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The Hidden Problem with Asking for Referrals

Over the years, I have listened to many trainers and I have read a lot of articles telling me that I should ask for referrals at every meeting. They said that I should develop a list of categories, including parents, siblings, work associates and neighbors, and I should put this list in front of clients and ask that they match their names with my categories. In some cases, I have been told to tell clients that I get paid with referrals.

But is it the right message?

I still remember this script: "Refer me to ten people who are economically similar to you, so that I can reduce my marketing time and have more time to work for you." Really? Think of the message that statement conveys: Growing my business is so important that I would cut short what I do for you. I can just see my surgeon saying, "Before we get started, I need five other patients who need their gall bladder removed. If you do, I can spend more time removing yours." Is that really the message you want to convey?

Is it "professional?"

Let's be frank, this is just not the way professional advisors should work. It is not comfortable for you or your client, and it is not an effective way of adding clients to your practice. Let's look at some of the reasons why clients don't give referrals and then identify professional ways you can make your clients happy to refer others to you.

The four important reasons why referrals aren't made

There are four main reasons why clients don't give referrals:

1. They don't feel comfortable making referrals
2. They don't really know what you do or know how to tell others about what you do
3. They aren't motivated because there is no emotional need fulfilled by referring people to you
4. They don't know you want to grow your business—they think you are doing "fine"

Why people aren't comfortable making referrals

I have heard many clients in advisor meetings say that they don't like to, or don't want to make referrals. There are probably a few who actually don't make referrals. But I also know that if the very same people were asked, they would tell you the name of a good restaurant, doctor, or hair stylist. Why is that? Because there is a difference between "making a referral" and telling someone about a great experience.

Good experiences make good referrals

The first step to create a profitable referral stream is to create a compelling client experience. When I have a good experience at a restaurant or auto service department, I want to tell people about it. I don't feel "uncomfortable" because I am just describing a good experience. If the experience was fun or it made me feel important, I want my friends to enjoy it in the same way I did. I also like telling friends about something I know that they don't.

Create an experience that is fun, exclusive or comfortable so that clients will tell others about it. The experience should fill an emotional need, making the client feel helpful, important or "in the know." The emotional reward of being helpful is a big motivator. Your clients need to know that your job is helping people and that by referring people who need your services, they are helping them and you. If you see someone in pain, you would want to help them find a good doctor; and if you know a good doctor you would spontaneously give your friend that information.

Do your clients really know what you do?

Most clients don't refer friends to advisors because they don't really know what they do. Because of this fact, they don't think about the advisor when faced with a friend or family member's needs. Don't count on job titles to explain what you do. There are so many job titles used in our industry—financial planner, wealth manager, financial advisor—that they have little meaning for the client.

Be specific about you

Good advisors are very clear about what they do and who they do it for. They don't just say, "I manage money or handle investments"—that is how they do what they do. Great advisors say, "I help families living in our town handle their financial needs (or who have special needs children, or who work for Corporation X, or who are facing retirement). A detailed explanation is necessary so that the client can "file" the information in their mind where it can be easily remembered when a need arises.

People don't know how to explain what you do

Even when people know *what* you do, they probably don't know how to tell others what you do. If you want your clients to tell others about what you do, they need to be "educated":

Provide them with referral “tools.” Referral tools should tell clients and prospects exactly what you do and how you can help them. They can be high-tech: a website or social media site. Or they can be low-tech: a brochure or information package. Let your clients know periodically that these tools are available and are easily accessible.

Explain the referral process. Tell your clients exactly how to make a referral. Explain your process, so they know what to expect. Should they call you or another specific staff person? Will you send the referral an introduction letter or will you call them personally? Will you put the referral on your mailing list or take other follow-up action? Explaining these details will help your clients feel more comfortable when referring their friends to you.

The key to motivating your clients: Emotions

Exactly why are people motivated? Why would someone refer a friend to you? The key to motivating your clients is to provide them with an emotional “reward.” If you want clients to refer friends to you then you must uncover ways to reward them emotionally. There are several types of emotional rewards:

Recognition. Include referring clients’ names in a visible form of communication (with their permission of course). For example, recognize all of your referrers with a special event and then publish the event pictures in your newsletter.

Belonging. You can fulfill the need for belonging by making referring clients part of a “referral team.” Once an existing client refers someone who becomes a new client, they become a “team member” with special recognition and perks.

Importance. Make clients feel important by sending them special notes, including their name in the “Thank you” letter to the new client, or taking them to dinner. You can make them feel important by providing them “special access” to you by giving them your cell phone number.

Fears. Everyone has fears. You can address the emotion of fear by letting clients know how you have provided financial security to others. By referring someone they care about to you, your clients will have the reward of helping their friends and family.

Do your clients know you want to grow your business?

Unless your clients are told you want to grow, they will think you are satisfied with the clients you have. If you are projecting a successful image (which you should be), people won’t think you want more clients. Advisors who are focused on taking care of the client, usually don’t spend time talking about how their business is doing—it just never comes up.

The solution is to be clear on the growth plans for your business and communicate excitement about achieving your goals. You can’t communicate plans you don’t have or be excited about something that doesn’t exist. How big do you want to be? How many more clients do you want to have? Clients will gladly help you grow as long as they are confident they will not be “left behind” and their future needs will not be ignored.

You should tell your growth story to one and all. A great way to do this is to create an advisory board. Tell them about your growth plans. Your board will become emotionally involved in helping you find new clients (read our article on our website at <http://tinyurl.com/usplanning> to learn more). Don’t pass up other opportunities to talk about your growth plans.

The bottom line

Just stop asking for referrals. Instead, set up a referral process where clients feel comfortable making referrals naturally. Carefully explain what you do and how you can help. Present your clients with the opportunity to receive emotional rewards by referring others to you. Finally, tell others that you want to grow your business and you truly appreciate their help. By setting these principles in motion, you will get what everyone wants: more referrals without asking!



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I would love to talk to you about your approach to getting referrals. Give me a call at 770-395-9595.



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