



THE GOOD WAY TO SELL THE CORE SET OF SKILLS THAT MAKE UP SELLING

THE BILL GOOD MARKETING SYSTEM[®]

IS FIRST AND FOREMOST
A SYSTEM.

THAT MEANS

IT COMBINES MANY ELEMENTS
INTO A SINGLE UNIT.

WE DEFINE THE SYSTEM AS

A COMPUTER-BASED,
CLIENT MARKETING,
PROSPECTING,
AND PRACTICE
MANAGEMENT
SYSTEM.

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THE CORE SELLING SKILLS

In 1991, after moving my column from Registered Rep to Research, I wrote a series of articles called “I Love to Prospect.” I titled it that because most people hate prospecting and would rather get deep root cleaning or periodontal surgery than prospect for new business.

If you have not converted over to the “Good Way,” the reason you hate it is you have been trained to apply hateful methods. You have been taught to grind on people, overcome their objections, not to believe them until they have said “No!” 3, 6, or 27 times. I’ve spilled countless buckets of pixels writing against this approach.

When you apply the “Good Way” prospecting methods, you don’t hate it. Maybe you’ll never love it, but you can do it without all the angst.

Many of the same crowd who hate prospecting also hate selling. You go through a mental flogging of the flesh when sales are lost. You are nervous going into a big presentation, and you are mystified why this sale works and that one does not.

So I’ve decided to write “I Love to Sell.”

Personally, I love it. It’s exciting to engage another person and gradually bring them to understand that they really will benefit from buying my product.

I love the rough-and-tumble of it, the contact and in many cases, the life long clients who become life long friends.

Let’s start with ...

A Definition: “Selling” ...

Selling is a step-by-step process intended to increase desire to own the benefits of a product or service to the point where the desire outweighs fear of change.

In selling, you are dealing with emotion, which is undoubtedly the raw material of life itself. You’re dealing with times they’ve been burned in the past, unstated history between husband and wife, disagreements between them, and a nearly overwhelming illiteracy in the area in which you have decided to build a career.

From this perspective, it should be completely obvious that sales must be a process, if it has any chance of being effective. If you study the people who are effective in this business,

you will find, one for one, they have a process. There's no flying by the seat of their pants, not with these boys and girls.

The people who make it work have a process.

These people also know the distinction between...

Prospecting Versus Selling

Prospecting and selling are not the same thing.

Ideally, they should not be done by the same person.

Sales people should not prospect. Entire teams of people should exist to insure the sales person only sells.

Why?

Duh. Sales professionals are worth at least \$1,000 an hour in gross revenue to the firm when meeting and talking with interested, qualified clients and prospects.

So where does the prospecting end and the sale begin?

Prospecting ends with the production of a hot prospect.

A Hot Prospect is someone who is very interested, qualified as regards money and ability to buy, *and is willing to set an appointment to begin the sales process.*

In an ideal world, sales people should spend full time doing what they came into this business to do, and not do other things, like prospect, handle service, set up seminars, process paperwork, blah blah blah.

The frame of mind of a prospector is *totally* different from that of the sales professional.

The prospector is discarding the non-buyers. He or she understands that when a hot prospect is turned over to a sales person, the most valuable resource of many companies is being spent. So the prospector discards the sand, gravel, grit, and mud, keeping only that which glitters.

Some of the glitter of course is fool's gold, but we can say for certain: If it does not glitter, it is not gold and should be discarded.

When the sales person takes over from the prospector, the frame of mind changes.

Now we're going to use all our persuasive power to convert this prospect into a client. We'll deal with procrastination, objections, ignorance, misunderstanding and stupidity, and do so with a smile.

Yet another reason why sales people should not prospect is this: they tend to apply selling skills to prospecting and wind up talking with people whom a good prospector would have long since chucked.

Core Selling Skills

Here are the selling skills we will be covering in this series. I've ranked them in order of importance, which, interestingly, is also the sequence they occur in the process I will recommend to you.

1. The Written Profile

Create a Profile by using a written questionnaire. By far, this is the most important selling skill. Without a good profile, you probably won't even make it to the close. With a good profile, especially if it's written, you have a much better chance. I will argue consistently in my next article that the profile should be in writing.

2. The Product Presentation

Here is where you build excitement and get the prospect to visualize owning the benefits of a product or service, thereby increasing the prospect's desire to do business with you.

3. The Trial Close

A trial close tests the water. If it's too cold or too hot, you back up and fix the problem and then go forward to another trial close. This testing and re-testing of the water is nearly guaranteed to give you a high close-rate for the simple reason that you can discover problems in your presentation and fix them before you commit the troops. If you ask for the order and then fail, it can be very difficult to recover. So the solution is: don't fail. The key is trial closes.

4. The Q & A

Almost always, after a successful trial close, the prospect will ask a series of questions. These questions are almost always clarifications about one or more of the products you have recommended. The way in which you answer these can ease you into a close, or derail your train.

5. The Close

Most writers on sales act like selling and closing are the same thing. “Always Be Closing,” some nitwit wrote.

So let me correct the error: Sales is not closing. Closing is but one step in the sales process. It’s an important one but not the most important.

The skills listed can be considered a recipe to sales success.

You can’t decide, “Oh, I don’t like profiling. I won’t do that one.”

Short change one of them and the recipe doesn’t work. It’s like baking a chocolate cake without the sugar.

If you follow the “Good Way,” in many cases, as you will see, the prospect will ask to buy.

6. The Objection Handling

This is an extremely overrated step. Mostly if you do the other steps correctly, you don’t have objections. But we will talk about these.

We will dig into the next issue with two articles on profiling. I recommend you take each of the skills we will cover and work on them for a month. Then the next. Even if you’re already tops, you can be better.

PROFILING YOUR CLIENTS

Very early in the selling side of my career, I started using a written questionnaire.

My first one was a monster. It was 45 questions long.

I wrote it within two or three months of starting my company.

I had an appointment with a Lincoln Life® general agent for a very important sales call. My plan was to sell an in-house seminar, get the money in advance, go directly to the L.A. Times (I lived in L.A. then) and buy an ad for a public seminar with the money. I didn't have the \$1,200 needed for the ad, and I needed my Lincoln prospect to pay in advance for my seminar so I could buy my ad.

By this time, I was already a big believer in profiling. I had just never written them all down. Because of its importance in my plan, I was nervous about this sales call. I wrote my questions down because I was afraid I would forget something.

The afternoon of my appointment I typed my questionnaire on legal size paper and plowed my prospect (victim) through it. As we rolled into hour #3, he bought, probably just to get rid of me. I spent another hour explaining why he needed to pay in advance.

When I got the check, I drove straight to the bank, made the deposit, got a cashier's check and then drove to the L.A. Times and bought the ad. I was afraid if I left the money in the bank I would spend it on something else.

After buying my ad, while the memory of my prospect's ordeal was fresh, I went to a coffee shop, reviewed the presentation, and cut out probably half the questions.

Over the next few months I followed the same procedure. Immediately after a presentation I would review it and fine-tune the questionnaire (as well as the rest of the presentation), re-wording, cutting, and adding.

I finally honed it to about 15 questions. By this time I was completely convinced that: the better my questionnaire, the better my closing rate.

But ...

Why Write It?

I was recently chatting with a client who brought in \$40 million in assets in 2006. Obviously, he's no slouch as a sales professional. He had made the comment that when someone is having trouble closing, the real problem is most likely profiling. (I entirely agree with this statement.)

I asked him, "Is your profile written down?"

He said "No; I memorized the questions, that way I don't forget them."

To which I replied: “If you put the questions down on paper, you will get even more and better information.” There is some magic to a document you can refer to, and it’s an organized way to take notes.

He will be giving it a try, and will report back to me.

Here’s why you get more and better information from a written questionnaire.

1. It’s more professional.

People are used to giving true answers to a written questionnaire.

Consider your trip to the doctor’s office. You first check in where they qualify you (Who is your insurance carrier?). Then they give you a questionnaire. It’s generally a 10th generation photocopy. You fill it out, answering all kinds of questions about the vile and loathsome diseases that have affected you and your family members. You calmly discuss the family history of insanity. You give this questionnaire to a complete stranger, and you then you go into a room, take off all your clothes and sit on a cold metal table.

2. You won’t forget the important questions, which means you will get answers instead of the nothing you get to a question you forgot to ask.

Until you have done a few client interviews using a written profile, you cannot possibly know the difference.

Designing the Profile

Here are some characteristics of the profile.

1. It should start with closed-end questions that are very easy to answer.

Let me just confirm your street address. I have you down at 401 South Maple, correct? And, Bob, you work at Acme Company. Mable, you repair brick in old houses, correct?

These, and other questions, which I’m sure you can think of by the bucket load, perform a very important function. They set up a pattern of you asking and them answering. An FA should normally continue these types of questions until the question and answer flow is smooth.

2. The majority of the questions should be designed to reveal problems.

People take action for two reasons: to achieve a positive and remove a negative. Almost always, people know they have problems. Perhaps “know” is too strong a word. They “feel” something is wrong, which is why they are talking to you instead of playing golf.

But they don’t know what they are. A good questionnaire gets the prospect to drag the problems out from their hiding places so they can be solved.

For instance, a prospect may not have an investment strategy. They may not even know they need one.

You could certainly tell that by reviewing a portfolio. But you could alienate the client if you then said, “You don’t have much of a strategy, do you?”

Now they get defensive.

Instead, you want the client to come to the conclusion, “I don’t have a strategy. I need help.”

The way to do that is through a series of questions:

At what rate do your investments need to grow in order to meet your retirement objectives?

What is your strategy for keeping your purchasing power at least on par with inflation?

(After looking at a client statement) What strategy did you follow to develop this portfolio?

3. Some questions should focus on positive accomplishments.

After looking at the negatives, you want your client to envision a state of affairs better than they now have.

In ten years (after retirement), where are you living?

How are you spending your time?

When everything is said and done, how do you want your estate distributed?

What is the one thing you most want to do in the “active” phase of retirement?

However, there is a little bit more to creating a profile which is ...

The Most Important Principle in Questionnaire Design

Have too many questions.

On this type of questionnaire, there is certainly no law requiring you to ask all the questions. But you need enough questions covering every possible area of interest so you don't run out.

It's always better to have too many questions than too few.

BUILDING A GREAT SALES PROPOSAL

The "Good Way to Sell" is most certainly a step-by-step method.

The first step, of course, is a thorough profile using a written questionnaire. We've already discussed this at length.

Once you have completed the profile, your next step is to prepare a set of written recommendations.

Here you have a problem, or at least 99% of you reading this article have a problem. The problem is: most of the written recommendations that I have seen, and I have seen several hundred from different advisors, are actually anti-sales documents. Most don't even have page numbers. Fonts don't match. They are presented in cheap notebooks with hand written tabs developed at no expense. They look like they're worth every penny you spent.

Yet professional grade sales, especially when you are competing for any kind of a substantial portfolio, do require written recommendations.

The core of your proposal should be a set of recommendations in which you break a portfolio down into four parts.

There is a presentation strategy built into these four parts.

We will cover that in more detail in a later article, but I want to lay it out here first.

One of the main reasons people have trouble getting clients to make a decision is that they give them too much to think about. I've seen people go through an entire Frontier Analytics presentation and then show a new asset allocation, then a new portfolio, and then ask: "Well what do you think?"

Guess what! “We need to talk it over,” are the first words out of their mouths.

Why do they need to talk it over?

Partly because they don’t have a clue what you just said. And partly because you gave them not a mouthful, but an entire cafeteria full of unfamiliar food and you asked them to decide what they want for dinner right now. So our strategy is:

Get them to decide to keep something you know they want to keep. Get a good solid agreement, “Bob and Betty, I know you like that General Electric[®] stock you’ve had for so many years. It’s not such a large percentage of your portfolio that you are too heavy in it, so I’m going to recommend that you keep it. Does that make sense?”

Of course it will make sense. And if you really take a look at it, what we just did is get them to make a decision.

In the next decision, you are going to get them to take a look at their cash positions. They will all be listed in the table.

You might say: “You really don’t need \$300,000 in cash. Given that \$100,000 credit line that you haven’t touched, we would recommend you reallocate \$250,000, keeping only \$50,000 of your current cash positions. That basically gives you an emergency fund, if you have to have it overnight, of \$150,000. How does that sound?”

Now they have made another decision. This one was a little tougher, but you still stick with this one until they make it.

Now, you turn the page and discuss “Investments to sell.”

Here you have listed every non-optimum investment that has to go. You might prepare MorningStar[®] reports on each. But you should go over each one and get their agreement to sell it.

By this time, we might have several hundred thousand dollars freed up to invest. And that naturally rolls to the last page, which is the “Investment Recommendations.”

At this point, you go over each investment you want them to purchase. What I would do on each of these is to at least get a “tentative commitment,” before proceeding to the next.

“Bob and Betty, I like the XYZ Growth Fund. As we discussed, a certain portion of your

assets needs to be in equities. Otherwise, the odds that you'll achieve sufficient growth to stay ahead of inflation and provide the lifestyle you want are small. The fund family is excellent. And the manager, as I mentioned, has been with the fund for 17 years. Now without firmly committing to this, (which you tentatively say) you're okay with this idea?

You will see these four parts of this approach in the attached diagram. For the purposes of this article, I show them all on one page. However, for presentation purposes, they should most certainly be on separate pages.

All you are looking at are some simple Microsoft® Word tables. And if you don't know what I'm talking about when I say "Microsoft Word table," call up a temporary employment agency and ask them to send you someone for half a day who is certified in Microsoft Word. That person will understand exactly what I'm talking about.

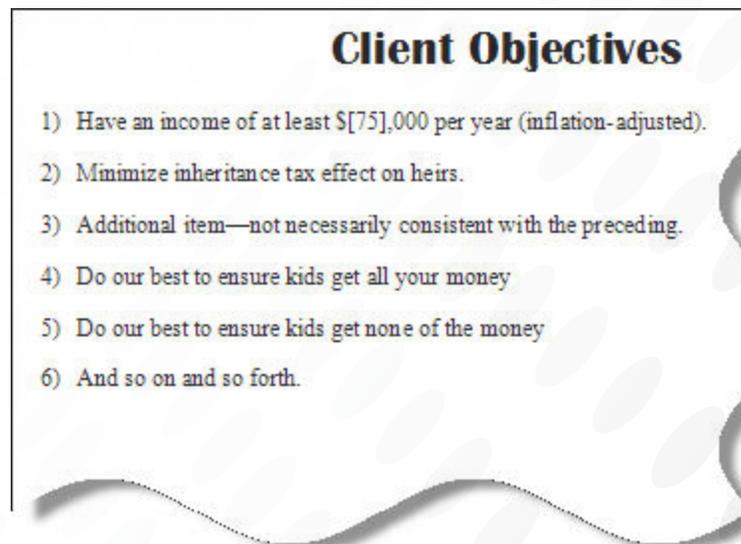
If you are not currently offering written recommendations, start with these four tables.

You then build a proposal around these four pages, one little bit at a time.

Here are some other pages that should be added into your sales proposal.+

1. Client Objectives

Let me teach you a little word processing trick. Every time you create a new proposal, add any new client objectives into this page in your master document. So your master might look like this:



So what does this do for you? The next time you do a proposal, maybe one of your client's objectives is already on it. That's one less you have to write. So you add one to your master, make a copy of the master for this client, and delete those that do not apply.

You are beginning to use a word processor like a word processor, instead of just an electric typewriter.

2. Current Allocation

3. Recommended Allocation

A word about these two pages. You might use anything from a simple Excel pie chart to a very sophisticated chart developed by programs such as Frontier Analytics. Most everyone using multiple programs to produce their proposals winds up with a hodgepodge, not a consistent-looking, well-prepared document.

The key to pulling different types of documents together is, of course, Adobe[®] Acrobat. No, I'm not talking about the Adobe Reader. That's the free program Adobe distributes hopefully to get you hooked on Acrobat, which is the program you can use to pull everything into one.

With Adobe Acrobat you can make PDF copies from a Microsoft Word document, an Excel spreadsheet document, an insurance illustration program, or whatever. You can then pull all of these into a single document. You can add consistent headers, footers, and, most importantly, page numbers. Now you have a single document instead of a hodgepodge. Much better.

4. Investment Recommendations

These are the four tables we already discussed.

5. Product Information

Odds are that at least 90% of the products you sell are from a list of no more than 20 or so. You have your favorite fund companies. You have your favorite managers. You have your favorite annuities. And if you sell individual stocks, you are building positions in probably no more than a half dozen issues.

So why not build a set of pages in your master proposal for each of the products you sell?

Let's just say, for the sake of argument, that you frequently sell the MFS® Aggressive Growth Allocation Fund.

You could create the following entry in your master proposal.



Where did we get the text for this?

From the MFS website, of course. It comes from the fund's prospectus.

Copyright issues?

We checked with the MFS, which gave us permission to use this piece. You can usually find someone at a fund company to give you permission to promote their funds pretty easily, especially when it's information from a fund's prospectus.

So every time you sell a different product, create an entry in your "Product Information" section for it. In time, most of your "proposal writing" will be deleting stuff you don't want. Talk about a productivity tool!

6. Who Should Invest with [FA Name]?

This is a very important page. It's a place for you to spell out the kind of client you are looking for. Here are three sample opening paragraphs:

- Typically, our investors are retired teachers and those about to retire.
- Our practice here at Reliable Securities focuses on helping business owners convert the equity in their business to equity in a retirement accounts.
- We are proud to say we are a small town practice. We live here in Nowhere, Idaho and serve the people we know as neighbors and friends.

7. Personal Documentation

You should have several pages devoted to personal documentation.

Your cover page, headlined “Personal Documentation,” might open with:

Given the importance of choosing the right financial planner, you should know something about us, our background, and our support staff.

Therefore, in the pages that follow, we are including a résumé, references, and a brief history of our firm, and an introduction to our team.

Why a résumé?

Because basically, you are applying for a part-time job to help someone manage their money. It is a convenient and well-established way to provide information about you. If you don't like the résumé format, write a 1-page biography.

You obviously follow with:

- Résumé or bio
- References
- Firm History
- Team Introduction

8. Public Documents/Glossary

There is a lot of free stuff out there on the Web that you can use without copyright restriction. It's called “United States Government documents.”

Unless the U.S. Government is using someone else's documents, they cannot copyright. Why? Because it's our staff. We paid for it.

So if you would like to include in your proposal an excellent glossary on mutual fund terminology, pop over to www.sec.gov, copy the text, and paste it into a Word document.

Naturally, give credit to your source.

Investment Recommendations

In order to re-allocate funds as recommended, it is necessary to sell the following investments:

Investment	Proceeds from Sale
Total	\$

Moreover, some currently liquid assets must be re-allocated.

Source	Amount
Total	\$

We recommend these investments be sold.

Investment	Value after Investment
Total	\$

We recommend the proceeds be invested as follows:

Investment	Value after Investment
Total	\$

WHY AND HOW TO EDUCATE THE CLIENT

From 1995 to 2004, the Securities Industry Association® conducted an annual survey of investor attitudes.

According to the 2004 report on the survey:

“Investors want more education from the industry.

“84% think the industry should be doing more to educate investors. This sentiment has been high since 1995.

“The proportion of investors who believe ‘they know everything one needs to know’ about investing has not risen above 6% since the study’s inception.”

The survey also stated, “Investors are most likely to admit they wish they knew more about the different types of investments available to them, and the risks associated with the investments.”

Why the Interest in Education?

The reason investors want more education is not hard to figure out. They know they have to make decisions that will affect the rest of their lives and they know they don’t know how to make those decisions.

According to a survey released by the Securities Investor Protection Corp. in December 2005, “Four out of five US investors fail survival skills survey test.”

Some additional findings in the survey were:

“One in four investors provided enough correct answers to pass the knowledge portion of the survey test. Fewer than three in five investors (55%) provided a sufficient number of correct answers to pass the behavior side of the survey.

“Only 41% understand the bond investing basic rule that when interest rates go up, bond prices tend to fall.

The upshot: Investors don’t know, but they need to know.

Which is why we need to practice ... ?

Dumbing Down

Okay, so let's reduce our collective IQ. If 84% of investors want more education, and if substantial numbers obviously don't have it, then what should we do?

How about, "Let's provide it." One obvious venue in which to provide the know-how is the sales presentation itself.

In this series, "The Good Way to Sell," I have been stepping through the various phases of the sales process.

In our last article in this series, I showed you how to construct a smashing sales proposal.

You do that between the first and second interview, or even after a series of interviews in which you gather all the critical information.

Based on that information, you prepare your recommendations.

And then, in the (hopefully) final interview, you present your recommendations.

But first ... you must educate the client by using...

Educational Selling

Let's call this phase of the presentation "Educational Selling" and define it as a step-by-step process in which the advisor teaches the investment concepts that the client needs to understand in order to make an informed decision.

When this method is properly executed, in most cases the client or prospect will ask to buy. Closing is really necessary only when they are firmly planted on the fence.

Among its benefits are:

- Rarely, if ever, will you need to close a sale.
- Rarely will you deal with objections.
- Frequently, you will bring the client to the point he or she asks, "Well, what do you recommend we do?"

And in the process, you will create clients who hold you in such high esteem that they will do what you advise without any additional selling.

Chart Board Financial Education

In the overall sales process, the “financial education” step comes right at the beginning of the final interview. You have called the client back into your office. Your proposal is ready, but you don’t dare present it yet.

Before you present your recommendations, you make absolutely certain your prospect understands all the key concepts necessary to make an informed decision.

Let’s say you have concluded that Dr. and Betty Bubbalong should invest a portion of the proceeds from the sale of their medical practice in equities.

What do they need to know in order to agree with that conclusion?

At a minimum, they need to know:

- How an investment in stocks has outperformed every other asset class.
- How asset allocation reduces risk.
- How inflation and taxes affect purchasing power of the income from fixed income securities.
- How time in the market reduces risk.

In my opinion, the best format in which to present these ideas is on a flip chart or white board. Slides are OK, but a flip chart or white board is magic.

Here’s why: You are more persuasive standing up than sitting down.

When using a chart board or white board, you have to stand up.

Here’s how I might handle the issue of long-run performance of different asset classes.

I would stand up, go to my white board, and write these numbers on it, as shown in the left-hand column below.

6.9%	Since 1871
6%	S&P Core Earnings
4.5%	30-Yr Bond Yield
2.5%	Inflation Forecast
2%	Yield After Inflation
2%	Gov't Bond Inflation Protected Yield
\$181,000	Return From Bonds – 30 Years
\$574,000	Return From Stocks – 30 Years

As you make your little presentation, which I have written for you below, add the phrases to your chart that are in bold below. Your completed white board or chart will look like the example above.

Dr. and Mrs. Bubbalink, I've written some important numbers on the board for you. I am going to explain them to you. You might want to write these down.

These are based on an article by Dr. Jeremy Siegel. He's a Professor of Finance at the Wharton School and the author of several important books on stocks. The most important of these is "Stocks for the Long Run" in which he analyzed stock market performance over several very long periods of time.

I'm going to quote from a statement from an article Dr. Siegel wrote, "Stocks: The Asset of Choice for the Long Run.

He said, "During the past 204 years (through 2005) stock investors have earned an average 6.8 percent per year after inflation and that return has been remarkably stable over long periods. Over the past 80 years, real stock returns averaged 6.7 percent per year, and since the end of the Second World War, the annual return has been 6.8 percent. This return includes both capital gains and dividend income and is measured after the effects of inflation have been subtracted. These numbers mean that on average, investors' wealth has doubled in purchasing power every decade in stocks, a feat rivaled by no other asset class."

Now, you and I both know that past performance does not guarantee anything. But we also know that those who do not remember the past are, according to a statement chiseled in stone over the National Archives Building in Washington, DC, “forever condemned to repeat it.”

So let’s look at these numbers.

6.9% is the historical yield on stocks since 1871. Let me remind you that this is after the effect of inflation has been removed from the figures. Dr. Siegel uses this date because 1871 is really the date from which we have reliable historical information.

The 6% figure is a very conservative estimate of earnings going forward. This particular number is from about a year ago. It’s called the “S&P® Core Earnings” and it’s from Standard and Poors® (S&P), which is the name of the company that compiles the S&P 500® index, that you hear about on the nightly news. According to a spreadsheet buried deep in the S&P Website¹, the actual 2006 core earnings were a little higher, and the 2007 forecast a bit higher still, but we’ll stick with Dr. Siegel’s example because he did some very interesting calculations.*

4.5% was the 30-Yr Bond Yield at the time Dr. Siegel wrote his article. The current yield is x.xx% but again we’ll stick with Dr. Siegel’s numbers for the purpose of this illustration.

2.5% is the Inflation Forecast.

2.5% is also the Government Bond Inflation Protected Yield. The current yield on this is x.x%, but again we’ll stick with Dr. Siegel. This means that if you own these “inflation protected” bonds, the government will guarantee you 2.5% above the rate of inflation.

So you can’t count on 4.5% from bonds. Your yield after inflation is actually about 2%.

\$181,000 This is the Return from bonds over 30 years.

\$574,000 But using the very conservative “core return” projection, a Return from stocks—30 years could be much larger.

Now no one is suggesting that anyone can make a reliable 30-year forecast. But if we had made an investment 30 years ago, we would have been in this ballpark. Do you see why we believe that at least some portion of your assets needs to be in equities?

1 * <http://www2.standardandpoors.com/spf/xls/index/SP500EPSEST.XLS>

Selling the Idea

What I actually did here was “close the sale.” What was I selling? It was the idea that “A portion of your assets needs to be in equities.” If Dr. and Betty Bubbalong don’t buy that, they won’t buy your portfolio of equities. If they do buy that concept, they might.

PROFILING THE 22 DIMENSIONS OF AN INVESTOR

Sometimes when you step up to the plate, you strike out. Sometimes you pop a fly ball to center field, and you’re out. And sometimes you swat the ball out of the park.

My request for the best profiling questions was a homerun both for me and hopefully for you. I learned a tremendous amount about the subtlety with which people responded to my survey profile. I’ve received and evaluated over 500 questions, with more arriving daily. And because you took the time to share your best with me, I can share the best of the best with you.

To put this in context, the capstone of “The Good Way to Sell” is Profiling. I’ve always used them in my personal sales. I’ve taught profiling in countless seminars. I have written dozens of hundreds of profiles. I have produced a questionnaire that is on its way to becoming a compliance-approved industry standard.

I’ve got some more work to do, and I still need your help. So let’s dig in.

Choosing the Best

To evaluate the questions, I put them all in an Excel spreadsheet and then assigned a 1-5 rating to each. For each question, I also assigned a category. The big surprise for me was that I now have 180 questions I have rated a “5.” I discovered 22 question categories.

If we consider that each question category is designed to learn about a dimension of an investor, then you understand the title of this article.

But first we must answer a...

Basic Question About a Questionnaire

How long should a questionnaire be?

Answer: Long enough to get a sufficiently detailed picture of the prospect in order to make recommendations that will solve their problems and take advantage of any opportunity.

This obviously means you need lots of questions, far more than you would need with any one client. Sometimes you will find what you need by simply asking, “Why are you here?” Sometimes it takes detailed, persistent digging to get enough information to prepare your solution for their problems and opportunities.

So don’t think for a second that a questionnaire cannot or should not be at least 100 questions, or even 180 questions. (180? Yep. That’s how many questions I have so far assigned to a top rating.)

The most amusing question was:

“Tell me about your grandchildren; tell me more about your grandchildren. Tell me even more about your grandchildren ... by the way, here’s some paperwork for you to authorize.”

The Plan

In this article, I’m going to define each category and give you a sample question. This way, you can start building your own questionnaire. As you read additional articles in this series, you can further develop your questionnaire.

The Categories

The categories and their accompanying question are presented in “questionnaire order.”

In designing a questionnaire, one always puts the things easiest to talk about first.

That would be themselves and their family.

Then we explore a series of categories designed to lay out for us what the current situation is.

Then we need to know where they want to go and what obstacles they’re likely to encounter.

We next need to plan a solution, which requires still more clarification.

Finally, we tackle the competition and make sure we know what is expected of us and our work.

Category	Description and Sample Question
Why Appointment	Why the client requested or accepted the appointment. I'd like to spend our time talking about things that are important to you. Tell me, what are the reasons you wanted to meet today, and what do you hope to accomplish from this meeting?
Family	Captures snapshot of family relations and obligations. What discussions have you had with your children?
Personal	Personal history, background, likes and dislikes. What person had the greatest impact in shaping your life? How?
Financial Condition Now	Question to determine financial needs and activities now but not including portfolio issues, which area is treated separately. Explain your estate plan.
Expertise	Extent of client knowledge about investments. What type of investments are you familiar with?
Permission	Questions designed to get permission to ask the remaining questions. I have a few questions I'd like to ask you, but before we get started, is there anything you're concerned about that you want to make sure we cover today?
Investment Strategy	How the client believes assets are or should be managed. What are you doing with the money you can't afford to risk?
Portfolio Now	Discovers what they own and most importantly, why they own it. Are there investments in your portfolio that have sentimental value?
Values	Those principles in which people believe that help them define what is right or wrong. Why are these goals so important to you?

Category	Description and Sample Question
Vision	<p>Questions to elicit how the client sees life in the future. In this writer's opinion, probably the highest expression of what a person wants.</p> <p>Imagine your best day ever. What are you doing?</p>
Goals	<p>Desirable state of affairs, often measurable, that a plan is designed to achieve. When achieved, the activities used to achieve it normally terminate.</p> <p>If I were the Wizard of Oz and could grant you any one wish, regarding your finances, what would that be?</p>
Risk Tolerance	<p>The extent to which the client can tolerate risk.</p> <p>What's more important to you, reducing risk and volatility or improving returns?</p>
Risk Management	<p>Find out how they are managing the usual risks to life and loss of income.</p> <p>When was the last time your insurance agent reviewed your coverage with you?</p>
Legacy	<p>Subcategory of Risk Management regarding intentions to leave a legacy.</p> <p>What would you like to leave your children?</p>
Portfolio expectations	<p>What the client expects from the portfolio.</p> <p>How confident are you that you will be able to retire with no reduction in your standard of living?</p>
Economic expectations	<p>What the investor believes the economy will do.</p> <p>What rate of inflation do you feel is reasonable to expect?</p>
Family	<p>Captures snapshot of family relations and obligations.</p> <p>Are you highly confident that your income in retirement will always be sufficient to support your lifestyle, or do you have concerns that, at some point during your retirement, you might begin to run out of money?</p>

Category	Description and Sample Question
Obstacles	Barriers, fears the client must overcome to achieve goals and peace of mind. What could sidetrack your dreams? (Caregiving? Tuition? Longevity? Illness? Premature death?)
Planning	Establishes scope of desired financial plan. How much of your retirement income do you want to have guaranteed?
Competition	Assesses strengths and weaknesses of current financial relationships. Find out what you must and must not do to succeed in this relationship. What do you like about working with your current investment professional? If you could, what would you improve?
Client Expectations of Advisor	What the investor expects of the advisor and team. Rank the importance of the following words: fees/ education, performance/ service.
Advisor Expectations of Client	What the client believes the advisor should expect from the client. What should I expect from you?

WHAT YOU NEED TO KNOW (ABOUT A CLIENT AND HOW YOU FIND IT OUT)

- Author's Note:** *Before submitting this article for publication, I ran it past Louis S. Harvey, Chairman of Dalbar®, an old friend who runs what is undoubtedly the top market research firm in Financial Services. I'm incorporating some of his suggestions; any errors or omissions are of course my responsibility.*

Let's define "profiling" as the process of gathering data about someone in sufficient depth to understand where they are financially, how they got that way, and perhaps most importantly, where they want and need to go in the future.

That information can be gathered in three ways: by interview, by having a client provide written information, and by having the client answer a written questionnaire.

Let's get into ...

What You Need to Know

There are at least three reasons that you need information from the client:

1. To make the best possible recommendations.
2. As Lou Harvey put it, “uncover opportunities and threats.”
3. To create a bond with the client.

Few things do that better than asking questions, listening, and writing down the important things they say.

Obviously, you must first know who your customer is. The procedures you must follow are outlined by your broker/dealer and are based on requirements set down in the Bank Secrecy Act and USA Patriot Act. Gathering this information really comes before the profile.

With that said, you obviously need to know “suitability.” For our purposes, we’ll refer to NASD Rule 2310. You have obviously read the entire rule. So let’s just review the specific requirements to determine “suitability.”

You must know:

1. The customer’s financial status;
2. The customer’s tax status;
3. The customer’s investment objectives; and
4. Such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer.

Which leads us into...

How Much Information?

To determine suitability, how much information do you need?

Too little information obviously gives you a shove down the slippery slope to losing your business. The right amount? Well, that doesn’t exist.

So if we are going to make a mistake between having too little information versus too much, obviously too much information is the right amount.

And of course, if ever there was a case for using a written questionnaire in your interviews, for referring to it frequently, for updating it, it's the litigious nature of our society today.

To enable you to gather too much information, you need...

Multiple Questionnaires

In my opinion, you need to have and use several questionnaires. By having several questionnaires instead of one, the client may not be so intimidated by the amount of information you really do need to gather. So we are going to gather the data one questionnaire at a time.

Lou Harvey suggested—and I concur—that your opening question should be, “What is most important to you?” Their answers provide you with clues on which of your multiple questionnaires should be deployed.

They will help guide you on...

How to Gather More Than Enough Data

We can handle the first two requirements of 2310 by simply asking the client or prospect in a letter confirming the first appointment to bring in their brokerage, bank, annuity, 401(k), and life insurance statements. Now, we get into...

The Rest of the Story

You need your multiple questionnaires to gather the data required from Rule 2310.

You need to gather (3) the customer's investment objectives; and (4) such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer.

#4 is the catchall. This is where a rogue client with a spiny attorney will whack you. So let's take these requirements one at a time.

You obviously need a questionnaire on investment objectives. Based on my classification of over 600 questions sent in from advisors all over the country, your peers are asking for four kinds of information: vision, values, goals/objectives and fears.

Here are some questions you could include.

- **Vision:** Questions to elicit how the client sees life in the future. In this writer's opinion, this is probably the highest expression of what a person wants.

Imagine your best day ever. What are you doing?

Complete this sentence. "Now that I am (or when I am) financially independent . . ."

How do you want to be remembered when you have passed away?

- **Values:** Those principles in which people believe that help them define what is right or wrong.

What is the absolutely most important thing in your life right now?

What does money mean to you?

What is the thing in your life that makes you happiest right now?

- **Goals/Objectives:** A desirable state of affairs, often measurable, that a plan is designed to achieve. When achieved, the behaviors used to achieve it normally terminate. Example: Client has been saving extra in order to catch up on their 401(k).

When they have caught up, they reduce the extra amount.

What are your most meaningful personal and financial goals for the next five years? Why are those important? How will you get there?

At what age would you like to retire?

What have you seen in retirement that you wish to accomplish? What have you seen that you wish to avoid?

What three things have you not yet done in your life, but are determined to do? Travel, start a business, sail around the world, . . .?

- **Fear:** What the client does not want to occur or wants to be rid of?

What's influencing you to change now?

What could sidetrack your dreams? (Caregiving? Tuition? Longevity? Illness? Premature death?)

What is your biggest financial concern ... right now?

What could we do for you to allow you to sleep easier at night?

To meet requirement #4, I recommend you have at least these additional questionnaires:

1. Personal and Family Dynamics

Questions on family are designed to give you a snapshot of family relations and especially obligations, which may require additional planning on your part. The personal questions, which should be asked of each decision maker, cover personal preferences and activities, both of which may also need to be factored into the planning process.

2. Investment Strategy

Here you pull apart the current portfolio and find out what they did, why they did it, and especially whether or not they do in fact have an investment strategy and if so what it is. They should also include questions on the current state, or lack, of any financial planning they may have done or want to do.

3. Risk Management and the Legacy

This provides an opportunity for you to discover what they are doing to manage the various other risks in their life.

4. Expectations

There are at least four dimensions to expectations: What the client expects from the advisor, the portfolio, the economy, and what the advisor can expect from the client. This would probably be the last area I would explore. It could be the area of biggest “gotcha” for a rogue client gunning for an advisor.

All of this looks like too much information, correct? You got it.

We will cover these other questionnaires in the next article.

PROFILE WRAP UP

Let's wrap up this series on profiling.

In earlier issues, we have concluded that you need “too much information” to keep you in compliance with NASD rule 2310. Since your only real choices are too much information or too little, and since too little is probably an arbitration ticket, we conclude you need too much information.

We also concluded that you need multiple questionnaires.

Specifically, you must cover these points in order to determine that your recommendations are in compliance with...

Rule 2310 Again, Again

In the previous section, we covered how to gather information for points 1, 2 and 3. In this section we will take up questions advisors nationwide are asking that I believe will help you satisfy #4.

1. The customer's financial status;
2. The customer's tax status;
3. The customer's investment objectives; and
4. Such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer.

Point #4 in 2310, is obviously very vague and general. That's why you would need questions in the following areas.

My very strong recommendation is that you take questions from this article and the previous article and craft them into a series of questionnaires which you would, of course, then submit to compliance.

Please note: I have not attempted to provide all the questions you could and probably should ask. Use these as a starting point to develop your own questionnaire.

As you run the questionnaire, you will undoubtedly want to add or delete questions, which means you go back to compliance. But when you get it right, you will have a document that will both protect your business and help you offer the right products and services.

So let me close this harangue with a quote from my favorite author in sales, Frank Bettger. In his classic, “How I Raised Myself from Failure to Success through Sales,” he wrote “Show a man what he wants, and he will move heaven and earth to get it.” With a “Good Way” questionnaire, you can find out what they want.

Personal and Family Dynamics

Questions on family are designed to give you a snapshot of family relations and especially obligations, which may require additional planning on your part. The personal questions, which should be asked of each decision maker, cover personal preferences and activities, both of which may also need to be factored into the planning process.

The personal portion of the questionnaire covers three dimensions: personal history, lifestyle and special interests.

- **Personal History**

Where did you grow up?

What is your best childhood memory?

What is your first “money memory?”

What person had the greatest impact in shaping your life? How?

Tell me about your upbringing.

How was money treated when you were growing up?

- **Lifestyle**

How do you prefer to spend your time and money?

What is your favorite college sports team?

What is your favorite pastime or hobby?

Where is your favorite vacation spot in the U.S. and outside the U.S.?

What stirs passion (zeal, anger, excitement) in you?

What are your favorite activities?

What are you passionate about?

What are your favorite hobbies?

What kind of pets do you and your family have?

What do you do for fun?

▪ **Special Interests**

What stirs passion (zeal, anger, excitement) in you?

What are your favorite activities?

What are you passionate about?

What are your favorite hobbies?

What kind of pets do you and your family have?

What do you do for fun?

▪ **Family Dynamics**

Tell me about your family.

Ask of grandparent, “Do you think your children will be able to give their children the same type of education that you gave them?”

Tell me about your parents. IF Living: How old are they? IF Deceased: Cause of death? Age at death?

If you could pass along one financial lesson to your kids or grandkids, what would it be?

Are you now or will you at some point in the future need to provide financial support for your parents or children?

Have you ever had a personal situation where a relative, parent, aunt, uncle, or neighbor needed nursing home or home care services? How did it turn out?

How did you meet your spouse/partner?

What discussions have you had with your children?

Is there anyone else in your life you may have a financial responsibility for at some time? Your parents are all set? Your wife’s?

Investment Strategy

Here you pull apart the current portfolio and find out what they did, why they did it, and especially whether or not they do in fact have an investment strategy, and if so what it is. They should also include questions on the current state of, or lack of any financial planning they may have done or want to do.

Status Quo

Here you review what they own and how they feel about it.

How do you feel about your current financial situation?

How would you characterize your savings habits and why?

What is your most important asset?

How often do you review your finances?

Do you understand how much downside your portfolio is exposed to?

Do you have a will?

Have you had your will reviewed in the last five years?

Tell me about your investments outside of the country. (Most of my clients have some as they have international ties.)

Are there investments in your portfolio that have sentimental value?

- **Risk Tolerance, Risk Management and Legacy**

This provides an opportunity for you to discover what they are doing to manage the various other risks in their life.

Are you willing to lose larger sums of money in the short term in order to potentially enjoy higher returns in the long run?

If something happened tomorrow, and the market began to react negatively, what would you do?

Is capital preservation at all costs always of high importance?

Can you tell me who your beneficiaries are on your insurance and investment products?

Who is the owner of your life insurance policy?

When was the last time you reviewed your life insurance program?

What sort of legacy do you want to leave behind, other than money?

What, if anything, would you like to leave behind and to whom?

- **Expectations**

There are at least four dimensions to expectations: What the client expects from the advisor, the portfolio, the economy, and what the advisor can expect from the client. This would probably be the last area I would explore.

What would you consider to be a reasonable rate of return on your money?

How would you know if you were financially successful?

What should we as a company do to earn and then keep your business?

Rank the importance of the following words: fees/ education/ performance/ service.

We seek to be the primary source of investment advice for our clients. What can we as a team do to gain your respect and trust as financial professionals?

What should I expect from you?

THE MAGIC SEQUENCE

I'm going to close my series on "The Good Way to Sell" with, appropriately, an article on "Closing the Sale."

In the first article of this series, I defined "Core Selling Skills." They are:

1. The Written Profile
2. The Product Presentation
3. The Trial Close
4. The Question and Answer
5. The Close

We've spent the overwhelming amount of our time in the series, properly so, on the issue of profile. In my personal experience and training countless thousands of salespeople, as well as my own personal selling experience, I profoundly believe that the weak link is profiling. Sales that don't close most often lack a reason to close, and that is always discovered in the profiling process.

Nevertheless, in no sense does this expert profiling, or excellent product presentation skills guarantee a sale. A sale is a series of steps intended to increase desire in a client or prospect to own the benefits of a product or service to the point that desire exceeds fear of change. But it must be brought to a conclusion. That is the role of closing skills.

Let me further state that "closing" is highly overrated in virtually all sales literature I have read. We read such nonsense and sales books as "always be closing." This is complete rubbish. The close has a place in an overall sequence. If other pieces of the sequence have not been followed, the sale will fail no matter how hard and often you close.

With this in mind, let me introduce you to the "Magic Sequence." As you read this, keep in mind where we are in the sales process. You have completed your first meeting in which you did an in-depth client profile. You've prepared written recommendations. You have educated the client on the key concepts he or she must understand in order to make an informed decision. Now it is time for the "Magic Sequence" to roll.

The “Magic Sequence” and Summary

1. Recommendation with tie downs. (You’ll see these tie-downs in the example below.)
2. Stronger trial close.
3. Question answering.
4. Closing signal.
5. Close the sale.
6. Before we get too detailed, let’s see in action the ...

Example of “The Magic Sequence”

I will first go through an example. Then I will extract “The Rules” from the example. My recommendation to you: Read through this story. STUDY the rules. Re-read the story. Try this sequence with your next 10 prospects.

Recommendations

Advisor	<p>I’ve summarized my recommendations for you on these pages. Let’s go over them.</p> <p>First, I think we keep your investment in LMN. It’s done well. You and Marge like it. I see no reason to change it. Do you agree?</p>
Prospect	Yes. Marge and I have done well with it.
Advisor	<p>And as you will see, I’m recommending we keep some, not all, of XYZ.</p> <p>Now let’s take a look at the \$312,000 in your money market accounts. I’m going to recommend you reduce your cash balances down to \$50,000. That plus the equity line on your home should be more than adequate to handle your cash needs. Do you agree \$50,000 plus the \$150,000 credit line on your house should be sufficient?</p>
Prospect	Marge? (she nods) We’re with you so far.
Advisor	<p>Let’s take a look at your other investments.</p> <p>25,250 shares of XYZ is too much to have in one stock. I know you worked there for 35 years, Ed, but don’t you agree that’s too many eggs in one basket?</p>

Recommendations

Prospect	We've talked about this and agree we do need to diversify.
Advisor	OK. I recommend all but 2,500 shares be sold and re-invested in a conservative and diversified portfolio. How do you feel about this?
Prospect	We're probably OK with that.
Advisor	Excellent. Let's talk about ABC International Fund for a minute. This fund has underperformed its peers and the market in general for the past 1, 3 and 5 years. Can you think of any reason why you would want to hold onto this?
Prospect	Well, we were hoping it would come back.
Advisor	Well, it could. But I believe when you see our recommendations, you'll see you have a much better chance of keeping your financial independence if you invest elsewhere. So for right now, let's assume we're going to sell ABC International. Are you with me on this?
Prospect	Yes.
Advisor	OK, now let's take a look at what we recommend. By re-allocating money markets, you'll have \$252,000 to invest. By selling the XYZ, you add another \$375,000. And we add another \$27,000 from ABC International giving you a total of \$402,000 to re-invest. Sound about right so far?
Prospect	That seems fine with me. Marge? Sounds good so far.

Recommendations

Advisor	<p>First of all, I'm going to recommend we stay largely within two fund families. By doing so, if we do need to make any changes, we will do our best to stay within those families so you don't incur additional charges. Plus, we will take advantage of some break points on the fees. Do you like that approach?</p> <p>The families I like are 123 and 456. I like both of them because they have been around a long time, do their own research, and do not have a frequent turnover of managers. Also, they have plenty of different funds, which means we can get any kind of fund we want with just the right manager. Are you comfortable in taking a close look at some of the investments in 123 and 456?</p>
Prospect	If that's what you recommend.
Advisor	<p>Here are my recommendations. (Hands client printed summary.)</p> <p>We start out with \$_____ in _____. I like this fund because _____.</p> <p>Naturally, we don't want all our investment eggs in any one basket, so I recommend \$_____ in _____. I especially like this fund because _____.</p> <p>I also like _____ because _____, and I recommend we put \$_____ here.</p> <p>To balance our equities with some fixed income, I believe we should put \$_____ in _____. I like this because of _____.</p>

Stronger Trial Close or Just SHUT UP

Advisor	Can you think of any reason why this would not be a good fit?
Prospect	It looks good, but I have some questions.

Question Answering

Prospect	You mentioned a managed sectors fund for \$50,000. I'm not familiar with this. What is a Sectors Fund?
----------	--

Question Answering

Advisor	There are about 30 “Sectors” of the economy. A sector fund invests only in stocks in the sectors the manager believes will most likely grow in the future. If these sectors out-perform the economy as a whole, then we believe the stocks in those sectors will also.
Prospect	Marge? I think so. But what are the sectors?
Advisor	The 123 Managed Sectors Fund invests in Technology, Financial Services, Leisure, Health Care, and Retailing.
Prospect	What are some of the companies they invest in?
Advisor	Wal-Mart®, Cisco®, Microsoft®, Pfizer®.

Closing Signal

Prospect	Marge, any other questions? I want to know how much it’s going to cost.
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Close the Sale

Advisor	<p>Price: I get paid on fee or commission. We’ve already gone over the difference between A, B, and C shares and agreed that C shares would be the best choice for you.</p> <p>So the annual fee for a \$400,000 investment would be ____%. The fee is debited quarterly from your account. This fee pays the fund company, my firm, and me.</p> <p>Action: What I would recommend we do is go ahead and start the transfer process. As we discussed, we will dollar cost average into the market over the next six months.</p> <p>Benefit: By getting started now, we will take advantage of what we anticipate will be a wonderful 12 months.</p> <p>Commitment. I’m going to ask Jewel to come in and get the paperwork started, OK?</p>
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The Rules:

1. The trial close asks for an opinion.

A “real close” asks for a decision to act. By using a trial close, or even frequent trial closes, you are testing the water so you know when to ask for the order.

2. Give a Written Summary

The recommendation should be summarized in writing and a benefit for each recommendation should be given aloud. DO NOT DISCLOSE price, load, fees, or compensation unless asked. When the prospect is ready to buy, he or she will ask price. When presenting the recommendations, ask trial closing questions after each recommendation. These are “agreement questions.” The more agreement you get, the more likely you are to close the sale.

3. When answering questions after the “Recommendation,”

- Do not disclose price/load/compensation unless asked.
- Answer a question in as few words as possible and SHUT UP.
- When asked about price, load, how you get paid, that is your closing signal. CLOSE THE SALE.

4. When you start the close, do not stop talking until you have asked for the order.

5. When you ask for the order, SHUT UP.

And in all eight articles, you have “The Good Way to Sell.”



“I designed MY SYSTEM **to help you** double **YOUR PRODUCTION OR WORK HALF** as much. Over the years, thousands of financial advisors have accomplished more in less time because they have followed MY TIME-TESTED, FIELD-PROVEN SYSTEM.

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