i>	<i>Duration</i> <sup>3</sup>		<i># Years</i>
<b><i>Client of Advisor:</i></b>											
Simone	F	50s	Entrepreneur	Divorced w/ grown children	Telephone	x		3/14/00	40 min	Advisor Tax accountant	4+ 1+
Fred	M	60s	Retired CEO	Married w/grown children	Telephone	x		3/17/00	30 min	Advisor Brokers	5+ various
Sara <sup>2</sup>	F	40s	Consultant	Married w/teen & pre-teen children	In-person		x	3/21/00	90 min	Advisor Tax accountant	3+ 10+
Emma & Gunar	F M	30s 30s	Portfolio Mgr Entrepreneur	Married w/young children	In-person	x		3/24/00		Advisor	6+
<b><i>Non-client:</i></b>											
Elisette	F	40s	Academic	Married with children	In-person		x	3/22/00	60 min	Financial planner	10+
John	M	50s	Fortune 500 Executive	Married w/teen & young adult children	In-person	x		3/22/00	30 min	Broker Financial planner	15+ 2
Laurel	F	30s	Psychoanalyst	Single	In-person		x	3/25/00	90 min	Broker Tax accountant	1+ 2
Daniela & Jay <sup>2</sup>	F M	40s 40s	Lawyer Lawyer	Married w/young child	In-person	x		3/25/00	90 min	Financial planner Tax accountant	10+ 10+
Anu	F	50s	Sales	Single	In-person	x		3/26/00	120 min	---	--

<sup>1</sup> Not the actual names of the interview subjects.

<sup>2</sup> Personal friend(s) of Advisor and author.

<sup>3</sup> Exclusive of social courtesies and general conversation.

**Exhibit 2: Services Purchased by Subject(s) from Financial Provider(s)**

<i>Services</i>	<i>Clients of Advisor</i>				<i>Nonclients</i>				
	<i>Simone</i>	<i>Fred</i>	<i>Sara</i>	<i>Emma Gunar</i>	<i>John</i>	<i>Elisette</i>	<i>Laurel</i>	<i>Daniela Jay</i>	<i>Anu</i>
<b><i>Financial Planning:</i></b>									
Investment counseling and management									
--asset allocation	X	X	X	X	X	X		X	
--retirement accounts	X	X	X	X	X	X			
--investment portfolio management		X	X	X		X		X	
--investment tracking	X	X	X	X		X			
--logistics (set up accounts/transfer accounts)	X	X	X	X					
Retirement planning	X	X	X	X	X	X			
Estate and generational planning	X	X		X	X				
Insurance review	X	X	X	X					
Budget development and monitoring	X	X	X	X					
Quicken training and use	X	X	X	X					
Tax planning	X	X	X	X			X	X	
Tax return preparation		X		X			X	X	
Coordinate other financial & legal professionals		X							
<b>Brokerage &amp; investment advice</b>					X		X		
<b>Legal:</b>									
Employment/consulting negotiation	X	X		X					
Will and trust drafting	X	X							
Trust retitling		X		X					
Health care proxy	X	X							
Residential real estate transactions	X	X							

*Legal and related services are purchased directly from other professionals.*

*Exhibit 3: Email Solicitation to Prospective Subjects*

I am a University of Michigan Business School student doing an independent marketing study this term that requires me to conduct qualitative interviews on the subject of "luxury" financial services. I would like to interview you for this project, if you are willing. Please know that I will be asking NO invasive, personal questions about your actual finances, and you would not be identified in my final paper. My project is:

**Brief Description:**

Identify, explore and analyze consumer attitudes and behaviors around a "luxury" financial service, such as private financial consulting, wealth management or planning, through gaining insights into the feelings and behaviors of consumers in their consideration and/or purchase of such services. Result should be recommendations to enable provider of a luxury financial service to:

- Understand and formalize the implicit "value proposition"
- Properly communicate a marketing message in all materials and potential and active consumer contacts
- Ensure terms of service relationship (duration, numbers and nature of contacts, price) will match consumer expectations

Methodology will include review of the academic literature and 10 in-depth, qualitative interviews with present and potential consumers of luxury financial services.

My advisor is Professor Joseph Priester of the UMBS Marketing Department. I would be happy to put you in contact with him to "vet" me. I also attach my resume as an Adobe file, FYI. I would like to conduct the interview sometime between now and the end of March. I have a very flexible day, evening and weekend schedule, and the interview (arrival to departure) would take no more than 1 hour. I hope the interview would be fun for you.

Thank you for considering my request.

Best—

Dayne

(J. Dayne Lamb, UMBS MBA 2)

*Exhibit 4: Interview Questions*

**Interview Segment One**

1. Do you use a financial advisor or service of any kind? What kind and what for?
2. What do you think are the similarities or differences between your financial services provider and a large, national firm like American Express or JP Morgan Private Client Services, a regional firm or an individual practitioner? (Also asked as, would you consider a large firm ... why or why not?)
3. Why did you select the kind of advisor you did? (What kind would you pick?) Why?
4. Is there any type of financial service that you would not use?
5. What made you actually hire your financial services provider? (Or what might?) And from thought to action, how long did it take?
6. How did you (or how would you) find a financial services provider?
7. What would you do if you did not have your financial services provider?
8. Is there a difference in your needs compared to the time you hired your financial services provider? What differences?
9. Why use an advisor when other tools are available? (Quicken, web, brokers . . .)

**Interview Segment Two**

Uniform Questions

1. How did you find your financial services provider?
2. What do you find to be the most effective method of communication with her? In-person, telephone, email, written correspondence, or would a website appeal to you?
3. Where do you meet your financial services provider? How important is it that she comes your home or office (or does not come to your home or office)?
4. Do you feel that the services provided have been really tailored to you and your needs?
5. Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?
6. Of all the financial services you have received, what do you most like?
7. Least care about or dislike?
8. What is different about the service than what you expected when you hired your financial services provider?
9. If you could imagine of the perfect financial service, what would it be? How provided?
10. Have you ever referred your financial service providers to anyone?

## Appendix B: Interview Transcripts

INTERVIEWS WITH CLIENTS OF ADVISOR.....	B-1
<i>Probe Subject: Simone</i> .....	<i>B-1</i>
<i>Probe Subject: Fred</i> .....	<i>B-5</i>
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INTERVIEWS WITH INDIVIDUALS WHO ARE NOT CLIENTS OF ADVISOR.....	B-25
<i>ZMET Subject: Elisette</i> .....	<i>B-25</i>
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<i>Probe Subject: Anu</i> .....	<i>B-52</i>



*Interviews with Clients of Advisor*

**Probe Subject: Simone**

Mid-50s female entrepreneur, CEO of internet services start-up. Divorced with two adult children.

Subject has been client of Advisor for over 4 years. She found Advisor through the recommendation of her sister who is also an entrepreneur and a client of Advisor.

*Date:* March 14, 2000

*Duration:* 40 minutes

*Format:* Telephone

*Can you give me an examples of a positive attribute of your relationship with Advisor?*

I can tell you that by nature I am just not organized. I let things slide. Advisor pressed me to get on Quicken. He can tell you that I whined and fought him all the way on this because I didn't think I needed to bother. But then I lost, or thought I'd lost, \$26,000 in my checking account and I was going crazy, and he showed me what happened with Quicken and it convinced me. He converted me. I can't live without it now.

*How did learning to use Quicken regularly make you feel?*

It makes me feel good.

*Can you describe more of what the "good" means to you?*

Well, Advisor really simplified my life. He cleans up my messes all the time. I tend to rely on him for that. That's why I was so mad when I got a notice of termination<sup>12</sup> from him. I could not believe he did not call me or anything. I called him immediately. He told me "you are misconstruing" but no, I understood perfectly what he was trying to say, but I felt like I was being dumped! I mean, I know he'd changed his rate structure significantly since we had started, and he was no longer doing my tax return because the corporate accountant is doing it—and his feelings probably were hurt by that, too—but if he had spoken with me . . . *pause* . . . I don't need his time as much, that's right, and I don't need him to clean things up as much, but I need his advice. We have a relationship of 3—4 years. It was really a formal letter. Knowing Advisor, he wasn't even aware of how formal it sounded. But I think it says something about the relationship that I just picked up the phone and called him. I mean, I could have just gone and complained to my other advisors and never talked to him again. That's what I'd usually do. But he'd fostered a close relationship based on trust. Knowing him, I don't think he was at all aware of how formal it sounded. I joked with him that I felt dumped! I didn't let it

<sup>12</sup> Advisor did not characterize this correspondence as a notice of termination. He says he wrote a letter in which he proposed to reposition the on-going relationship from an annual retainer basis to a fee-for-services rendered. Simone had been using his services less than the *monetary* value of her annual retainer for over a year since starting her company.

happen!

*So, you are still working with him?*

Oh yes! [And under the old arrangement fee paid as a retainer in advance]. He's coming out this week and I'm thinking I'd better be ready! That's one thing I like. His coming makes me get organized.

*What are some of the other positives in the relationship?*

Well, after he met me for the first time, he saw the mess and the second time he brings all his filing stuff, this little box and all his supplies for me, and we sit there together and he just makes me do it.

*Why was this such a positive?*

*Pause...* I don't think I would have continued with him if that hadn't happened. No.

*Why was that?*

It was just the trigger to keep going with him.

*Umm. Silence.*

I wouldn't have known what to do with him. And I liked it [the filing]. It made me feel good because I could find things. Now, knowing he is coming makes me get ready. He got me filing with all that [all that work in the beginning was the implication]. I just throw things, but if he's coming I have to get ready.

*What is the benefit in having to get ready?*

Now I can immediately put my finger on it [what she is seeking]. Now it only takes me *Vi* hour [to get ready]. I get mad at myself if I don't. . . . *Pause..* .. I'll tell you what else is a big positive—that he's an attorney.

*Why is that a positive?*

Because I can turn to him for guidance on non accounting things. He has expertise.

*How is it helpful that Advisor is an attorney? [Implication that she could turn to other individuals for this service.]*

I trust him. He's another source. I would definitely call him to get input on the company and other things [apart from solely personal issues]. We've known each other for awhile. . . . I think since 1996. Yeah, because he negotiated my consulting severance from [prior employer] and it was great. . . . *Pause...* Here's another thing I really like—he comes to me. This is such an incredible plus. I don't have to go anywhere. I don't have to drag my stuff with me. He got me filing and works with me at my house. It's great. Or he can come to the office, now. [The corporate office is new since November 1999.]

*Is there any other negative event or aspect to the relationship apart from the notice of termination you talked about earlier?*

*Silence.*

I don't know. You can tell I'm pretty vocal, but I can't think of a whole lot of negative events.... *Pause...* . He's been pretty busy. I know what—he hasn't gotten my will done.

*What is negative about his not getting the will done?*

It's annoying.

*How does it annoy you?*

Well—I'm concerned. You never know what's going to happen to put the burden on my children or my family. They don't know what I want done. It's all very complicated and then there's probate and everything.

*Sympathetic umm. Silence.*

There was a driving near miss and then last week I was in the emergency room. My blood pressure is through the roof. There's the whole 'what if because I'm alone. Just too many loose ends.

*Silence.*

That's it. I can't think of another negative. Just the will.

*Lastly, I'd like to go over a few questions that I am asking all of Advisor's clients in this study.*

#### Uniform Questions and Responses

*1. What do you find to be the most effective method of communication with Advisor? In-person, telephone, email, written correspondence, or would a website appeal to you?*

It depends on the nature of the transmission, but I use voice mail for messages most of the time because with voice you can convey how you feel. In-person is the very best.

*2. How important is it that Advisor will come to your home or office rather than you going to his office?*

So important! Very important. Parking in Boston, the time it takes ... It just makes it so much easier. I can normally accommodate him during business hours, now, so that's not as big an issue.

*3. Do you feel that the services Advisor provides have been really tailored to you and your needs?*

Yes. Overall. Yes. We need to review some of the stock picks. . . . *Pause*. . . We started together in 1996. It's a relationship. Getting to know your client definitely has to be a relationship—not just a professional thing, commodity based. It's pretty important to me that it is a relationship.

4. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

I don't have any trouble answering this! I like to outsource as much of my life as I can possible do. But I want to learn certain things—if I think they are valuable in other areas of my life. I know I'm lost on a lot of stuff I do with him. His frustration with me is evident. I just turn into an infant when he's around.

5. *Of all the services Advisor has provided to you [enumerated briefly], what do you most like?*

I most have liked his keeping me up on my finances on a more continual basis. But certainly like that I can diversify with him. He actually filled out my mortgage loan application as well as did all the legal stuff. I used to be one of those women who had to do everything for myself. I had to make the beds and run everything and I just do not feel compelled to do everything now. Cannot do it all. People cannot work these hours and . . . Now I go out and make money and Advisor can take care of helping me manage.

6. *Least care about or dislike?*

Nothing. Everything has been relevant and tailored to my life.

7. *What is different about the service than what you expected when you hired Advisor?*

I didn't have a clue what to expect. I wasn't saving a lot. He got me hooked up with a Keogh and makes me fund it, reminds me to do my quarterly tax payments—or used to when he did my taxes—and he even put stamps on the envelope. I whined at him last time when he made me fund the Keogh, but he said 'you've got to do it!' and I did. I used cheap money at 3% on a credit card deal and had it paid off in three months.

8. *If you could imagine the perfect financial service, what would it be? How provided?*

Pick the best stocks always! . . . *Long pause*. . . I can't answer the question, really. . . . *Pause*. . . I'll tell you what—say I get really wealthy and I start traveling. I want someone to take care of all my finances while I'm away. . . . *Pause*. . . I guess I could do that with a laptop, but I'd want someone so I could have perfect freedom. It's like when I went to Europe with [sister], I told the kids, 'if there's a problem—call Advisor.'

*Pause and a laugh*. . . Oh, yeah, and he could find me a husband.

9. *Have you ever referred Advisor to anyone?*

I believe I've referred a couple of people to him, but nothing ever came of it. A friend just asked me if he was taking on new clients and I told her not yet.

**Probe Subject: Fred**

Early 60s, retired CEO, married with three adult children.

Subject has been client of Advisor for over 5 years. Fred also uses a broker and a money manger. Advisor coordinates these services and transactions at Fred's request.

*Date:* March 17, 2000

*Duration:* 30 minutes

*Format:* Telephone

*In the world of financial advising and asset management, there are large institutions like American Express; smaller, regional or local firms and individual practitioners. What do you think are the similarities and differences among these types of service providers?*

Large institutions are the stereotypical canned, preprogrammed approach. They take a whole bunch of data about me and put it into a computer and spit out a profile/package to pedal to me. It's based on putting me in a group with every other man my age with a wife and a certain income and it is not at all individualized.... *Pause.. . .* And you know what? I think the advice they give is not totally arm's length. It's a commodity product.

*And smaller, regional or local firms?*

They lack the 'fire power' of big firms.

*Silence.*

But the good ones don't differ much from an individual professional.

*What about an individual?*

An individual listens to my issues. I like having an individual I can talk to. Someone who knows me.

*Why did you select an individual practitioner?*

Keep in mind when I was looking around for someone to work with me, pre-Advisor, I was having my taxes done by [big international CPA firm (BIA)] and I got very upset with BIA because I wanted advice on how, legally, to minimize my taxes, and they simply charged me a high price for me to pay the highest taxes. I think all they want to do is protect themselves from any aggravation at all! I was talking to Susan [a tax professional at a local firm], but I still had BIA. But I was very fed-up.

*Were you concerned about how to judge the qualifications of a financial advisor?  
[Implication being that since Subject did not move quickly on replacing BIA with Susan or any other firm or individual he might have been reluctant to judge.]*

That's a good question. I had not thought about that.... *Pause....* Well, remember, I had been working with BIA on my taxes and I had a money manager in New York, and I

still do. In my past jobs I had worked with a number of financial professionals. I think I had a good rein on caliber, quality and what to expect and not to expect.

*What would you have done if you had not found Advisor?*

I would have gone to my law firm [now a national firm]—which I did. I had been their client of many years at my company. I trusted the quality of information I received from them and the senior partner I worked with there was the most realistic lawyer I have ever worked with. They gave me some smaller firm names for taxes like Susan's firm.

*Why did you chose to turn to your law firm, apart from the long relationship?*

Well, their specialty is estate planning [implication that this expertise would enable them to evaluate tax professionals]. And then, of course, I looked at some highly regarded firms like [a national private wealth management firm].

*What was most important to the final decision on who you engaged?*

Well, I was doing only a few things with Susan, but I was totally fed-up with BIA. They had done my taxes for 20 years and they cost me thousands of dollars. Their only interest was in their not having to defend any position to the IRS, ever. I had to bring them tax-saving ideas and they would not even listen to me. I had an idea, and they said 'no' and did not even listen. I went to [law firm] and got a letter from them which agreed with my position. I told Susan I was ready to move everything about my taxes to her because I wanted someone with a little creativity and imagination. That is when she told me she was going to be moving from the area and she recommended Advisor.

*What finally made you actually engage Advisor?*

Susan's recommendation.

*From first learning about Advisor, to engaging him, how long did it take you to decide?*

Pure guess, 3—4 months. And I told him I was going to 'be from Missouri' [the *show-me* state] and start out small. Give him just a little bit—the tax work. But Advisor kept bringing up issues that made sense to me about needing to look at things more systematically. He convinced me, so I gave him more to do and more to do and it's continued that way [giving Advisor responsibility for different aspects of Fred's affairs].

*Is there a difference in your needs now compared to the time you hired Advisor?*

Let's see. . . *Pause*. . . There's been a life-style change. I decided to be self-unemployed. My investment strategy has not changed because it does not need to. but yes, I am thinking differently than 5 years ago. We need to focus on the estate stuff now. He needs to focus on it. He has been very busy, but I am in [a new state] now and need to redo all that. [Original estate plan was done by Fred's law firm some years previous to relationship with Advisor. Advisor has drafted a codicil.]

*Why do you use financial service providers at all when there are other tools available*

*like Quicken, the internet, the financial media?*

I don't know enough. My focus was on being a general manager I have invested on my own over the last 40 years and I have made and lost a good deal of money and if you net it out I am guessing it would be net - 0 - or worse. It [investing] needs attention and expertise. You need to pay people who know the rules better than you do. You know, it is very easy to buy—but you make the money selling. I don't care what it is, the buy decision invests you [emotionally] and it becomes very hard to sell whether it is a car or a stock.

*What attributes are important to your positive evaluation of Advisor?*

Results. My portfolio has gone up... . *Pause....* I think I get good advice from all three managers [Advisor, the money manager in New York and the broker].

*What attributes are a negative for you?*

He's getting busier. Some things—the estate planning—are not done in a timely fashion.

*How does that make you feel?*

Well, on a 1—10 scale, it's not really critical.

*Lastly, I'd like to go over a few questions that I am asking all of Advisor's clients in this study.*

*Uniform Questions and Responses*

1. *What do you find to be the most effective method of communication with Advisor? In-person, telephone, email, written correspondence, or would a website appeal to you?*

All of our meaningful discussions take place in-person, but that's only once a quarter. I use telephone and email some.

2. *How important is it that Advisor will come to your home or office rather than you going to his office?*

Very ... *pause* ... helpful. But I would not have a problem splitting the difference and coming to his office half the time. When he comes to me, I have ready access to all kinds of papers—I'd have to do more planning going to him.

3. *Do you feel that the services Advisor provides have been really tailored to you and your needs?*

Totally tailored. Yes.

4. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

*Pause...* . Being honest with myself, 7 to 8 out of 10 times I like to have things done for

me. That's why I have always had my taxes done and I hired a money manager. I kind of like it. But Advisor is trying to make me switch to Quicken and I know I will, but I find it awfully hard to switch. There is something comforting about that checkbook. It has been my general ledger for years. I've paid a few bills on-line, but I don't think I am ready for that. My son is after me, too. I know I'll get to it.

5. *Of all the services Advisor has provided to you [enumerated briefly], what do you most like?*

*Long, thoughtful silence.*

Objective advice on how to order my affairs. How to get the whisk broom and scuttle all the dust together into piles. I like it. I can pick up one book and see all my investments—it's wonderful when things are in order. To be psychological about it, the feeling of being in order is the feeling of being in control. Someone like Advisor with my other money managers . . . All of the sudden I have serial packets of control.

6. *Least care about or dislike?*

I dislike doing my taxes, but that's not because of Advisor. Least valuable so far . . . *pause* . . . legal, but that should change now [implication of "now that I need legal work done." In fact, Fred has used various legal services performed by Advisor, including compensation negotiation and residential real estate work.].

7. *What is different about the service than what you expected when you hired Advisor?*

I first took on Advisor really thinking I simply was taking on someone to replace BIA as a tax advisor and maybe a little more. Now tax advice is secondary—almost a byproduct. Advisor made me see I needed to get control of much, much more.

8. *If you could imagine the perfect financial service, what would it be? How provided?*

Hum. I suppose if someone could come up with a software package that you put all your investments in and they give it to someone to run through a whole bunch of simulations, like game strategy, and you can see all the outcomes and probabilities. On top of the personal service, some kind of game.

9. *Have you ever referred Advisor to anyone?*

The answer to your question is . . . yes. I have recommended Advisor to a number of folks, most recently my oldest son.



**ZMET Subject: Sara**

Late 40s, female consultant with her own practice. Spouse, Jim, is a top management engineer in an engineering based parts-supply firm. Subject is responsible for managing investments and household and consulting practice finances. The couple have two children, a teenage daughter, pre-teen son. The reader should be aware that this Subject is a close, personal friend of the author, having met in college.

Subject has been client of Advisor for over 3 years.

*Date:* March 21, 2000

*Duration:* 90 minutes

*Format:* In-person

*Note that this subject was extremely verbal and self-directed in the interview, starting our conversation without any question having been asked. Sara arrived with three magazines (which interviewer came to understand subject had purchased to find images of "luxury financial services ") which she placed on the table as she began to speak*

I had a very hard time coming to gripes with what you meant by "luxury" financial services. I mean I knew you had said you wanted images of what the concept meant to me but I couldn't find it [Sara touched her stack of magazines] because I kept thinking "luxury," but it [services received from Advisor, by implication] doesn't mean mink or that kind of luxury stuff at all to me. I had to keep thinking and then I realized that luxury financial services mean quality of life so what I really wish I had was a picture of Advisor.

*What would that picture have in it? (Note that subject seldom answered questions directly.)*

I really had no clue of how it [her financial life] would have gotten under control. I have a completely different experience of tax time now. [Sara had just finished assembling her data for her tax accountant who is a separate, unrelated service provider from Advisor.] In my business I came up with a different amount I'd paid Martha, my consulting practice partner, than she did, and when that happens, I always think she is right and I get [gestures that these discrepancies upset her] ... I am sure she is right. But lo and behold! this year I could go back and look and compare my records with the checks and her records and my Quicken was right! I could look at my Quicken now and know! [Attitude and posture indicated relief and pleasure, relaxation.]

All the parts of the financial record keeping I'm responsible for are done! I just have a special account in my Quicken now that says "Jim ?" and I can keep track that way.

It's that sort of sense of control that is in the picture. It should be a picture with Advisor in it [versus the pictures/images available from the magazines].

*What does Advisor mean to you? What might be luxury about this picture?*

In my own personal life I have always had someone to clean my house, do day care at home, these things really mean luxury to me. I'd love to have someone to make travel arrangements and to make sure my kids kept their dental appointments without me having to worry about it. Someone to take care of all that.

*Where does Advisor fit in?*

Well, its also a luxury to have someone who talks about what I want out of life which I never thought I could afford but I can. [Use of "afford" was ambiguous and seemed to attach both to afford the someone (Advisor) uniquely or selfishly for her and afford as a matter of financial resources to attain goals in life.]

It's luxurious in terms of lifestyle for me and spending time on things that are important. [Here again was some interesting ambiguity in "it's."]

*What is the role of that<sup>13</sup> other, " that someone you can talk to?*

First , to make sure that you really think through those things, to make you articulate well what are you trying to accomplish. Or to say "is there another way of doing it?" and explore that way. To bounce off-the-wall questions to and not be embarrassed and to trust the answers. Advisor raised the issue of refinancing the house and I just did not want to do it, but he made the options clear and let me know I could pay off the mortgage early if I wanted to and it all made sense. So now I am not sitting here 3 points [additional interest rate in old mortgage over refinanced rate] later and kicking myself and feeling stupid that I didn't do it.

*Why is something almost as "tactical" as that kind of advice a luxury?*

Well, it is so much more.... *Pause*.... It is having someone who knows enough about the longer term consequences of things. Someone who sees ahead with me.

Jim and I always had these huge fights on MET [a state sponsored form of saving for a child's college education]. Jim always opposed using it. He thought we could do better and I kept saying that it would get so confusing to try to decide on other ways so that we'd end up doing nothing, or start something but not keep on top of funding it. When Advisor came into our lives, Advisor explained to me how there would be all sorts of parts to funding college, even decisions like did we want to give the kids a car, that will go with the total expense, and we didn't have to do everything for our kids, but we could make those decisions as we came to understand what might be best and that MET was just a piece of the puzzle, but it was a good first piece. So we did it and we [Sara and Jim] are both happy. Advisor just said "you can put it in pieces" and that's what is so valuable, that someone to think through the options with me.

It isn't just tactical, piece by piece. It's the ability to have that long view but then to break those big goals down to something you can understand and make progress on. If you told me two years ago that I'd have Quicken files, I'd never have believed it. Now

<sup>13</sup> Note that the "second" in this response is some interim questions away.

my number 1 goal of this year is to spend <sup>1</sup>/<sub>2</sub> an hour a week staying on top of it. Advisor made me see that you can get on top of things. That it doesn't have to be this huge big deal that takes hours and hours and gets all frustrating. I thought that was the only way it could happen so I didn't want to do anything. It's like you cannot start if you cannot get it into understandable pieces. The pieces may be tactics, but the thinking is the strategy.

*Fm going to keep pressing a little on how this—what could sound like mundane activities that you could accomplish on your own, perhaps, like using Quicken, or maybe talking to someone at a bank about mortgage rates—why this is a luxury delivered by Advisor?*

My confidence in Advisor. The luxury is having someone who can really help put your energy where it can do something about it [what you want to do, what is bothering you] instead of just feeling anxiety.

I have tons of general anxiety about having all this money with my kids.

Advisor is very nonjudgmental, he's not making a buck off me or making money off me. He's about helping me get clearer about myself. You need to be able to trust someone with that information, someone who isn't in it for any other reason.

*Of course, Advisor does make money working with you. He charges you a fee quarterly, in advance, for example.*

Yes. But it's the relationship that's the key thing. It's not a money-per-transaction arrangement. I never have to second guess Advisor's motives. I prefer the predictability of that [a fee paid quarterly, in advance]. I know what it will cost. I may not use him but always can call him up and he doesn't have to start from ground zero. The on-going relationship gives me that context. Plus, I never have to edit the importance of the issue.

This spares me that conversation where you turn to all the people that are "free" in your life with the question and you pool all the ignorance in the world, which doesn't get you anywhere, because you are turning to the wrong people.

Second [on the issue of significance of having that "other"], I need a person to talk to who is not family. Money issues around family are very, very complicated. Jim and I had a deal going into our marriage that any money we "loan" to a family member, we should consider a gift because it may never be paid back. So the conversation happens when you write the check, not when the money isn't being paid back, and that's a big difference. Advisor is like that. It's an arms-length discussion with someone who is not going to have to live with the dire consequences and can help me think through it.

It's a different kind of caring. He cares about me being happy with my decision—it's not going to affect him. Where everyone else I talk to about money has some vested interest. It's like you talk about money in channels.

When I talk to Jim, it's about a part of my money or financial transactions. When I talk to my business partner, it's about only part. With Advisor, I can talk about the whole thing because he has the same level of concern as Jim would have about my business or

my business partner would have about my personal life. He doesn't make judgments about my moral relationship with him.

That's a big differentiating factor. I am not judged.

All that relationship stuff is what is important. I overheard Jim telling a friend the other day that "Advisor is the best investment I ever made."

*How do you feel about finances as a subject in the marriage?*

Well, when we married, Jim wanted us to put our money, our finances together, and I said "no, not together," but then I realized I'd be in control so it was more okay. Jim is not a big communicator; I thought I wouldn't know what is happening, but now I know what is important [because of Advisor and staying on top of things with Quicken] even though Jim forgets to tell me things or forgets receipts and stuff from his business travel.

I saw my accountant who does my taxes the other day—I always think he should wear a green eyeshade, he does not represent luxury financial services, but he's very competent. He keeps me out of trouble. I saw him, and I had almost everything ready—except for some of Jim's stuff.

*Why does he [tax accountant] not represent luxury financial services when Advisor does?*

Well... *pause* . . . my accountant made the suggestion that it would make sense to employ my daughter in the business, that this is a good thing [from a tax point of view] but he did not say anything else. He didn't give me any information. I asked Advisor about it and he said 'yes, it can make a lot of sense, and here is what you have to do . . .'. Rather than just raise issues, luxury is someone who helps to make it happen.

Advisor is not like clerical, or a nurse or anything like that. He's . . . he's like a great physician who knows the issues and the consequences and can oversee the entire process, manage all the different specialists. My tax accountant is like as if you could go to one person who treats colds really well, but if it is anything else, well, don't go to him. It's like my doctor versus Jim's doctor. Mine you can talk to about anything and I trust her to worry about what's best for me. Jim's is just—tactical. My doctor gets to the issues, she figures out 'this is important to you.'

*Let's get back to that mental picture you have. Are you in the picture with Advisor and if you are, where?*

It's a picture like those ones with overlapping circles with all the relationships in my life.

*And where are you and where is Advisor?*

I am in the middle and Advisor is sort of supporting me [and she raised her arms as if holding something]. That's what his service makes me feel like, like I'm at the center of it. I am in control. Not like everyone is depending on me.

*Pause.*

I really like to talk things through and I like people with whom I can do free flow and it becomes clearer to me. A lot of how I think is out loud. I don't understand something unless I can write a paper about it or do a presentation on it. And Advisor helps me to think through what I want and am intending.

*Can you show me the pictures in the magazines that come second to your mental image of "luxury financial service?"*

[Sara took a few minutes to go through the *Fast Company*, *Discover* and *Family Circle* magazines she had brought. She selected two images from *Fast Company* (see page 22 and B-17). Of the two, the Fed Ex ad at page 22 best captured her concept of luxury financial services, and it is this image that she discussed.]

*What does this picture mean to you?*

Why it's important is that they have an ongoing relationship. [Points at the figures and creates a dialogue.] 'Hi Donna ... Hi Dave ...' they know each other. He'll go the extra mile, and she'll reciprocate. The lines [design lines of the image] and the light and cleanness are important, but I also read the text and that matters. I need to know that people are going to be there when I need them. I need that grace. It relieves all sorts of anxiety. You don't make good decisions under pressure when you really, really need someone. You always overpay when you buy in a pinch. Luxury is knowing you'll never have to do that.

*When you say "overpay," do you mean financially overpay, or do you mean something different or in addition from a dollar amount?*

I mean you don't have to do a lot of begging or too much thanking, which I will tend to do anyway, but I will not even know if I've gotten what I wanted. It's some requirement I feel beyond the purely financial. I'm that kind of person, I'll apologize even when I'm writing the check and feel like they've gone too far out of their way to help me and I still won't know if I got what I wanted.... *Pause*. ... It was like that with Advisor in the beginning, but not now!

*What made you able to get past that feeling?*

Advisor! Him. How he behaved. He never judged me. In fact, I'm learning from him for my behavior in my business. I'm really, really good at listening to workers and understanding their concerns about change<sup>14</sup> and what's happening to them, but I am much less receptive to executives. Much more judging that they, in their positions, should know better.

*Let's go back to this picture for a moment. Understanding the importance of the depiction of an on-going relationship, what else matters to you in the image?*

The clean lines. Everything is under control. It doesn't look like things being complete

<sup>14</sup> Subject consults on strategy in implementing change in organizations.

chaos—there are parts that I like about chaos in my life, but not in the financial part! And it is sparse. I believe that you are better off having a few things that are high quality than having a lot of junk and that's also true of financial services. I only want one. Only one great relationship. Exclusive. Like the Aeron chair [this is the chair in the ad]. It is totally exclusive even though it isn't really that expensive. It is 100% adjustable to you. The form—function—style all work together to accomplish its purpose. It exhibits real competence. A luxury chair. It's just the whole picture.

*I have a few follow-up questions from some of your early remarks. You mentioned the issue of feelings around money and your children. Have you raised any of these feelings with Advisor?*

Mainly I've just talked about college. But he's made me realize I have choices. We can pay for it all or the kids can work some or get their own cars or whatever. Advisor made me realize those choices will be made and can be made as things unfold. My idea about the purpose of money is not just to take care of my kids. It's not good for anyone to have huge amounts of unearned income. My parents paid 100% for my college and they always expected me to go and that they'd do that, but that was it. It never occurred to them to give me any other money. Jim's family is entirely different. College didn't interest them at all. It was up to him, but then they have different feelings about giving money. It's complex.

*Throughout the conversation, you've have generally referred to your relationship with Advisor and his understanding of what is important to you. You also mentioned Jim's comment that his investment in Advisor was the best investment he ever made. Do you think of Advisor belonging to you or to you and Jim?*

Advisor really belongs to the family. He has a really different relationship with each of the kids and then with Jim and Jim feels separately accountable to Advisor and I like that because Jim can raise the issues that are important to him and I don't have to bother.

But in one way, Advisor does belong to me. I was the financial point person once Jim and I married and I had no confidence at all. Finances frightened me. Give me a change management and strategy problem and a lot of confused employees and management being unclear and I am fine, but finances made me feel incompetent. Advisor has made me feel competent and in control.

*What would you have done if you had not found Advisor?*

Gone the clerical, secretarial route because I wanted things to be cleaned up but it would have been very hard for me to go into the marketplace and look for someone like Advisor because I would not have known how. I mean, all my friends would recommend this lawyer or that planner to me and I just could never imagine those people [many of whom the subject knew because of the size and nature of the community in which she lives] being of any use to me. Being helpful at all. It would have had to be all these different people.

Advisor—I could see Advisor was used to seeing through a lot of stuff and that he could deal with messy. I had confidence in his basic competence.... *Pause...* . And a lot of it had to do with you. Advisor's relationship with you. I knew from that, that he works at relationships. That he'll go back at it. That is very, very, very important to me.  
Relationship.

*Lastly, I'd like to go over a few questions that I am asking all of Advisor's clients in this study.*

#### Uniform Questions and Responses

1. *What do you find to be the most effective method of communication with Advisor? In-person, telephone, email, written correspondence, or would a website appeal to you?*

In-person, telephone and email. I don't see that a website would add a lot of value. In-person is really important, and if Advisor could not come to see me, I am sure I'd be going to [city where Advisor is located] at least once a year for an in-person meeting.<sup>15</sup> I really like it that I never go for a week without hearing from him if I ask him a question by email or however, telephone, maybe.

2. *How important is it that Advisor will come to your home or office rather than you going to his office?*

Coming to me, he sees where it is and where it is happening which is important. Plus, he helps with my files and my computer. Everything. He really structures it. And he takes you through the structure to do what I needed it to do. I couldn't have done that. The fact that he will sit and do that filing with you makes you know he cares so you can do that other thing that you really want to get to. That's his whole purpose—to enable you to get to what you want. If you won't let him help you on the 'little stuff,' I think you will never get there [where you really want to go]. It's just very reassuring. 'I can do this. This is not the end of the world.' And you make progress.

3. *Do you feel that the services Advisor provides have been really tailored to you and your needs?*

Yes!

4. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

Well, I need someone to set it up so I can do some things. You know, Advisor makes me do things, it's not like he does everything, but he gives me the route. The how to start. I need someone to structure it so I can do it. Some stuff you really end up having to do for yourself. And now I'm able to do a lot more for myself and feel like I know what I'm doing.

<sup>15</sup> Subject is one of very few of Advisor's clients who are located in a different state. For various reasons, he has been in that state frequently in the past few years, but Subject is anticipating that this may change.

5. *Of all the services Advisor has provided to you [enumerated briefly], what do you most like?*

The whole get me on a plan, Quicken—get information in a form so its comprehensible. It's not like I didn't do it in some ways before Advisor. But now I can just go look at Quicken and the reports and see what is happening.

The other wonderful thing is that Advisor is not pushy. He always asks 'do you want to think about...' rather than 'I think you should do this.' I feel very in control, very safe with him looking at something. He does not make assumptions about me or my goals or what I want.

He's just very good about how to set things up for me. How I work. It is customized. He understands how I work. How we [subject, spouse and children] work.

6. *Least care about or dislike?*

*Pause.* . . . No. I cannot think of anything.

7. *What is different about the service than what you expected when you hired Advisor?*

I'm not sure I knew what to expect. I'll tell you, I got a lot more than I expected! I guess I thought I'd get someone to take care of my stocks and 401k and Jim's retirement stuff and I trusted that he could and would take care of that. I had no clue how he'd get everything else under control.

8. *If you could imagine the perfect financial service, what would it be? How provided?*

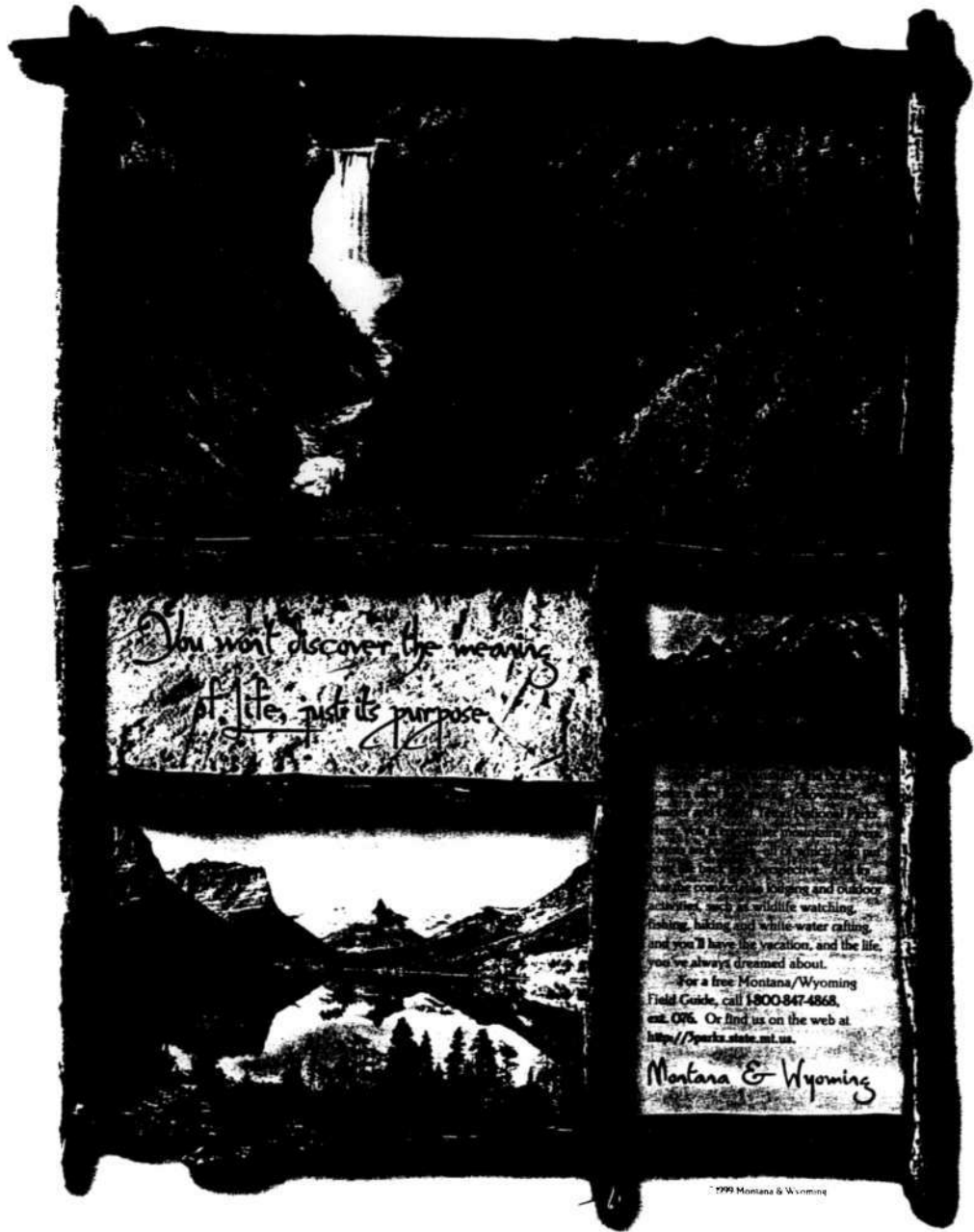
I guess it would just be helping me to get clear on what I want to do.

9. *Have you ever referred Advisor to anyone?*

Oh yes, but I'm always a little nervous about it—for Advisor. That I'll recommend someone that is not good for Advisor. So I always want to talk to him first.



Sara's Other Magazine Image



**Probe Subject: Emma and Gunar**

Mid 30s couple. Emma is a mutual fund portfolio manager, Gunar a former private equity investor now entrepreneur. Two young children.

Subjects have been client of Advisor for over 6 years. Subjects also use an estate planning attorney, Daniel, at a prestigious firm. At Gunar's request, Advisor also acts as a strategy and financial consultant to the company in which Gunar holds a 1/3<sup>rd</sup> ownership interest and where he is an executive. Throughout this discussion, Gunar made points that suggested to the author that he was addressing the Advisor/company relationship rather than the Advisor/couple relationship. I made a judgment throughout the interview not to pursue these points.

*Date:* March 24, 2000

*Duration:* 60 minutes

*Format:* In-person

*In the world of financial advising and asset management, there are large firms like American Express or J. P. Morgan Private Client Services; smaller regional or local firms and individual practitioners. As you made the decision to hire Advisor, what did you consider regarding the similarities and differences among these types of service providers?*

E: It's more of a personal thing. Totally personal, your financial situation, and, since I work for a large financial institution, I know. It's . . . well... I just think that they are less trustworthy. They have their own agenda and your interests are less important. You can't really judge [implication was evaluate] them. Large just did not interest me.

G: I agree with Emma. It didn't even enter my mind to look at a large firm. Something like American Express may have brand recognition for some people, but that was not something we were looking for at all, and the private client firms—we weren't in their market yet back then, really.

*So, you chose an individual How did you go about finding individual professionals to consider?*

G: We had a reference from a trustworthy source. That's a key. Our prior good experience [with this source]. You mine down veins that have worked. Someone good will only recommend someone good.

*And when you then evaluated Advisor, aside from the assurance of the referral source, how did you evaluate him?*

E: Then we interviewed him.

*How did the interview help, or let you know you would be making the right choice?*

E: I'm comfortable with interviewing. I've done a lot of it at work and I've done it for the children's caretaker and lots of other people in our lives. I trust my abilities judging people.

G: You know I was with [private equity group] right when it formed and we had access to all sorts of professionals but I was interested in someone who would want to work with us. Advisor had just started out around then, I think, and so we thought we could be of interest to him, be an important, valued client because of his building his practice then, and he had the right background and history and schooling. These all wrap together in the decision. And Emma is right, in the interview his attitude, his interests, all impressed us. We talked to some of his existing clients and we heard the right things. Then the first few years you monitor: are you comfortable with where we are going?

*And remind me, how long have you been with Advisor?*

G: Five or six years? Somewhere around that. It is like an iterative interview. It doesn't just end. You keep asking 'do you understand the issues we are dealing with?' 'can you grow with us?' because you are growing with each other. It's a mutual thing. It's a deliberate thing; if a financial advisor wants to have a certain set of problems and a certain kind of client to advise and doesn't want to grow, then he will stay at one place. That's the good and bad of Advisor. He is very kind and has clients without many issues who probably get value from him but<sup>16</sup> ... he has to want to grow to stay up with things. He has to make that decision.

*You have stayed with him; do you feel he has 'stayed with you?'*

E: Oh yes.

G: He has demonstrated his competency. It's a trust issue. I mean he's trustworthy and honest but you have to keep asking 'can he go to the next level, go into uncharted waters?' That is important.

*Did you look at anyone else when you sought a financial advisor?*

G: No. We had his name from a good source, and we interviewed him and checked his references and we made the decision.

*From learning that he existed to engaging him, roughly how long did it take?*

G and E: Maybe two weeks.

G: We did not feel a need to look any further or wait around after interviewing him and talking to his references.

<sup>16</sup> This conclusion was drawn by the interview subject and not based on any disclosure by Advisor regarding his other clients. Gunar has been trying to persuade Advisor to spend more time consulting to the company, and may have a vested interest in suggesting that Advisor should free up his time for Gunar.

*What was it that triggered the decision to hire a financial professional? What need did you perceive you had?*

G: Taxes!

E: You were getting involved with the private equity—

G: And I'd prepared my taxes myself, but the private equity stuff made the complexity really evolve and I just was not going to do them again.

E: And we'd had our first child and that was going to add complexity to the planning.

G: That's what got us involved with the fellow who referred Advisor to us. Having a child sent us to him and he networked us to Advisor. That's what it is all about, having private networks of people on a meritocracy basis.

*So, it was taxes—*

G: Yes. But being able to provide a full suite of services is important. I don't care if you do it yourself, or are networked, you need to be a 'solution provider' for the client. And who is the general contractor in this picture? It's the first person in or the person with the most contacts and the greatest rapport.

*The services expanded from taxes?*

G: Yes—

E: (turning to Gunar) Do you remember that meeting in Daniel's office? (Turning back to me) about our estate plan. Advisor was there and our insurance agent and Daniel who was the lawyer for our estate plan—

G: It was that network of people who could advise us, everyone on the same page, everyone on board and able—

E: And after the meeting Daniel asked for Advisor's card. That really impressed me because I know Daniel. That was impressive to me.

G: I think Advisor should add a bookkeeper. He has to have clients who just are having lives where it isn't worth their time to do the Quicken. I keep telling him he should get someone. You know, not doing something is a decision as much as doing something. He will move to the top with his clients or . . .

E: A bookkeeper would be great. Someone to come out here and pay everything and keep it all up to date.<sup>17</sup>

<sup>17</sup> Further discussion of the bookkeeper issue ensued. Interestingly, Advisor has hired a VP Finance and a finance staff employee for Gunar's company, which Gunar was unable to accomplish prior to Advisor's consulting to the company so the bookkeeper discussion took on an interesting prominence, but except for its persistence in the conversation with Gunar, was not further relevant to this study.

*Let's go back to your decision to hire an individual. I understand you were not interested in a large institution like American Express or JP Morgan for various reasons—*

G: We would not have been that attractive to a JP Morgan back then. They would have taken us, just, but then we would have been the overlooked client.

E: We were hiring for our current needs with a little bit of growth consciousness about the future. We did not want to go to someone for "tomorrow" because who knows what tomorrow will be. I mean, we hoped things would go well but I agree with Gunar, I did not want to go somewhere where I would be the smallest account and it might stay that way. I'm not that comfortable that a large firm of any sort has my interests at heart. Also, Advisor's legal background was a big help in my decision to use him, no doubt about that. The tax complexity, I could see, was going to get worse and worse in the future and he understood the issues.

*So his qualification as a lawyer mattered in the decision?*

E: Yes.

G: No.

E: (turning to Gunar) Yes it did.

G: Well, in the sense that there is so much overlap as life becomes more involved. A good financial person has to have some fluency in legal, insurance and other issues. A broader knowledge and approach, but—

E: In the meeting with Daniel, Advisor made some really good points, and I think that they were incorporated in the estate plan—

G: Advisor has a level of comprehension and appreciation of what is going on because he is a lawyer. I take it as another indication of the individual: 'to be truly good at what I'm doing, I want to understand the whole thing and I'm going to get the expertise.' It's a confidence issue. It increases confidence.

Being fee-based mattered, too.

*Why is that?*

G: Well, I would have wanted that no matter what, but the explanation Advisor gave was also very important.

*And what was that rationale in your memory that was important to you?*

E: I don't think I remember this conversation.

G: Well, I'm not sure I remember everything—

E: Dayne just wants to know what you think you remember.

G: Well, it was his explanation of what fee-based meant—that being fee-based resulted in a lack of bias, that he would have no incentive to take us into something, that his entire incentive would be to pay attention to me. I mean, he came to us through someone I trusted, it's like triangulation: where we got the reference from, where Advisor went to school and what that tells you, how he explained his practice.

You always should be looking to the future, can he keep up? I introduced him to my colleagues at work [partners in the business] to work with them personally before I got him involved with the company.

That's something else to consider. The issue of the professional to the personal. Where do you draw the line. Where is the line? I don't have the answer. You want to have the full context of your clients, to allow comfort, to understand, but you want to maintain a distance and objectivity. I'd probably err on the side of professionalism, but it has to be different for every client. Everyone has different needs.

*Lastly, I'd like to go over a few questions that I am asking all of Advisor's clients in this study.*

#### Uniform Questions and Responses

1. *What do you find to be the most effective method of communication with Advisor? In-person, telephone, email, written correspondence, or would a website appeal to you?*

E: Anything substantive has to be in person. Regular personal interaction is really important. Then I use telephone and fax and email. I emailed him just the other day.

G: It has a temporal element, too. In the beginning, you have to have a lot more in-person time invested and then, over time, more can be done other ways because you have the context. That was one thing that made sense in the fee arrangement. Advisor explained to me that he did not charge for all the time getting started with us would take for him, but over time he'd be compensated if he had satisfied us by the repeat work which would take him less time because he'd know us and all our issues. There's context. Pricing and services and everything else has to work for both parties. Has to be fair and trustworthy and if it [the fees] should be reset, that should be addressed. There should be fair compensation for Advisor throughout the relationship. Advisor should just have the data to support any fee change and then raise the issue.

E: Yes, he should not hesitate.

2. *How important is it that Advisor will come to your home or office rather than you going to his office?*

E: *Pause* . . . very important. Don't you think, Gunar?

G: Yes. I was wondering if it was pretty important or critical. It is a reciprocity thing. Sometimes I drop Advisor off at home—he usually takes public transportation to get here—and if he 'expected' it, I wouldn't do it. But it's a way to show reciprocity. In

general, for us and probably anyone with an advisor, it is a very personal service, very abstract. An advisor coming into your own home reduces the number of externalities.

E: Another big, big plus is that his hours are so flexible That's key. My work, our work keeps us really busy and Advisor will come evenings, weekends. It's important. I don't know how we'd do it otherwise.

3. *Do you feel that the services Advisor provides have been really tailored to you and your needs?*

G: I don't know if I understand what you mean.

*Silence.*

Is he willing to do what we need? Yes. I don't know if we've wanted anything unusual. There's nothing he's doing that seems unusual or different. But he did help set us up on Quicken, which is helpful. But it is a nice part of what he's doing for everyone else. He helped push us into online banking, too, because he saw it could be extremely useful.

E: No. I think he is entirely aware of us, our needs. In the meeting with Daniel, Advisor made some good suggestions that related directly to us. He's willing to speak his mind when he thinks something needs doing—

G: He is willing to speak up and provide an opinion, but he will support the final consensus. He is a partner in making decisions. If anything, I think Advisor may be too accommodating. When does he put his foot down?

4. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

E: 'Done for me' implies a passivity which I don't like, but I certainly don't want to learn and *do*—I want to be involved—educated.

G: I want to understand, then have you do them for me—including bookkeeping!

5. *Of all the services Advisor has provided to you [enumerated briefly], what do you most like?*

G: Clearly taxes ... but they are a necessity, the one piece we would not have done. Could not have done. And Quicken. The administrative help is really valuable—

E: Even filling in all the right forms for the Nanny tax. That is incredibly valuable. But I value the estate planning as well. For me, knowing that we've started funding the children's education and the trusts—

G: But that is all done—

E: No it's not. It is on-going all the time.

6. *Least care about or dislike?*

G: Once you feel comfortable with someone there really isn't much you can do to offend them. There has to be openness on both sides.

E: (Turning to Gunar) Well, I want Advisor to feel comfortable enough to let you know if you have offended him! (Turning to me) I keep warning Gunar, 'don't piss Advisor off at work so that he won't work for us at home!'

7. *What is different about the service than what you expected when you hired Advisor?*

G: We use him for more than we thought about when we first decided to hire him for taxes. It's always evolving.

8. *If you could imagine the perfect financial service, what would it be? How provided?*

G: A Mltime CFO! *Laughs.* The real answer is trustworthy, you will put up with so much if the level of trust is there, and flexibility. It goes both ways. You need to be up front and straightforward.

E: I worry Advisor won't voice things that are bothering him.

G: It is a concern, relatively speaking. I think Advisor errs on the side of being 'too nice.' I worry that he will be too nice and then snap one day [implication that 'snap' will result in Gunar and Emma (and company) losing the on-going relationship with Advisor].

E: Some people think the definition of the perfect financial advisor is someone who will fawn all over you and give you tickets to the symphony and all that. I think the perfect service is being completely and consistently taken care of.

9. *Have you ever referred Advisor to anyone?*

E: Yes, but sometimes I purposely do not. There are people at work who keep asking me, but I want to be sure it would be a really desirable customer for Advisor. I look at it as doing a tremendous favor to them [the individual to whom she refers Advisor] and they have to be worthy.

G: I agree. I have referred my colleagues [partners in the company]. If Advisor would tell us what he is looking for and be specific, we could know who to refer. We would like to do that.

E: Yes, if Advisor can let us know what he is looking for, we would be happy to tell more people.



*Interviews with Individuals Who Are Not Clients of Advisor*

**ZMET Subject: Elisette**

Late 30s female academic. Married with teenage children. Subject is responsible for managing investments and household finances.

Subject has used a national firm for -10 years to do financial planning and investment management. The individual planner with whom she works has changed once in the 10 years. Subject uses Quicken as a checkbook, not a management or budget tool. Quicken training is not a part of the service.

*Note that Elisette never used the actual name of the individual service provider with whom she had worked; she often used "they " or "them " as if in reference to the national firm as much as to the individual planner.*

*Date:* March 22, 2000

*Duration:* 60 minutes

*Format:* In-person

*Elisette brought 8 images from magazines which she sorted into five categories. Three of the images are reproduced at the end of this transcript.*

*Let's run through all the pictures, briefly, to allow you to explain what the images mean to you relative to luxury financial planning.*

One category is complexity and the time it took. This image seemed to capture all that **(seeB-31)**.

Second is this—[(not included) black and white photo of an office with a fellow sitting on a floor ankle deep in paper and others standing on the floor or on a desk as they throw papers in the air]—except he's too happy. But all the paper, the 'I feel overwhelmed by the paper' sense of it all is here!

Third is this (see page 25). I don't know if my financial planner is not helping me feel like a sheep. I feel like I might not be learning what I should be.

The fourth category is really the aspirational part of planning. (See B-30 for the first image; the second image—not included—was a black and white photo of a woman with her arms shown in many positions in act of raising them over her head with the caption "Welcome to the Age of All" and "Global performance is:", the third image showed a confident woman striding through the door of a hotel). France (B-30) really represents the travel experience here.

*And how does financial planning fit in to these images?*

The feeling of taking charge, that things are more under control than they would be. That we will be able to do things like travel. That we'll get there.

Five are these. [Image of a girl lying with her head on a sleepy puppy's shoulder, image of an attractive older man asleep in a first-class Qantas sleeper bed.] Just feeling comfortable that we're doing something, that we can be confident, can sleep at night!

*What is it that relates to financial services here for you? What is your feeling?*

That I feel like I know what the money's working for. The larger part is that I feel like I know what is going on.

*If you had to chose a "most important" image here, that most reflects what financial services represent to you, which would it be?*

It would have to be France. [Shifts B-30 to top and considers it.] This is more personal for us. Not about the family, like the children's college which we think we have under control.

*And if you could widen the frame of the picture, would you be in the picture and where would you be?*

Riding the bike!

*How does this image link with your having hired a financial planner?*

We will have provided enough to do things, have built up enough—we'll have the wherewithal to do things like this when we are retired or have more free time. We'll be able to maintain two locations. Not a second house we own, necessarily, but be able to be in a second place like France for a part of the year.

*What might change in this picture if you had not hired a financial advisor?*

The picture would be much more distant to me. It would have taken us much longer to organize and we'd be much further behind.

*When you say 'organize,' what do you mean exactly?*

The financial planning made us look hard at where we were, where things were invested. We could look at better opportunities and think about the benefits through our employer and how to manage them. Then, it gave us some discipline. They got us started on a savings and investment plan. We wouldn't have thought we could do it at that point.

*By 'it' in the 'We wouldn't have thought we could do it' statement, do you mean have enough money or does 'it' have other connotations?*

Well, 'it' was money—we didn't think we had enough to start investing, but we started small—and 'it' also means time. Get to it. But pulling all the documents together for the planning and getting them organized—although I'm still not that organized—got us going. We got to it because of the planner.

*Once you decided to go forward with a planner, how long did it take you to get organized*

*and how long might it take you now in preparation for a meeting?*

The first time was maybe two to four months. Of course, there was a lot of back and forth in that time where we'd need to find one more thing until it was all there for them to review. We met two times a year, about every six months, and today it takes me maybe one week to pull everything together.

*How is your planner compensated? Is it fee-only for his services, or do you pay on a transaction by transaction basis or is it a mix?*

There was an initial fee for the plan, and then there are transaction fees for the products he sells us and some management fee for the mutual fund investments. We've paid at various times for updates of plans when life issues have come up and it's time to re-look.

*You say you visit your planner twice a year. Do you also feel free to pick up the phone and call him with a question anytime?*

Yes. I might call him when an employee benefits summary arrives to get his recommendations on whether our insurance is adequate, for example.

*You mentioned that you have worked with two different people over the years of the relationship with the firm—do you have any feelings around the change?*

Pause.... I think I may have been more comfortable with the initial planner, but the new guy (*laughs*), well, not that new—a few years, I think may be more competent.

*If you had to chose between the initial and the current planner to go forward, which would you prefer and why?*

Do I have to chose? Can't I get a blend? *Laughs*. I guess ... I guess I would stick with the current one because he'll probably get us there. But I don't feel anything in common with him as a person.... *Pause*.... But he knows what we want and he understands that. He challenges us more both to be more firm about what we want and to consider more options.

*Can you explain a little about what you mean by 'challenges' you and having to be 'more firm' about what you want?*

He has his own opinions, but if we come back with a conflicting view, he's willing to work with that. He has his ideas of what's best for us sometimes that we don't agree with. We're more aggressive than he is, sometimes, which he does not recognize.

*Back to your point on having both (the qualities of each planner in one), describe the perfect planner for you if you can.*

The perfect planner—would be extremely competent, have a wide range of knowledge on a lot of options but someone I could be friends with.

*Do you mean like a best, personal friend?*

No . . . . Someone who would understand us. He [planner] has no idea of how we spend our time. I guess . . . *pause* . . . he's not an intellectual. He's smart, but he's not intellectual.

*Let's go back to a few of the images you collected. I'd like you to describe why you chose this one [of a sheep in wolf's clothing among the wolves] (page 25)—what does it represent to you?*

Well, I feel pretty satisfied with what we've accomplished so far. But I wonder if there are other decisions we should be doing a better job on, and I'm not sure. I read a story in the *New York Times*, I think, and it was about a woman who was worrying about losing \$200 and being all upset with the \$200 loss and not all that [the money] she had and maybe not focusing on the right thing. I don't know, I think I may worry about \$30s, or something small, when I should be thinking or know more about the big things.

*When you say that, do you mean the 'big things' as in money or investment options or do you mean something else as well?*

*Long pause.*

More in terms of the goal. I keep track of the reports as they come in and our planner works at keeping track of our goals. Maybe some broadening out of our goals. I don't know that we're always as clear in what we want that someone else could know. I mean, we've done fairly well in how we've done—although I'm looking at the current market and wondering how long . . . but we are in it for the long haul but still, I'm concerned. Will \$100,000 be enough to live on by the time we retire?

*And how does this sheep and wolves picture express this feeling?*

My naivete. I'm trying to express that there are other things maybe I should be doing but I don't know what they are or if they are. When we started out we had much less, and things have changed. We have much more today and maybe we should be doing more with it. For example, we do not own any individual stocks, only the mutual funds our planner has us in and our employee retirement accounts through work. I wonder if maybe we should now.

*Is this something you would call your planner about?*

Yes.

*But you have not, yet?*

No. It's time constraints. I haven't taken the time. My husband and I have discussed this a bit and we might take some money for doing it [invest in individual stocks] and figure it out for ourselves. Do it our way, learn. Maybe we should take some money and try it out.

*So, you might call your planner about this after our talking today because it's come up?*

*Pause.. .. Yes. Maybe. Or maybe we will do it on our own. Take some money we are expecting and do it ourselves.*

*Like training wheels?*

*Yes, like training wheels. So we can learn on our own.*

*Will you discuss this, if you do invest on your own, with your advisor at the next meeting?*

*Pause.... No. No, I don't think so. I think this would be our exploration.*

*Let's look at this first picture you showed me. (B-30) If you or your advisor are in it, where would you say your place in the picture might have changed over time?*

*Laughs. Here he is [indicates "figure" in upper right] showing the way, and here we are then [points to small clock shaking hands with figure] and here is where we are now . . . laughs again . . . plugged in [points to top left of center "plug"].*

*Lastly, I'd like to go over a few questions that I am asking all of participants in the study who use a financial advisor.*

#### Uniform Questions and Responses

*1. How did you find your planner?*

*I think they contacted us. I don't remember if it was a referral. Some of our friends used the same firm, so it could have been.*

*2. What do you find to be the most effective method of communication with your planner? In-person, telephone, email, written correspondence, or would a website appeal to you?*

*In-person with follow-up with information or decisions by telephone. I've never used email or a website.*

*3. Where do you meet your planner? Does he come to your home or office or do you go to his office?*

*Their office. Do people come to your house? That would be great.*

*4. Do you feel that the services provided have been really tailored to you and your needs?*

*I don't think we had specific needs when we started. They've been adequate to our purpose. We may need to reevaluate if things change, if our income really goes up. We may have more issues now than we have had.*

*J. Do you prefer to have things "done for you" or to learn so that you can begin to do*

*things for yourself?*

Umph. . . . *Pause.* . . . Some combination of the two. I want to do enough so I feel I know what is happening, but I get very frustrated in how long it takes to maneuver through a lot of the stuff you have to do like bank bureaucracy. That's nothing to do with our planner, but transferring our IRAs—that was a back and forth and back and forth problem. Our planner helped. I want to cocoon myself from doing that kind of task. But I want to know what's happening.

6. *Of all the services your planner has provided to you, what do you most like?*

I guess the discipline. I feel good when we get the reports and I see we're amassing things—assets—and I can see it increasing.

7. *Least care about or dislike?*

I guess sort of working through some of the issues and making some of the decisions. I think I understand what we are doing and why, but I still feel some unease—is there something else I should be considering? I am not sure.

8. *What is different about the service than what you expected when you hired your planner?*

I guess I didn't realize when we went into it that it would still take effort on our part. Sort of "here's the money, just do something with it." We've been asked to make many more decisions, I didn't appreciate that it would take that. It is a good thing, but it is like homework. Necessary but . . . [no fun].

9. *If you could imagine the perfect financial service, what would it be? How provided?*

More like a mind meld. We would be on the same wave length and I would understand everything and we'd be making right decisions and have complete certainty! *Laughs.*

10. *Have you ever referred your financial service provider to anyone?*

Yes, we have.



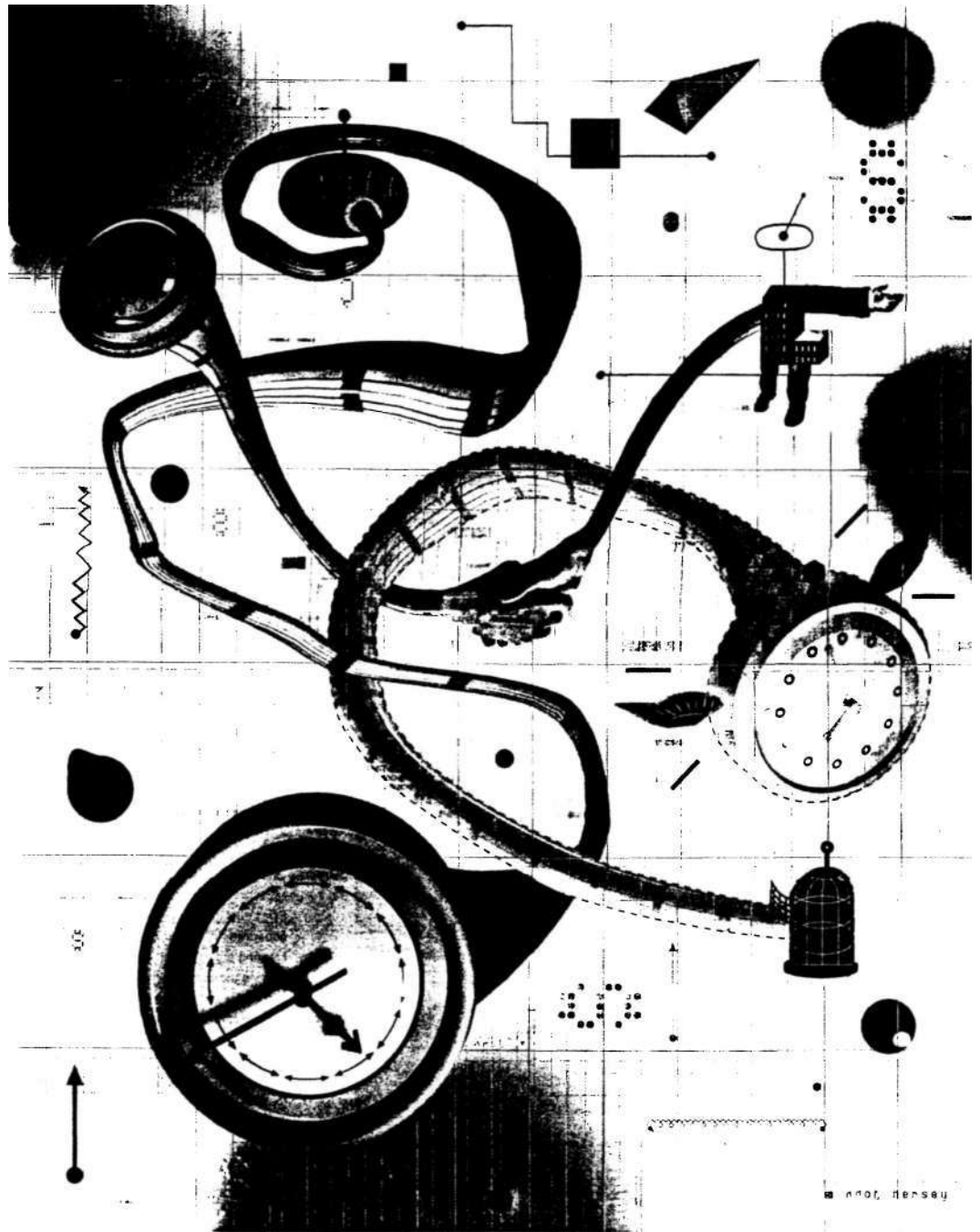
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Elisette's Magazine Image



**Probe Subject: John**

Early 50's male, Fortune 500 company top executive, spouse, Kate, works with a community-focused group. Subject is responsible for managing investments and household finances. Three children—two young adult daughters, one teen son.

Subject has used the same broker at a large national firm for -15 years for investment advising and transactions. Through employer, subject has used a local financial planner for ~2 years (at nominal personal cost). Subject prepares his own tax return, using a local tax expert to review his work. Subject is active in writing covered options. Subject is self-taught on Quicken, which he uses for portfolio transaction and checkbook recording.

*Date:* March 22, 2000

*Duration:* 30 minutes

*Format:* In-person

*John needed few prompts in the conversation. John's spouse Kate occasionally came into the room and participated in the conversation.*

*Do you use a financial advisor or service of any kind?*

The first person I used I still have. We've—his name's Madhur<sup>18</sup>—had a relationship for -15 years. Kate and I have actually gone to India with him and his family [broker is from subcontinent of India] when we were in Asia [for a portion of John's career]. He's a broker with [large national firm]. Madhur was just a young, little broker when we started together and now he's in some high, important position. And, of course, my account is a lot bigger now, too. I have enough to make all their research available to me.

*Is he in [city]?*

No. He's in [names town employer is located], just across the street from my office. Access is a critical element... *pause* ... success is a critical element. I do a lot of options. Covered options. And he understands options. If you really want to make money you have to understand options.<sup>19</sup> Madhur calls me about three or four times a day. He's right on top of it. He does the kids' accounts, too. I've even gotten my sixteen-year-old son into options so he'll understand them.

*Does your broker provide other financial services to you?*

Well, they've [reference to firm as much as to individual broker] tried a few times. They had a tax guy they wanted to get me involved with, but [body language is head shaking and shrug] ... I did not do it.

My comfort level with Madhur is just very, very high. It is a relationship, that's the key, and he has access to all the information. This is his business. He's on top of things.

<sup>18</sup> Subject used the broker's first name throughout the interview.

<sup>19</sup> This is the opinion of the subject.



Sometimes I look at the costs [of using the broker] and they seem very very high. He's cost me, but I think it's been worth it.

*Have you done any financial planning or estate—*

Okay, that's the second part of it. At [employer] at my level you're offered a financial planning service. I think it's something like \$X to [employer] and employee pays \$Y. We have a choice, a big, national firm or a small, local one. I chose the small one, and I had them<sup>20</sup> come to the house so Kate could hear what was up with our finances. They did the whole financial plan—the different inflation assumptions, rates of return—the whole thing. We knew how long we could have how much in retirement. It was a really nice presentation, all in a book. They made recommendations on my [employee benefit and retirement] accounts. I'm at the level where I have two choices with my compensation: I can get it now or have it put aside 100% tax deferred. They got me out of that. They told me that's all compensation that will come out and be taxed at my marginal rate for ordinary income and they said I'd be in the 40% marginal rate forever, so it didn't make any sense when I could take the after tax amount now and invest it for capital gains at 20%. They looked at the plan and [employer] has the most restricted type of deferred comp plan you can imagine, so I'm out of that.

They also looked at all my investments in [employer]. It really got me to step back. There's a lot in one place without diversification. They've been trying to make me diversify. So I have ... some. And they did my estate plan.

*Then you work with one individual who is also a lawyer or with different people at the firm?*

No. They got me hooked up with a lawyer whose a real expert over in [town]. Really, really good. Of course, I had a will from before we left for Asia, very old, and the lawyer told us it might not meet current law it was so out of date! All that is sorted out now. It was all definitely worthwhile.

I work with one fellow. Craig Sabnis. It only costs me \$Y but I think I may be done with them now. I am not sure what more there is to do. He called me the other day to convince me we should keep looking at my [employer] holdings and my investments in total to make a plan to diversify but—

*Y dollars does not seem like a lot—*

No, I know. It's not the money. You're right, it's nothing. It's the time. I don't have any time. I am so busy at work To have to add one more meeting . . . *shakes his head.* . I probably should keep them one more year.

*So, they don't Y do your tax returns?*

I do them. *Big smile.* I'm interested in that stuff. I like to study it. When we were in

<sup>20</sup> Reference was generally made in the plural although it is one individual at the firm who works with John.

Asia, of course, [employer] paid to have our return done by [international CPA firm]. Doing their questionnaire was just as bad as doing the taxes! When we got back I just did them myself. The foreign tax issues, it probably made sense to use the [firm], but now—why fill out that whole questionnaire when you can just do the return. I use TurboTax... . *Pause*.... And the kids have savings and investments so there's all that—they have taxes, too. I do take my return to a good guy—tax guy here in town. I've known him years. I bring it in, takes one hour. Costs me ~\$Z [very little] for him to look at it.

*Does anyone do the tax planning with you?*

No.... *Pause* .... Maybe I should have. I missed a few big deductions this year. [The tax expert] reviewed my return and I had a big payment to the state and he told me I could have prepaid it before December 31 and deducted it on my Federal return. And have I learned all about ISOs!<sup>21</sup> I've learned that there is a limit to how many you can exercise in a year before you get caught by the AMT. I got caught. I've become the [employer] expert on the whole thing. All the other executives are coming to me now. *Laughs*. And you know, you get it<sup>2</sup> back the next year, so it's not that bad.

*Backing up to the financial planning firm for a moment, why did you select a local group over the national group?*

Just a flip of the coin. *Shrugs*. The work they did was good. Both Kate and I spend money poorly and looking at everything—seeing what we have—is good.

*And by "spend money poorly" do you mean you tend to spend a lot or—*

Opposite! We don't like to spend. We didn't grow up with that habit or a lot. It's good to see the shape things are in.

*Do you also use the Quicken or the internet for financial matters?*

We have AOL, so I can look at their stuff and I can get to [brokerage information] through Netscape—all their research is available to me. We have *Smart Money* access through [employer]. It's a benefit. I don't have a lot of time.

*And Quicken?*

I do all our checking account on Quicken and I stay totally up-to-date on my portfolio transactions. I book my transactions the same day. [Kate entered the room.] Dayne's just asked if I use Quicken, do I—

[Kate rolled her eyes and smiled.] He's up there all the time. He loves Quicken!

[There was a discussion about the boxes of records—tax returns et al—the subject kept in the basement dating from 3 decades ago because Kate would like to get to

<sup>21</sup> Incentive stock options.

<sup>22</sup> Alternative minimum tax.

<sup>23</sup> The additional tax paid due to triggering the AMT.

painting the space and these boxes are in the way. Kate left the room after reminding subject about timing for dinner.]

*Lastly, I'd like to go over a few questions that I am asking all of participants in the study who use a financial advisor.*

#### Uniform Questions and Responses

*1. How did you find your planner?*

[Not asked due to explanation in discussion, above.]

*2. What do you find to be the most effective method of communication with your planner? In-person, telephone, email, written correspondence, or would a website appeal to you?*

Telephone for Madhur. I'm totally wired to him. In-person for financial planner.

*3. Where do you meet your planner? Does he come to your home or office or do you go to his office?*

He comes to my office except for the initial visit he made here [to home]. I had him do that so Kate would hear what he had to say.

*4. Do you feel that the services provided have been really tailored to you and your needs?*

[This was not asked due to tripartite approach to financial matters.]

*5. Do you prefer to have things "done for you " or to learn so that you can begin to do things for yourself?*

[Subject effectively had answered this question in discussion above by describing his actions, thus it was not asked directly due to time constraints.]

*6. Of all the services your planner has provided to you, what do you most like?*

Services provided by Madhur. I just like the fact that he's looking at my stuff all the time. It's a relationship. He grew up with me. A year ago, he said "John, we have to go into the NASDAQ" and did it. It worked. I can't imagine if he hadn't said that! He just knows. Those guys know. I feel comfortable that I have this guy walking around worried about these things for me and I'm totally wired into him, I have [pager and other in-touch technology]. He's made me a lot. Only once in a while there's [a boner].

*What is so comfortable in the relationship? What do you mean by comfortable?*

Well, Madhur gave me advice on my mortgage. We paid it off, but then he explained it didn't make sense for taxes and things. He's put me way over on the aggressive side—but we've done well. But I joke with him that his firm keeps mailing me all these things that say I should have bonds and stuff. Sometimes I worry he's too aggressive.

*Is it your broker or are you the aggressive investor?*

*Total silence.*

*It's the old story that if you make a lot it will be you and if you lose it will be him?*

Yes. *Laughs.* Our communication is rock solid. I only once though he'd done anything that maybe I hadn't wanted.

*Does he have trading discretion on your account?*

Umm.... *Pause...* I don't know. I don't think so. I think only once he did something I didn't like. We're in touch all the time. He knows that.

The best thing of all, it's a personal relationship I have a personal relationship with him. [Kate came in during this exchange.] Don't you think, Kate? We have a personal relationship with Madhur?

Kate: *Pause...* . Well, he respects your opinion.

It's trust. There's a relationship.

7. *Least care about or dislike?*

Craig Sabnis. [Turns to me], I don't personally like him—

Kate: No? I think he was great. He came out here to our house and had this terrific book and it showed what my social security would be and my pension and when I could retire under different scenarios. I really liked the way he laid out all our retirement information. I understood it.

Well, for the first few year it had value, but now—it's less valuable. He's pushing me to diversify. Madhur told me to get out of [NYSE stocks] and put me in the NASDAQ.

8. *What is different about the service than what you expected when you hired your planner?*

[Question was not asked due to short tenure of planner.]

9. *If you could imagine the perfect financial service, what would it be? How provided?*

Access. It's a personal relationship, that's very important to me, knowing somebody, that they know you; full service, where you can get it all in one spot. I don't want to deal with a lot of different people. I don't mind if there are a lot of different people, but I want to go through just one person. I want to get to know that person and trust that they are doing the job for me.

*But you don't have one person. You have two or maybe three and when your brokerage firm tried to get all the services to deliver to you, you were not interested.*

Madhur's firm tried to get me to go with them. They're like the all the auto companies now, they're trying to own the value chain, all the value chain, but. . . *shakes head with implication that this "ownership " is not succeeding in terms of value delivery . . .* You know, I personally changed the statements [brokerage firm] sends out. I used to complain so much about how hard they were to read, Madhur had the guys here from New York just to listen to me and to change them.

*10. Have you ever referred your financial service provider to anyone?*

[Not asked because planner came through employer program.]

**ZMET Subject: Laurel**

Early 30s female psychologist with her own therapy practice. Single.

Subject has had an accountant for 1 1/2 years and a stock broker for -1 year. She almost used a local money management firm, but did not, as is discussed in the interview. Prior relationship with a stock broker was with her father's broker in a different city.

*Date:* March 25, 2000

*Duration:* 90 minutes

*Format:* In-person

*Laurel started the interview by volunteering—*

I always ask patients about pets and money in my practice, because of what that information tells me, so this should be interesting.

[She enumerated the service providers she has in her life and then continued as follows.]

*What do you think the similarities or differences might be between your accountant and your broker and the same service from a large national firm, a regional or local firm and an individual professional practitioner?*

I never really thought about that. My accountant, Bob Slyling, is like going to see an analyst—a good one is going to be in his own practice. I thought of [large national brokerage firm where her broker is located] as totally generic, but when I sat down to talk with them I was extremely impressed with how they said they could tailor their work to me. And [local money management firm] is family run and they had biographies of every principal; each was held accountable.

The idea was for Betty [Laurel's broker and "team leader" at national firm] to meet with me and to be more of a financial planner and Bob Slyling to do the tax planning as well as my return.... *Pause*.... I did get all my banking into one account with Betty. I guess that was good. I don't really know, but I went from two banks to one so it is easier.

*Then your financial advisors help with taxes, investments and planning?*

Well, I get very consumed with my work. I've been practicing here in [city] for a few years and it is very involving. There are specific issues around taxes and psychologists so the accountant is supposed to understand all that.

Betty and her team meet with me now and then and try to educate me, I think. It is unclear exactly what her role could be. Sometimes she calls me and I'm alarmed because I'm not sure what she wants. I had this very, extremely chauvinistic broker in [former city of residence which is also home to Laurel's parents] and I did not like that. Betty will call me and suggest we get together; like this week I think she called me about some women and investing seminar that I should probably know about and she suggested we could have lunch, or something. It is sort of weird. In my profession you do not do lunch

with your clients, it would be a violation of a boundary.

*With the accountant, his role is to take care of taxes and Betty helps you invest your portfolio and maybe some planning, is that correct?*

I hired Bob Slyling soon after I arrived here to do the taxes before I had Betty. He looked over all my stuff—I wanted him to get to know me and my chaos. I guess I thought he'd help to organize me, and I was looking for a place to move my money from where I lived before. He recommended a firm and I had a very strong reaction to them after two or three meetings. I was going to move my money to them but my father got very alarmed.

*When you say you had a very strong reaction, what did you mean?*

Umm.... *Pause*.... I had some really suspicious reactions and some really positive reactions. I feel like an ignoramus about money. I don't think this would have been true if I'd been a boy. My parents would have taught me something. I felt stupid because, here I was an adult, I was 33 then I think—I'm 34 now, with a successful practice and a Ph.D., so I am not stupid, and I needed to turn to an accountant I'd just been introduced to to find someone to manage my money! Slyling said he had two groups he could recommend to me and he would go with me to see them if I wanted, and he wouldn't charge me for that time ... *pause* ... but he did later. [Clearly annoyed.] He was actually quite active in the meeting [Laurel met with one local firm] and I was glad he was there. I felt like an ignoramus.

And I felt sort of manipulated. It was this husband and wife team with their daughter there who works with them. I think that they had her there to woo me because she was my age, and I did sort of like her. She was sharp and seemed to know what she was talking about. They just described my account in a way that felt good.

*But you also felt suspicious?*

I felt the same old, awful feeling—not knowing anything about money or how to evaluate them. But I also thought that they would take care of my account and help me.

*So, you were going to place your money with this local money-management firm, but did not because of some mixed reactions, and now you have Betty?*

Yes. I have a different set of feelings around Betty. My father became totally alarmed when he heard about [local firm]. He and my mother came right to [city] to take me to [the national firm Father uses where Betty is a broker] to save me from [local firm]. My parents approve of [national firm] and my father got recommendations from his broker on who I should use here. They hand picked a group of different women at [national firm] and I went with my father to talk with them all and I picked Betty.

*What alarmed your father?*

He said 'these people are going to do all sorts of irresponsible machinations with your money.' I think he used the word 'churning.' They would be selling a lot to accomplish

what I had said I wanted, though. [Short discussion of method of compensation for local firm and national firm, which seemed similar, transaction and percentage of assets under management.]

*How long have you had your accountant and broker here?*

About 1 1/2 years for Bob Slyling and a year with Betty.

*Does Betty do more than stock trades for you, does she "help " you?*

I think that she may be attempting to do that for me. I have a pretty logy account, though. Not much happening. But she tries to explain things.

*And your accountant now is just doing taxes, no involvement with your investments?*

Yes, taxes. But he and Betty seem to confer a lot which I don't understand why. I'm really very dissatisfied with him and I almost didn't go back to him this year, but I didn't have the energy to change. [Gesture of frustration and confusion at outcome.] He was recommended by a mentor of mine, so I was very favorably disposed to him making this outcome sort of weird.

*What dissatisfies you with the accountant's work?*

I had hoped that he would coach me and encourage me ... *pause* ... help me be a grown up. I thought he'd be doing all these things to help me and he really did not.

*"All these things? "*

Set up a budget and a system and know what is happening.

*Did he suggest you use Quicken or any budgeting and checkbook software?*

I think he maybe did, but I rejected that because I am not a computer person. He had me write in these big green log sheets to separate my professional and personal activities.

*Did he help you set up the sheets or provide a little guidance by going through some of your documents with you at your home or office?*

No. People would come to my home or office? That would be great! No. He doesn't do that, and I thought he would help get me in order but he just told me to record everything.

*So you keep track of your financial life on the green sheets on an on-going basis?*

No. I'm going home after this to do my tax information for the whole year on the green sheets. I did it last year and I was so proud of myself, but I was going to refuse this year. I expected something different.... *Pause*.... I think it's my own fault that I continue to be irresponsible in this adult professional relationship. I was expecting a lot of him, but I was left with the impression that he would do more. It's my fault. His expertise is valuable, I guess. I need a recommendation before I can just stop.



*I had asked you to bring 5 to 7 images that represent "luxury financial services " to you—*

I looked through some magazines and I really didn't know what a financial service was. I saw a Dom Perignon ad that was very simplistic and stylized and I liked that. . . and there was a Prada clothes ad—I don't like them and don't buy them, but it represented luxury. Then I thought of *Architectural Digest* because interior decoration is a luxury service, but . . . I didn't bring any of these because nothing really worked for me.

*That 's fine. Can you describe the picture or image in your imagination of what a luxury financial service might be?*

The mental image if I could envision this perfect scene?

Yes.

My fantasy when I'm trying to conjure up an image . . . They would come to my house although sometimes I would go there, to a 'house of business.' I want what my grandmother has. She has my grandfather's old secretary who is as ancient as my grandmother and dotters into the house and does everything.

*Does your grandmother actively manage—*

Well, if Gran just wants to listen and Jean lays everything out, Gran will say yes or no.

*So, in this mental image, what has to be in the relationship?*

Gran feeds Jean lunch. Gran very much treats it as a social encounter. Jean is a diabetic and Gran has all these Pepperidge Farm cookies for her. The lunch is a social ritual for Gran. I think Jean just endures it. I think she'd rather be upstairs working but Gran is embarrassed that she can't do what Jean can, so this is her moment to have control.

*And is that apart of your image—having the social ritual?*

*Pause,...* I would really like to learn more. My mother is very competent about financial things, but I would love to go to some semester and learn more.

*And what is it that you think you don't know? What troubles you about this 'not knowing'?*

It is like a language. I can say hello and good-bye, but I have no understanding of the grammar, the vocabulary, the syntax. I do not know the options for estate planning or investments or how a business is run. But for me, the language I use for myself—I'm in psychoanalysis because that is a part of the training—my parents imparted a language to me [around money] and feelings around having a good income [amount]. I am not profligate; I do have expensive tastes and I do not have a budget but I do not just buy.

The point is, I might earn [amount] at age 34 which is very good in my profession in this part of the country with only so many willing patients and so many hours in the day and so much you can charge. And yet I will run out of money for groceries in the middle of

the week. This happens to me all the time. I am a totally cash person; I'm afraid of what would happen with credit cards. I feel very immature. I mean, here I am driving a[n Audi] TT and dealing with patients with real issues and I run out of food in the middle of the week and I have just paid all my bills so I do not have anything in the account. ..

Some weird little thing just makes this happen unconsciously, I know that. I would love it if someone would come into my house and say 'look, you have to do this ...' I love this when people do this.

That is one thing I loved about [local firm she did not use]. Mr. Firm drew this picture for me and said 'Look! This is you!' and it was. It was this big feed bag with this really scrawny chicken pecking at the bag and he said "here's your big portfolio and big income and here is you, all scrawny and pecking at the outside of the bag.'

*Does your fantasy image with your grandmother 's situation include a 'look! ' person?*

Gran has Jean, but that is really just for the bookkeeping, and a lawyer for the estate planning and my mother. My mother is very active and knowledgeable in investing. She acts as proxy for my grandmother, she has that authority.

*So, your fantasy picture includes—?*

There are people who would work with some individual professionals to do all their billing—I have a service like that, but I want more. I want someone to open all the mail and sort it into personal and professional and do all my billings and set up my cash for a week and get me in line.

*If you could find someone like that—*

It would be my dream.

*Let's go back to a point you made earlier. You mentioned that your accountant had said he would not charge for the preliminary, screening visits to any money management firm he recommended, but then he did, is that right?*

He told me 'I will not charge.' He volunteered that information. Then I made sure he was willing to visit with me and specifically asked him if he could take the time when I made the appointment and he said 'yes.' Then I got a bill from him on taxes and I paid it because it look fine. Then I got another bill. I was shocked that it was so high for my taxes. I knew that the total would be high, but this [between the two bills together] was much higher than I expected or than the prior year, although that was back at home and my father's guy did the work and there was less to it. But I knew Slyling's rates, I knew the hours he'd spent. I had hoped he'd do more than just taxes for me although I don't really know what I expected. The bill said 'for taxes and other related financial planning.' Passive-aggressive me, I did not pay it for five months. He kept sending me these chastising notes about the bill and I just ignored them. Finally, I did pay with a check and I sent a note.

*Let me see if I understand—you paid and asked about the bill at the same time?*

Well, I first wrote a note a few months before I paid, but I never mailed it. After I did pay, he left me a voice mail. Yes, the bill did include the visit and if I wanted to do my taxes with him I would need to set up a visit. I think he wants to get rid of me.

*Do you want to stay with him?*

No. Not really. I was going to stop using him but I do not know how to find someone easily. I do not know how to evaluate an accountant. I don't want to face it, either. I am no more happy with Betty.

*Is there any type of financial service you believe you would never use?*

I would not go to one of those tax preparation places that spring up from the earth around April 15<sup>th</sup>. I would not be inclined to use anything on a computer, either, internet places. I'm not computer literate and I am not comfortable with that kind of thing.

*Lastly, I'd like to go over a few questions that I am asking all of participants in the study who use a financial advisor.*

#### Uniform Questions and Responses

1. *How did you find your professionals ?*

See above.

2. *What do you find to be the most effective method of communication with your accountant and your broker? In-person, telephone, email, written correspondence, or would a website appeal to you?*

In-person is best for both. Betty will call me on the telephone and say 'I just want to talk to you about a couple of things' but I always feel funny. It may be her, or how I feel about her. I never use email with anyone. I think we have a machine in the office, but I think the office manager looks at it or something. I would like someone to check in with me, to help keep me from being irresponsible.

3. *Where do you meet your accountant? Betty? Have either come to your home or office or do you go to their offices?*

I go to Slyling's office. For organizing the practical stuff, I would like to have someone come to my home. For someone like Betty, an office or lunch. Going into the broker's office makes you organize yourself. Focus.

4. *Do you feel that the services provided have been really tailored to you and your needs?*

With my accountant, no. Not really. Maybe because I'm not holding up my end of the bargain. Betty tries. She will call me, but she always asks 'is this okay, are you busy?'

and it makes me feel weird. It was probably me. When I met all the different women when my father made me go to [national firm], I was really annoyed and I know I kept saying 'you know, I am really, really busy' to the women like I was so important. I was being difficult and stupid. Now Betty is all 'is it okay?' and of course it is okay. This is my portfolio she is calling about, but she does not get it because of that first impression. She cannot get over that.

5. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

For me!

6. *Of all the financial services you have received, what do you most like?*

I have to say, I liked Mr. Firm drawing that picture [of the scrawny chicken and portfolio-feed bag], but that's like you like cocaine—it is not good for you. I liked it because it was reassuring around something I'm anxious about. How can it be total reassurance around this vague thing I don't even understand?

I really also like Betty giving me homework over the year and I would like more of it. She will say 'you made X and will need to make Y to get to Z' or expecting me to stop doing something.

*Why do you like this approach? How does it make you feel?*

It is companionable to have someone coaching you and cheerleading along.

7. *Least care about or dislike?*

The slickness of the [local firm]. The worst experience I ever, ever had was with my Father's broker when I was in grad school and feeling very, very good about myself. The only time [before present] I had gone to [national firm] was to see my father's broker who also was handling my money. He was a big deal, did all the investing for [Fortune 500 company founded by two families] but he was gruff and very shoot from the hip. My father and [broker] were at one end of the office guffawing and making all these sexist comments, so I shot back at them. I can do that in some moods, and [broker] turned to my father and said 'don't worry Randell, my daughter's a bitch, too.' I could not believe it. Either of them.

Another time [broker] called me and my father answered and I overheard [broker] talk to my father about [a problem involving Laurel, taxes and her account] and I was furious. This is not a joint account. It was unethical and I told [broker] I was really, really upset and he started crying on the telephone! My father could not believe it. I got this famous money man crying, and he knew he had done something wrong.

8. *What is different about the service than what you expected when you hired your accountant or broker?*

I thought Slyling would do more to help me get in control.

*9. You described your imagine of the perfect financial service based on your grandmother 's experience. Is there a perfect service that you envision fitting you perfectly, and, if so, what would it be? And how would it be provided?*

There is some conflict in my picture on the personal-to-professional continuum, but here are the two relationships I imagined when I found my accountant and was looking for a money manager before I got Betty.

One: I would like having a grandfatherly, respectful mentor, like a man who would take me to lunch and who my family knew and who made me feel I wanted to ask questions but he would take care of me. We would also meet at his office.

Two: I wanted a woman who would made me feel comfortable. An older woman, maybe, very professional—and Betty does not make me feel this way, she's odd. She is very professional and matronly, but she is only four years older than I am. She is very conservative in her dress and she has five children. She talks in this serious manner and it always seems kind of stilted. She will start talking and then say something superficial. In that first meeting [with Father present] I was sort of bratty and resentful, acting out with a real edge. I did communicate that I was very, very busy—so now she keeps bringing this up. But I had a really interesting contrast to Betty when I purchased the TT.

I had planned to buy the car in the summer [summer 2000] because I wanted to pay cash and I would have it by then from my income. Then I learned that Audi was going to put a spoiler on it because two German guys got killed on the Autobahn so I decided to tell the dealer to cancel my order. The dealer asked if I would want the car if someone who had the old model on order cancelled. I said yes, but I had no idea how I would do this. Suddenly, I got the surprise call in December that there was a car available in my color because of a cancellation. The dealer was suggesting financing, but I did not want to do that so thought I would call Betty for some advice on how to purchase it. I did not want to touch capital—I had done that for my graduate schooling, but even I know the difference between capital for education and for a car. I wanted Betty to tell me where to borrow, what was best.

I got her brother instead. He works on Betty's team at [brokerage]. Betty leaves at 3:30pm every day to take care of her kids, which sort of annoys me, but anyway . . . I got her brother and he remembered me. He was much more friendly and not as stilted. He said 'oh yes, I can help you—let me take a look . . . Yes, you can borrow on your margin account and not touch the capital and have it paid off by summer at a better rate than any alternative loan . . .' and I was so grateful. He said 'don't worry about it. I've had a great time . . .' He made me feel psychologically so much better. It was the most painless transaction.

But I don't think he told Betty, or she didn't get the full story because all of the sudden a few months later—recently, I get a call from her about 'don't I want to pay off this margin loan' which I did not. I had a plan worked out with [brother] and I was following

it and she did not seem to know anything about it.

*Then you like her brother's style more than Betty's?*

Well, he was more like the [local firm]. Overly reassuring. But Betty makes me work harder.

*And how does that make you feel?*

I want to learn. I think I should be a grown up around this stuff, but I don't think Slyling or Betty really work for me.

*10. Have you ever referred your financial service providers to anyone?*

Yes. Both of them to my sister who did not chose to follow through. And I've recommended Slyling to a couple of other psychologists.

**Probe Subject: Daniela and Jay**

Mid 40s couple. Daniela and Jay both are attorneys, each at a different nationally prominent firm. One young son.

Subjects use a financial planner, Tim, a CPA and lawyer who heads a small firm with a national client base. The firm is headquartered in the Southwest where Tim is located. Jay is the individual in the couple primarily responsible for household financial matters.

Subjects are close personal friends of Advisor and the author, and Advisor was present for portions of the interview when he was not otherwise playing with the subjects' son.

*Date:* March 25, 2000

*Duration:* 90 minutes

*Format:* In-person

*You use a financial advisor, don't you? What do you use him for?*

J: Yes, we have had a relationship with Tim for over 10 years. This was before Advisor had his practice. Basically it is an annual meeting with a data dump. We run over all the assets and liabilities. We don't do as much as we should with him, but that's my fault, not his. It's financial planning and answering some tax questions. He's a backstop to [international CPA firm] who does all the partner returns at my firm—

D: So we have to use them [CPA firm].

*Does he come to your home or one of your offices for these meetings?*

J: He's in town at least once a year and comes to my office—

D: It wouldn't be convenient for him to come out to the house.

*How does it matter to you that he is an attorney and CPA?*

J: He understands the tax issues. For example, when Daniela was in DC [working for the Federal government] the [CPA firm] just never got the tax returns done correctly. It was one of these—the nanny lived in Maryland, worked in DC and all these multiple jurisdictions—complexities but one year we received this huge state refund and we knew that we did not deserve it and the woman at [CPA firm] never returned our calls. They are terrible. They had no concept of the different ways to pay estimated taxes, for example, while Tim did—and he did it right! Those guys at [CPA firm] live in fear of some litigation partner waking up with a huge unexpected tax liability and suing the pants off of the [CPA firm]. Tim also understood the tax implications around the use of an immediate family member [as child's daycare provider].

*Has he done your estate plan or other legal work?*

D: No. We don't have an estate plan. I think we have wills—

J: And a life insurance trust, so we've done that right, I think, but yes, 'the shoemaker's children' [have no shoes] is true with us. I know, I know. We should. We would not use Tim for that. I could do it through my firm—

D: Although [name] is better and she is at my firm. Only, it would be free if we use Jay's firm. Right? (Turns to Jay and back to me.) Not at mine.

*How did you find Tim?*

J: He was a client of my firm already and I met him on a deal. I was just a 2<sup>n</sup> year associate and the deal was a dog, but we became friendly. There was some mutual back scratching. He's a good guy, went to [accounting program] and got his law degree at the same time. He introduced me to the concept of fee-based financial planning. I knew insurance brokers were a rip-off but... he taught me that I could pay a reasonable amount of money and get unbiased advice. I do have one pretty big beef with Tim, though. Should I tell you or wait or—

*No, tell me now is fine.*

J: Daniela had a few [retirement plans] from the government and her [university] teaching and Tim advised us to roll them all into one IRA at [national brokerage firm] where he would manage the money along with a bunch of these. The total [of Daniela's rollover] was the low six figures. And he's managed to miss the biggest run-up in American market history. He's done terribly. Terrible return. I don't think he pays any attention.

*What do you mean by a terrible return?*

J: Four to five percent. I don't know. He's never heard of the New Economy. I think he's comfortable with energy and utilities. Really bad. And he knows we are willing to be aggressive with this money. There is a lot of time.

*So, why do you leave the account with him?*

J: It's the classic case of 'is now the time.' [Implication comment runs to market unpredictability.]

*That's why you haven't done anything?*

J: Well, it's the relationship. He's been good on other stuff like the financial planning, advice on where to put our retirement contributions among the choices at work. He will help us with other things .. . *pause* ... I would not yank it from him without talking to him.

*Does he charge to manage this money as a percentage of assets under management?*

J: No. That was part of the pitch. He wouldn't charge us anything additional and he does this all the time and we would benefit from his knowledge and the relationship he has at [brokerage] so the transaction costs are low.



*I understand that you did not look at alternatives because you knew Tim, but I'd like to ask you your opinion of some alternatives. What do you think about a large institution like J P Morgan Private Client Services for you?*

D: Big institutions would pay no attention to us, or they wouldn't have back then.

J: Except maybe the private banking because of [names his law firm].

*Would you have considered an individual practitioner?*

J: Knowing Advisor would make me think of a small practitioner now, but in general in legal circles the losers are in the individual practices. Small by choice is unusual. Now, though, I would gravitate to an individual because I've seen Advisor. You know, my firm and Daniela's have substantial money management arms that have done very well. If we didn't have Tim, we'd probably use them and someone like Advisor.

*Are there any financial service providers you would not use?*

J: I don't like the insurance industry, but generally I like outsourcing. I am always willing to hire someone to do things I don't want to do myself. Time gets precious—like hobbies and our son—these are where I want to put my time. Daniela likes to do yard work, but we still have someone—

D: Who I think we should get rid of. He does a terrible job. I don't think I'd hire anyone to pay bills. I might feel a little uncomfortable about that.

*Why would you feel uncomfortable?*

D: To be honest, I probably fritter money away and I don't want to feel slightly judged. Plus, you lose privacy. Everyone likes to know all the little details about someone else's life and it would all be there. Also, if you don't want to be ripped off—having someone pay bills—you totally cede managing your own life and I do not think that is right. You have to pay attention, can't have everything done for you.

J: I would use the internet, but I don't yet. I agree with Daniela. I like being a little bit involved in the mechanics and I want some kind of flexibility [away from] paper checks. It's all time.

*But having a bookkeeper come in would not appeal to you?*

D: Well, if life becomes much more complicated it might overcome my bias.

*Lastly, I'd like to go over a few questions that I am asking all of participants in the study who use a financial advisor.*

Uniform Questions and Responses

*1. How did you find your planner?*

See preceding discussion.

2. *What do you find to be the most effective method of communication with your planner? In-person, telephone, email, written correspondence, or would a website appeal to you?*

J: Primary means is by telephone now and we've just started using emails. The annual meeting is in person. They probably have a website, I'm not sure. I'm not looking for information of that sort.

3. *Where do you meet Tim? Does he come to your home or office?*

J: My office. He's in town at least once a year.

4. *Do you feel that the services provided have been really tailored to you and your needs?*

J: Yes, but our needs are not that complex.

D: No. I don't think so. I think we should be saving and investing more and have a plan.

J: You're right, the topic's been on my mind, but it isn't Tim's issue. A few years ago he did go over everything we were doing for dumb things.

5. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

J: I understand things. I'd just like to sit down and psyche out the whole thing—all the assets: the real estate in [town] and the capital account [at law firm] and all of it and then someone can do things for us.

*Does Tim do this in the annual review?*

J: Yes, but not as much as he should. But if I asked him too, he would.

[Fee charged by Tim was discussed. It was "low" (although arguably not low in terms of services delivered).]

*When you are looking to outsource things in your life—*

J: I do not look to save the last nickel. But our situation is not that complex.

6. *Of all the services your planner has provided to you, what do you most like?*

D: Here's your model, a model for you, the Nanny tax people in DC. They are a great model because you pay them and then they make sure you do it. They are expensive, but they get it right. And they give you no peace until you do what you have to do. (Turns to Jay.) We should have kept them when I moved back. (Turns back to me.) They nagged, but it was entirely nonjudgmental nagging. Reasonable price, total follow through—that's your model.

7. *Least care about or dislike?*

J: Daniela's IRA. It's such a bad return, I just do not understand the reason. He knew we wanted aggressive investing. We had told him so specifically. This is long-term money and could be invested in growth and technology.

8. *What is different about the service than what you expected when you hired your planner?*

D: I never see him. I used to see him all the time in DC when he came up for other clients. We'd have dinner and catch up on everything. Now I feel much less connected. And now there is this non-managing of this money. [Implication that she is not happy with result.]

J: He is less hands on, Daniela is right. We deal with this relatively junior person he has now who is our contact, and she's no Tim. Of course, he's growing and busy, but it is different.

9. *If you could imagine the perfect financial service, what would it be? How provided?*

D: Perfect? Someone who has a way of imposing greater discipline—that's the big problem with us.

J: Even to calling, getting after us.

10. *Have you ever referred your financial service provider to anyone?*

D: No, because of the geography. Hence all the referrals to Advisor!

**Probe Subject: Anu**

Late 50s female "rainmaker" in selling services which support activities of large, national and international businesses and financial institutions. Single.

Subject has never consumed any luxury financial services. She did approach Advisor one year prior to this interview to inquire about his services. Advisor was not taking new clients at that time. However, Advisor and Anu live in the same area and subsequently recognized each other at the local coffee shop. Anu took these opportunities to remind Advisor she would like to explore working with him when he re-opened his practice. Two months before this interview, Anu had had to make a significant financial decision, and, upon next seeing Advisor remarked "I wish you were taking people." When he heard the nature of the issue [which would not consume significant time for him to review], he invited Anu to meet with him to assist her, informally, in making this time-pressured decision. That is the status of the relationship between Advisor and Anu.

*Date:* March 26, 2000

*Duration:* 120 minutes

*Format:* In-person

*Do you use a financial advisor or service of any kind to advise or assist you with your financial affairs?*

No. I am in the financial services business, and I do not know to what degree that colors my perspective, but I am fairly mistrusting. If I did use somebody, there are two big issues for me: trust and privacy. These will determine what I will do and how I do it. I would never use something like American Express; I would not go to a money manager to be a financial planner. What incents them is getting my money. I did get a living trust done a few years ago and a will with a lawyer, but my attitude was 'don't even go there trying to get involved with my investments.'

*I know that you are interested in talking with Advisor—*

Yes. He told me he might be taking on new clients after you join him.

*This is something of a change from your general attitude over the years. Why do you think you would like to invite a financial planner into your life now?*

I have thought about that a lot. I have done very well. I am the oldest of seven children and raised on the instruction 'do it yourself' If you can walk, you don't take a taxi. If you can make it, you don't buy it. But now ... *pause* ... things are more complex. Taxes and ... *pause* ... I want some direction in having a plan. Here's an example. I was having dinner the other night with a friend who is [top executive of a national high-technology firm] and I was telling him how excited I was that I think I could stop this job and I had asked the benefits department to let me know the difference in my retirement if I did it in a year or waited two more. And my friend asked if I was also going to look at [lists other elements of retirement plan and options] and I had not even thought of those

questions. Plus, he kept asking 'Anu, what are you going to do? You love your job.' And I do, I love the excitement of the deal.

Those are the kinds of things that tell me that it is time to have an 'other' in the process.

*This sounds like a big step for you—what do you expect or hope of that 'other'?*

One, confirm my gut. Do a reality check for me. For example, I do not really understand fixed income securities. When Advisor met with me informally to help on one issue, he just looked over one of my accounts and asked 'why aren't you in a [state] municipal bond fund since you are holding municipal bonds,' and I did not know. He explained why I would be better off in a [state] fund rather than the fund I am in and that is not something I would ever have thought about.

Two, I need to have someone look at how much I have here—have them say 'you have so much in S&P, so much in [lists different mutual funds with different investment profiles]. Do you realize that [describes kind of investment overlap that can occur with such holdings]?' Yes, I do. I analyze that myself. But I don't know what to *do* about it [the information]. I don't know what action to take.

*So, you would like someone, now, to work with you on decisions rather than doing all the research and making all the decisions on your own as you have done?*

Here's a reason—I don't trust getting onto the internet and putting my information into Financial Engines, which we use at work and might be able to tell me what to do. I have privacy concerns because using the computer at work—I need one at home and I need help on the kind of software I should have for [financial matters].

I know I am not unique, but I think I am unusual. It is unusual for someone like me to have saved and invested so much outside of my retirement accounts. [Implication that her position is somewhat lonely.]

*I agree that you may not be unique, but you are unusual, and to be commended. What is it that started your interest in saving?*

My grandfather. I can remember being in his library. He would give me the rings from his cigars and pieces of Wrigley's, which he invested in. He just made it clear that it was important to save and hearing about the stock market... plus my mother for years told me how much a 'nest egg' was important. She always stressed that. I was the oldest of the seven of us and I am the only one who has done so well. We had wealthy grandparents, but none of it was around for my generation. My father was an alcoholic and ... *pause* ... I just learned the message that it was very important to save. There were lots of fights growing up in my house around money and whatever my mother saved or I saved my father found and took.

I came here to [city] in the 1960s and I was dating a stockbroker who said one day 'Anu, we're going to go to lunch and then over to [mutual fund] and before that we will stop at [Ann's bank to take out money to invest at mutual fund].'

*This is when you went from being a saver to being an investor?*

Yes. I had loved seeing that passbook—remember, interest rates were around 18% then—it was very reassuring, but I did take out some of the money and put it in [name's mutual fund]. I got my first idea of 'investing' then, and since have continued to invest in funds. I read a lot about it, although I still don't know everything. I get exposed to a lot of [financial activity, trends] at work. [Discusses products she sells to her institutional clients that, when new, 'tipped' her off to their importance.] And I think I have a good gut for ... for what ? ... for making some pretty good decisions although I've made a few mistakes—like getting out of emerging markets when I should have just waited it out. I have certain beliefs, although I do not always follow them.

*Like what?*

Trust your initial research. Read a lot. Remember you have a long-term horizon—but now it's shorter. Much shorter. I'm 57.

*You are likely, statistically, to live a good deal longer. Is it that the time horizon is literally much shorter, or that it is changing where before—in all the years you have been accumulating wealth—your goals and your time horizon were, essentially, stable?*

I am not sure I have had goals. That is one of the problems. I need to figure this out because yes, you are right, I could just save the money [before now] and now I need to know what I have and what to do with it.

*You must be quite a role model to other women.*

Yes. I have mentored a lot of my friends as a real model. I have made them understand the importance of getting into and staying in 401(k) plans. Many of them have wanted me to manage their money, but I am reluctant to give specific investment advice. I do not know their situations, but I do advise them to save and maximize their retirement plans.

The other thing I need to think about is I have a sister who is 42 and has a two-year-old son and no husband. I want to help them ... him, in the future. I am helping with day care. I think that is important because it will help to socialize him with other children and it lets my sister work and it lets her have private time to herself, which I think is very important for women. I've got all this money—it's the least I can do.

I almost feel guilty that I have saved so much and that I have not been generous. I've been smart and I've been lucky. *Silence.*

*You are unusual to recognize that you have been lucky as well as smart. My sense is that you are raising the right questions for you around your financial situation. Paying for day care is generous, as well as, perhaps, appropriate.*

Thank you. I think I should probably be or having been supporting my sister because I could and because she does not ask ... as opposed to my older sister who is back on drugs and living with my mother and running through the little she [Mother] has, I

suspect. In my will I don't want to be leaving money to her to [squander], but on the other hand, I don't want to punish her ... I need to stay out of it. Detach with love.

On the other hand, I need to do what's appropriate from a legal standpoint to have the money for her be only able to go directly to paying the mortgage or rent. I don't know how to handle that. I will probably make a special addition to my will for that.

*Now, you have a lawyer who has done your will correct?*

Yes. I'm going on vacation. I actually have an appointment with her because I never like to leave thinking things might be untidy for someone and I do want to address [issue of older sister] before I leave.

*Do you feel that your lawyer listens to you and tailors the results?*

Yes.

*And how do you 'know' or evaluate this?*

Well, when I go in with this issue about my sister, she will listen and then she will say, 'Anu, there are five ways we can accomplish that' and she will describe each and make me understand them so that I can decide on which will really accomplish my purpose.

*Do you hope for this same kind of exchange with a financial advisor?*

Yes. I need to have some asset allocation help. Advice for what my mix should be and why and what action I should take. My choices. I don't just want someone to say to me that I am 80% in X and should be 85% and have me sell things to rearrange it. I want someone who could look ahead and work out a plan where all my new investments build me up to that 85%.

*Silence.*

It seems like the decisions I am making now are more critical. As you say, things are changing. When I asked Advisor, I've asked 'can you help me?' and he said no, he was too busy to take on new clients. I still have the perception that I am someone he could add value for. He did say he might open up to new clients in May or June when you join him. I'm living in the expectation that help is coming.

My job is so stressful. The stress affects me physically, I am sure. I am looking forward to retiring! My friend [of the other evening's dinner] is right, though. He keeps asking me, 'Anu, what are you going to do? You love your job. What will be the replacement? What interests you?' I explain that I am so burnt out. But he is right. I do love the deal, the excitement. I love knowing I can make someone make a decision. I am an individual performer who does deals and I like it.

*Silence.*

I see ... I am coming to a time when ... I think I could retire now and never have to

worry about money, but I do not want to grow old and stingy. I don't want to not be able to be generous with my sister or take my less well off friends out to dinner. I don't want to stop working.

*Silence.*

There is a lot of drug abuse in my family. My younger brother is a plumber. He's been in recovery for more than [X] years. He realized that he can't be a plumber forever—it's too hard on the body—so he started going to [college] at night to get a degree in psychology so he can counsel other addicts. He's a goal keeper—he has a plan and has goals. I have neither. I'm an excitement junkie. That's my drug, I guess. I love hustling deals, calling on the biggest managers in [industry].

I am very reluctant to disclose the details of my financial success to my family. When we were growing up, we did not talk about money. Money discussions were behind the closed drapes. I am like that now. I need a lot of privacy—some of it may be obsessive. Maybe too much.

The other thing is, I am not a property owner. [Anu does own her condominium.] Every year I get older, it gets colder. I don't want to worry about leaky roofs and all that. I am not a consumer. I have friends who shop for their homes all the time. Spend weekends at Home Depot. I don't waste money. That was how we grew up. My father was a terrible alcoholic, but he was ahead of his time in many ways. You do not waste water. You do not waste electricity. He was a nutrition nut. We always ate whole grain bread.

*How do you believe that you can reconcile your strong privacy issues and letting someone like Advisor know about your financial position?*

I will have to take a leap of faith.

I know about Advisor through someone who I perceive to be very smart and analytical. She mentioned him to me over a few years ago. I take her homework very seriously. She and I are not at all the same as people, but I trust her research. She's entirely PC literate which I am not, and very aware.<sup>24</sup>

*What will you look for in a financial planner, should you decide to work with someone?*

When I thought of going to someone, I thought of someone who has a legal and tax background who knew a lot about investments and is someone I could trust—that is paramount. That means he will keep my information confidential and will do what is in the best interest of me, not him.

<sup>24</sup> It became apparent in this discussion that Anu believes referral source was and is a client of Advisor. This is not so. The referral source is a friend of a client of Advisor's. The author did not clarify this fact as it was not germane to the interview, but such clarification will be made by Advisor before any professional relationship with Anu would move forward.



*How will you evaluate these attributes?*

I will look for intelligence, get a sense of his experience and whether or not he has a well rounded background. I have a good gut for who to trust and this is not just around 'confidential' issues. I read character and honesty well.

On the other hand, I could hire someone to help me load Quicken and do it all myself, I guess. This is just one of those things. All my friends have maids—someone to come in and clean up—and I am saving my maid money for when I am 80 and I will either really need it [the money] or appreciate it [the help]. But this [financial and life planning] is one of those places where I'm going to go for expert help now.

'What do I like? What do I want to do?' I said before that I am not a big property owner but I am sort of interested in the intercoastal—should I just keep my eyes open or . . . start thinking about renting for 6 months of the year or just buy something a timeshare—no, no—I would never ever do a time share.

*Are you saying that you have a portfolio of issues to address, not just assets to invest?*

Yes! Yes. Only, I think of 'issues' in this context as things to think through. Issues are different.

*What are issues?*

Issues are personal. Things I cannot do anything about. They are subjects for therapy. Things to think through are about someone else helping me to think through my behavior. What to do.

*You mentioned you have a lawyer who drafted your trust and will. You also have made clear your strong need for privacy. If you hire a financial advisor, will you want to allow him to review your will, or do you prefer to keep activities 'channeled.'*

I would absolutely want Advisor to see my estate plan and will and I would hope that if he has some ideas about how I should change or accomplish what I want, he would share it with me. I want someone who can help me figure out how to approach [employer]. I do not want to keep working at this level, but there may be some other way . . .

This is what I envision. Advisor and I would have a couple of face-to-face meetings, the first for him to learn what is going on, a second for him to come back with ideas and a third that is a reality check.

*And where would these meetings be, in your imagination?*

How do I want it packaged? The meetings would be at his office or in my space. I like a certain formality around transactions. I have a colleague at work who has two couches in his office and I do not like that. I see working at a table.

*You mentioned help with software on a PC—*

The PC I could get advice on from work or [contacts in industry]. Help from Advisor would be nice, but I probably can think how to do it less expensively. But I would like him to help me chose the right software.

*And helping you learn the software, like Quicken, for example?*

Well, I would think of it as a waste of his valuable time unless it is something he loves to do, so needs to. I would be very sensitive to wasting his time and to maximizing his expertise.

*Lastly, I'd like to go over a few questions that I am asking all of participants in the study who use—or in your case would like to use—a financial advisor.*

Uniform Questions and Responses

*1. How would you find a planner?*

See discussion, above. Anu does not have a planner, but learned about Advisor through a credible referral source.

*2. What do you think would be the most effective method of communication with your planner? In-person, telephone, email, written correspondence, or would a website appeal to you?*

Initially in-person meetings. Email would be great once I get my own PC at home. A website would not interest me if I had to access it through work and even then I think it would be most useful if Advisor had a very similar group of clients where certain information would pertain to them all. For example, if all his clients were retired and the new change in the Social Security law would be of interest, he could post timely, detailed information for people to review on his website.

*3. Where would you expect to meet your planner? Is a meeting at your home or office appealing, or would you prefer to go to his office?*

I think it would make sense for him to come to my space where all my information is initially. I guess I do envision an initial visit at a desk, going through all my papers. Not at all informal. So, his office would be fine, too. It would force me to organize.

What is really important to me is when. It has to be after work or on weekends. It is very hard for me to take time from work.

*4. Do you expect that the services provided will be really tailored to you and your needs?*

I am not sure what my options are around help. 'Will you be able to help me with a budget? Or asset allocation? Or setting up college funds for my nephew? What can you do?' These are things I do not know. And how these options are presented and packaged

is really critical. I do not want someone forcing me to do estate planning when I have done it. Why even waste time.

*But you indicated you would want someone like Advisor to review your will?*

Yes. I would want his ideas.

5. *Do you prefer to have things "done for you" or to learn so that you can begin to do things for yourself?*

I need to understand the consequences of what I am doing. [Names a national mutual fund company]—I do not like them. They are so arrogant. I love [names a competitor mutual fund company]. I really like them. I really like having only two companies to deal with, but if you can show me that I should have everything with [first company] or I should add another company and make the case so I understand, I would like that.

I would not know how to research—how to compare even though I am basically knowledgeable.

6. *Of all the services your planner has provided to you, what do you most like?*

NA

7. *Least care about or dislike?*

NA

5. *What is different about the service than what you expected when you hired your planner?*

NA

9. *If you could imagine the perfect financial service, what would it be? How provided?*

I would go to someone and say here are 10 things I need help with. I might need to see a list of areas of Advisor's expertise. I would think about that and I would say 'I think I need a budget' and he would say either 'yes' or 'no ...' I do not even know how much I save a month!

I would want to understand the ideas and benefits or the features and benefits of his service. Not what is wrong with what I am doing, but I have a feeling I could be doing a lot better. Someone to layout: You can do this or I can do it for you. Someone to give me homework.

I don't know how much I want to track this.

*Track what?*

My investments. I'm not very PC literate and I am very busy and don't want to come home at night and be fighting my PC illiteracy when I would rather be reading a good

book. I do want someone to look at all my investments and confirm my asset allocation, confirm my strategy, look at my estate plan, do a budget.

Tell me, 'if you want to do X, here is how long you need to keep working,' or an alternative path. Think about the 401(k)... the stock options ... the social security. It is all a Big Deal to me and I don't have any goals or strategy.

*It sounds to me as if you have had a goal just not one you articulated to yourself.*

*Leans forward.* Here's the goal—I don't want to be poor when I am old. I want to be able to do things and have fun and I want to help my family and my friends. I want to be kind and generous. I want someone to help me be more clear on what this goal means so that I can achieve it.

*10. Have you ever referred your financial service provider to anyone?*

Not asked because not relevant.