



The Financial Advisor's Guide To Active Listening

It's a no brainer. Success as a financial advisor depends on the strength of your client relationships—now more than ever. Which is precisely why it pays to listen. The simple act of listening is the foundation upon which the healthiest relationships are built, personally and professionally.

For financial advisors, Active Listening builds trust, fortifies relationships, and increases satisfaction and loyalty among clients. As Calvin Coolidge said, "No man ever listened himself out of a job."

HOW TO BE AN ACTIVE LISTENER

Active Listening succeeds when focused on your client's personal experience. Your goal is to make your client feel understood. Accomplishing this can be a powerful trust-building exercise. With practice, any advisor can become an effective active listener by following a few basic rules.

- **FOCUS YOUR ATTENTION ON YOUR CLIENT.** It is important to pay close attention to your client and what he is saying, despite whatever distractions exist in your working environment (e.g., phone calls, emails, other employees). Listening requires true concentration, whereas simply hearing requires very little.
- **PROVIDE NON-VERBAL CONFIRMATION THAT YOU ARE LISTENING.** A nod of the head or even a short "uh-huh" can encourage your client to continue sharing her reactions and feelings.
- **DECODE, DISTILL AND REFLECT. DON'T PARROT.** Your active listening response should be short and simple, no more than 1-2 sentences long. You want to decode your client's reactions or feelings and distill them down into a succinct and clear statement. You do not want to simply replay everything your client has just said.
- **USE FEELING WORDS, NOT THINKING WORDS.** For example, your client makes comments about being nervous about the mix of equities and fixed-income investments in her portfolio. You could respond with statement (a) or statement (b):
 - (a) It sounds like you're getting increasingly worried about your exposure to the market.
 - (b) I get the impression you think we should rebalance your portfolio.

WHAT IS ACTIVE LISTENING?

Active Listening is a communication technique that shows you understand what someone is trying to tell you about his or her experience.

When you accurately reflect back to a person what he or she has expressed, you show that you have been listening (not just hearing) and genuinely understand how that person feels. This creates a stronger connection between you and the other person. In addition, it provides you with the information necessary to better serve your clients.

WHY ACTIVE LISTENING WORKS

Active Listening can help you discover what matters most to your client—what does he or she value, dislike, fear, or desire? Knowing what excites or discourages a client—and then demonstrating that you understand this—establishes rapport and gives you the insights to better anticipate and meet your client's expectations.

While statement (b) may be true, it doesn't show you understand how worried your client is feeling. Instead, first confirm that your client is feeling anxious by using statement (a) to show you understand and that you care and then move on to statement (b) to solve the client's concern. This will be more effective than jumping straight to a 'thinking' or problem-solving statement. Your client will feel the difference. And in the long run, she will see you as more attuned to her needs.

- **REMEMBER TO REFLECT BACK POSITIVE AS WELL AS NEGATIVE EMOTIONS.** Saying, "It sounds like you're relieved the market is finally moving up" establishes trust and connection just as much as focusing on your client's feelings of worry or fear.

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WHEN TO USE ACTIVE LISTENING

Active Listening works when a client expresses emotion—whether negative or positive. But many advisors find Active Listening is especially helpful in repairing fragile client relationships. You can employ Active Listening to uncover the specific problems in those relationships, to rebuild rapport and re-establish trust.

However, only use active listening to decode a client's emotional issue when an emotional cue exists. In other words, if your client is using 'thinking' statements (saying things like "I think" or "I believe" rather than "I feel" or "I hope") or dispassionately discussing investment choices, active listening may not be useful. In fact, it may seem awkward.

BUT ISN'T IT TOO 'TOUCHY-FEELY'?

Many advisors fear they'll sound too much like a therapist when utilizing Active Listening. Perhaps you're concerned a client will poke fun or be turned off by talk about emotions. Like many other advisors, you might feel awkward initially and worry that you appear to be parroting your client's words.

While it does take practice to make your responses sound smooth and transparent, you'll be surprised by how well your clients respond—and how quickly your anxiety about it disappears. When Active Listening is used at the right time, with even a minimal degree of skill, your clients will experience it as helpful and comforting.

Now that you know what active listening skills are, learn how to employ them by practicing your skills using the *Five Steps to Active Listening Success* Exercise Sheet, which can be found at spdru.com.

READY TO PRACTICE YOUR SKILLS?

Download the Active Listening Exercise for Financial Advisors.

WHAT YOU GET:

- A 5-step process you can follow to learn and improve upon your Active Listening skills
- Active Listening Empathetic Response Exercise to help frame and structure effective responses



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