



THE IRRESISTIBLE OFFER
SUBSTANTIALY INCREASE YOUR CLIENT ENGAGMENTS

THE STRESS TESTING PROCESS

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VIDEO TRANSCRIPTION

John Bowen: Okay. You are now ready to do the stress testing process. So, let's go down and I'm going to blow up... We've got walking through all this. But what I want to do is have Russ really walk us through because Russ, you got to be honest, you put this chart together and you've been delivering this more than I have and you're really good at it. So, Russ, why don't you walk through what is the process and particularly helping the advisors think of the experience they're delivering along the way.

Russ Alan Prince: Well, let's take a look at this, the chart and how this is going to work. The first thing and most important thing that we're doing is profiling the client. Understanding what they want, what the family is looking to achieve, what the client wants to accomplish, basically its results driven. What do they want to have occur? That's the most important part of this. We call that the human element. What the results need to be, not what trust they use, how they're investing their money. All that becomes secondary. This is all about them and their goals and objectives, their concerns, their anxieties. We will need to really understand that, that is basically foundation to the whole process.

John Bowen: Russ, so in case someone's new to our programs, they have access to the Total Client Model too, which walks through that whole discovery process and how we profile. How would this new client tie this together?

Russ Alan Prince: Well, you want to use the Total Client Model to understand the client at the level we're trying to talk about. So, it isn't really what they're doing with their investments and what they want to achieve. It's getting a real good picture of everything that they're dealing with.

And we talk about profiling, collecting all the information, remember they have done all this stuff. We're now looking at what they've done. We're going to have to collect a lot of data. So first we want to understand them and what they want. Now we have to collect the data. Now one of the most necessary components of this, before we can go any further, and I consider it part of profiling. I need things like a balance sheet, I need cash flow statements, I need other financial statements. If there are multiple assets, where are they all located? If we have an organizational chart, we need all these pieces. A lot of times we put together family trees. That's the type of information that needs to be pulled together if you're doing a much more comprehensive approach. Sometimes people only focus on certain key services, or issues, or particular things. They're very focused. More comprehensive, more data we need to get this understanding done.

John Bowen: Russ, one of the things that I get concerned, you and I've had this experience, and I was an advisor most of my life. I'm not good at cashflow. I'm not good at putting in for clients, the balance sheets and all that stuff. And one of the things I can feel advisors getting tense on this. Like, I got to do all this stuff? And the answer is no. What do they need to do?

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Russ Alan Prince: Well, then the result is you need to get all this stuff. Now, sometimes clients actually have all this material, not many but some. And if they have it, they'll obviously provide it to you, you just have to make sure it's up to date. Otherwise, you can go and ask the client to go to their other professionals, their accountants, their lawyers, whomever to provide this to you. If they don't have that, and you do need this many times, then you can go to some person in your expert network. There are lots of other professionals you can call upon. There are professionals tied to CEG that are capable of doing this. But one way or another, it has to get done. And if you are not the one to do it, and if it's not your area of expertise, you shouldn't be the one to do it, then you have to get somebody else to help you get it done.

John Bowen: Yeah. Russ, what I love on this is, this is a chance for them to work more with other professionals too and outsource this. And I know in your situation when you're working with the super-rich, you don't do that. I don't think you've ever put a cashflow statement together for a client.

Russ Alan Prince: I can read them. Right. Now, when I'm sitting there and this becomes an issue, there are professionals I turn to, to deal with this and we pay those professionals to put this work together. But I'm not doing it. But without this, you can't have a discussion. You can't talk to them about what they want to do with different assets in their lives unless you know what those assets are. So, I need the list of assets. I need to know how everything is owned. I need all this information, if you're doing this at a higher level, depending on where you are. As I said, a lot of times you can get the clients' other professionals to do it or you can use your network. But we need all this.

And the part that I am doing, and the part that you have to do is that discovery component where you're figuring out what they really want to accomplish, what's important to them, what their anxieties and concerns are, what their insecurities are, that's you. That's you figuring this out, that you're doing so and, in the process, you're building a rapport with them, so they have a better feel for you, and you have a better feel for them. And that's essential. That's putting this all together. That's what we're talking about when we say profiling.

Now, once you have all of this understanding, once you know what we want to do, we want to take a look at what they have. So, they've done planning for example, let's stick with that. They've done an estate plan. They have certain products part of that. They might have bought life insurance, they might have some investments tied into this, they have trusts. Whatever it is, we have to evaluate what they have. And again, I'm not a technician, I'm not the person taking apart this technically. I have other professionals I will call upon to do that. And depending on how complicated things are, depending on what kind of issues are being addressed. Are we dealing with things that are cross-borders? There's one expert I turn to. If we're dealing with things that are just limited to the US, I turn to a different expert. If we're talking about certain types of products, there's some other people I would call in.

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It varies considerably based on what they have done and the type of sophisticated products or services they're dealing with.

But now we want to take this apart, we want to understand this. And I'm part of the process, but the technicians are there to take it apart. And I use the word technicians, they're really top of the line experts. Let's not think of them just as great, they're just a person. They are top, they're really exceptionally good at what they do. And that's what I need to work with, really the finest authorities in their particular fields. They're the ones who are helping me understand what's happening on this on a technical, mechanical level. And some of the things we have to do is, we have to work the assumptions. Remember when people put plans together, when people put ideas together, they're based on a lot of assumptions. What's the economy going to do? They're making projections and those projections are based on assumptions. And we have to understand what those assumptions are and are they aggressive, are they conservative, do they make sense? If they're deviating from things that should be considered.

Then, we also want to understand what this is all costing. There are a lot of ways to get from point A to point B. We would like to go with the most cost-efficient way that gets the results the client wants, that the family is looking for. And a lot of people don't even understand the cost structures of what they purchased, or what they're using, or the planning they're engaging in. We want to make sure we understand the cost structure and that we can discuss that with the family. And then most importantly, because it comes right out of what we said from profiling, we want to make sure that there's an alignment.

Are the goals that the client wants to achieve today; are those goals, are those objectives what we're going to get? Now remember, sometimes it's because they changed their goals that we need to do stress testing and fix things. Sometimes it's because the goals they think they're going to get are not really what's going to happen when we look at what this is going to deliver. So, we want to be able to then put this all together. And now we sit there and understand what they have, how well it works to achieve what they want to achieve and based on that, we then go to that next step, which is to address alternatives.

Now, there are sometimes, and I've been in this a lot, I've been in situations where there are no alternatives. Meaning that it's done really well, it does what they want it to do, it gets them the result they want. They were just not sure. And what we'd done is show them and gave them peace of mind that it is in fact going to do what they want. Many times, on the other hand, it doesn't do what they want and now we have to fix it. It has to get fixed. I don't say we have to fix it, but the results have to get big. Sometimes it's a matter of going back to the people who originally did this, and we'll get into all this. Sometimes it's going to new people. Sometimes it's changing it completely. Sometimes it's junking what they have and putting something else in place. But there are alternatives and we're making that recommendation to them. They then decide what they want to do. And that's pretty much an overview of stress testing.

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John Bowen: Yeah, no, Russ, that's great. And one of the things that I find, as advisors who are doing this, we get a little overwhelmed particularly if you've been working with us or just go through the Total Client Model. You can do the profiling. Really, you can do a great job there following how we do it. And then gathering the information with other professionals, your professional network, this can be really good. And what's so nice is that most people at the level of affluence we're talking about, there's nobody coordinating all this. So, they've done it piecemeal and different experts have recommended different things in isolation. So, when you work the assumptions, you evaluate the alignment with their goals and cost structure. And then given the changes in family, net worth situation, and the world at large, including taxes. There's almost always something that you can do that's going to add real value.

And then we have to make a recommendation on where do we go from here? So, Russ, I want to have you go on the possible courses of action. Let me blow that up a bit. And a lot of times we think it's all or nothing. I'll blow it up larger for you so you can see it here. But what are the course of actions? Stay the course, choose a different solution, choose a different provider, modify. How's this all come together?

Russ Alan Prince: Based on what the results are from the stress testing. We have these different possibilities and these different possibilities vary depending on different issues. For example, on something you might want to stay the course, meaning that it's done right. It's done the way it's supposed to be, and this happens on a somewhat regular basis and all you're doing is confirming to the wealthy family that they are really on track for what they want to achieve. So, all the solutions are appropriate. We say, "Great, let's move forward."

Then we can choose different solutions. Now the system failed. Now, it's important to understand that you might have a great estate plan in place, and it might be right, and you shouldn't change that. The planning itself, the trusts and so forth. But the life insurance inside that estate plan might've failed. It might not be doing what it's supposed to do, it's not performing, it was the wrong structure in the first place. So, you would fix that. You go with a different solution to fix that.

Now, we go to the next part. You can either choose the same professional or different professional. You can either go back to the same person to fix things up or we can sit down and find a different professional. For example, I was working on one situation of a very wealthy family and there were some problems with their estate plan. Well, they were very comfortable with the lawyer who put the estate plan together. The problems were on the human element. There were changes that were not being addressed. The technical aspects, the estate plan was top notch, so that lawyer we'd argue is top notch in that regard. They went back, showed the lawyer the type of adjustments they wanted to make. They're working with the same professional to fix that estate plan. This happened. Whatever the client wants, whatever that wealthy family decides is the best course of action. We're in favor of.

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Now, on the other hand, there are times when those professionals are less than up to speed. The reason these stress tests is picking up all these problems because the professionals didn't do a really good job. And at those times, the normal course of action is for that family to ask, "Well, can you recommend a professional who can do this?" And in many cases, you can do that. You can go to your elite network and bring in those professionals who can help solve that problem. Remember, these are the same people who are helping you understand what's going on.

So, these are the different courses of action and it's not one or the other. There are sometimes combinations. And it's just important to understand that it has to work for the family and whatever works best for them is the right answer.

John Bowen: That's great, Russ. Let me go and set the stage for the next video. We're going to get started. So, we're going to move over to the fifth and the six videos, Getting Started with Stress Testing. So, we've given you big picture, the process, and the deliverable. Let's go ahead and really see how you actually get started. We'll see you in the next video.