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WEEKEND REASONING

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Who is the real customer?

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It's the iconic scene from the movie Pretty Woman. No, not the one in the bathroom. That of shopping. She, Julia Roberts, tries to buy clothes in a high-end fashion boutique, but she is dressed so rudely that the shop assistants ask her to leave ("nice mistake!"). Only the next day, accompanied by him, Richard Gere, will she be able to spend a "shameless" amount of money. Because, as He points out, "*They're never nice to people, they're kind to credit cards.*" Who pays is always right, then? In the vast majority of industries, in fact, this is the case: the customer is easily identifiable as the one who pays. But in the field of financial advice and planning, things can be different. Let's see why.

The customer who pays

In general, financial advisors deal with the heads of households, i.e. the main income earners. Excluding singles, the most frequent case is that of the husband, to whom the accounts and financial assets are normally named. The wife may also have an account with the advisor, and even a nest egg, but investment decisions are essentially decided with/by him. Children, if of age, could be account holders, otherwise beneficiaries of policies or, in the case of more prudent customers, members of a pension fund. But the one who decides, and ultimately the one who pays, is always the husband. And the financial advisor, in fact, meets Him, talks to Him, often (alas) "adapts" to Him, to his way of thinking, of perceiving the world around him. If outside of a Goal Based Investing logic, the risk profile of the entire financial assets is calibrated to him: thus, if he is not very aggressive, investments will be concentrated on low-risk instruments and on a short-term investment horizon. And vice versa. But are we sure that this way of operating is correct? If we think in a logic of financial planning, the answer is no.

The customer who doesn't pay

The main purpose of financial planning is to ensure that an individual is able to maintain adequate purchasing power throughout his or her life.
However, it also includes the achievement of intermediate objectives (e.g. the purchase of the first home), and coverage against risks that could irreparably impact the customer's standard of living (pure risks). In this context, there is the possibility that some financial planning decisions actually affect people other than the payer. Let's take a few examples.
First of all, the generational transition. It is also true that the consultant undertakes to structure the best solution on the basis of the decisions of the future deceased, which coincides with the He who pays. But on closer inspection, the real customers of the generational transition are those who will inherit (wife and children usually). And even those should be paid attention to, both in terms of needs analysis and in purely commercial terms. Otherwise, you risk doing an excellent service to your current customer today, but losing your future one.
Now let's assume a childless couple, where the Him who pays is a few years older than the Woman who doesn't. Statistics in hand, she will survive many years after his departure. In this case, the financial planner will have to set up an adequate coverage of the longevity risk of her, through a solution that guarantees sufficient capital/income. Here, too, the current customer is not the customer of the future. And it should be noted, however, that investment choices will probably have to incorporate a longer investment horizon and a higher risk.

The commercial implications

Many other examples could be given of situations in which financial planning is addressed, more or less directly, to a customer who does not coincide with the one who pays. To avoid making the mistake of the saleswomen in the Pretty Woman boutique, it is therefore necessary for the consultant to frame exactly who is, in the context of the various decisions to be made, the real customer. In fact, this allows you to use the most effective communication methods. For example, if you only talk to him, you may find it difficult to emphasize the importance of a term life insurance. The appeal would be low and the superstition high (better the usual "lecture" on the trend of the markets and on the opportunities of that fund, the consultant would think). But if she were also present at that negotiation, then the proposal would be more effective and he would hardly be able to get out of the way. And in the event of death, imagine how much more loyal she would be.
Ultimately, the payer is always right. But the one who doesn't pay today could be the one who pays tomorrow. Meditate people.