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# Kitces: Referrals are awkward — but they don't have to be

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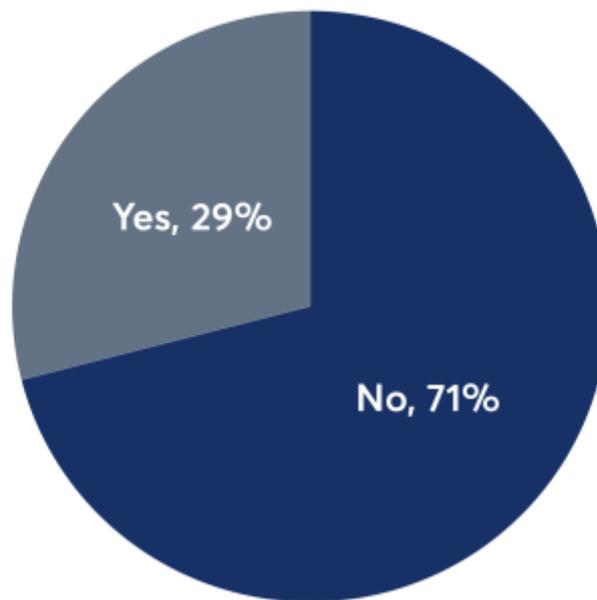
Developing a high-quality client base is a challenge all advisors face. While almost everyone knows that asking for referrals is an important way to grow a business, many planners struggle to do so.

Why is it so difficult to ask for referrals? In part, it's because of the many barriers we erect for ourselves, which limit our referral-generating power.

As most of you know, [I started my career in financial services](#), working in a life insurance company straight out of college, then moving to a life insurance agency. It was the year 2000, when the hot product was variable universal life insurance. You know the pitch: Buy life insurance, and invest the cash value in the stock market.

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## Have you steered others to your adviser in the past year?



Source: Advisor Impact and AssetMark study, 2014

Back then, the only way to get started was to prospect, whether by [cold-calling](#) or walking the streets and knocking on doors of small businesses. In my office there were some lifers who built their whole careers knocking on the doors of people's homes — the proverbial door-to-door insurance salesmen of the 1960s and '70s. But even back then, the goal was to secure some good clients and then ask those clients for referrals, prospecting your way forward from a solid baseline.

Compared to cold-calling and cold-knocking, asking for referrals may seem like a pretty sensible, efficient way to grow your business. But I couldn't bring myself to ask clients and prospects if they knew anyone else who might benefit from our company's products and services. It was what I was trained to say, and I couldn't do it.

Deep down, I think the reason why is because I wasn't proud of the company and the products that I represented. At the time, it really felt like my branch was solely focused on one product — a variable universal life policy — and it was all the managing partner wanted us to talk about with every prospect we met.

Even as a novice agent, I knew deep down that not everybody on the planet needed a VUL policy. What's worse, I knew we didn't even have the best VUL policy on the market. So I was in a position of being pushed to sell a knowingly inferior product to a wide range of

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The lesson I learned is universally applicable: If you aren't able to ask for referrals because deep down you're ashamed of the company or products you sell, you need to find a new company to represent.

## Referral potential

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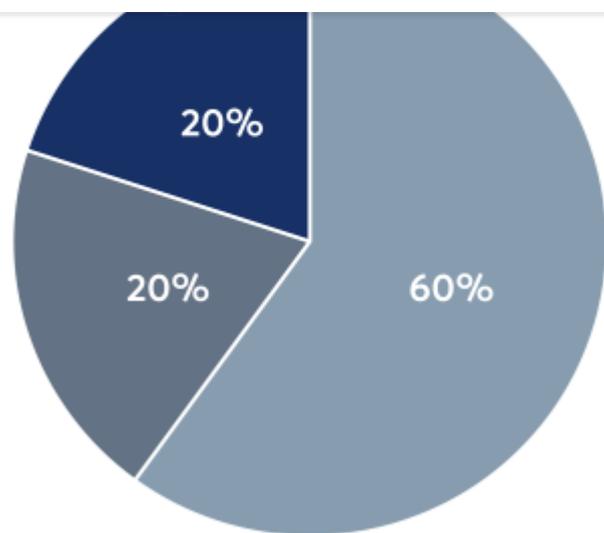
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### Clients who:

- Refer without asking
- Will never make a referral
- Haven't been asked to refer



Source: Referral Coach International estimates

That being said, even if you ultimately want to become an advisor, where the products up for sale are your advice, knowledge and wisdom, you really need to become confident in yourself.

This was actually a huge struggle, even after I left the insurance company. I switched to a much more planning-oriented independent broker-dealer, but at 23, with little more than a bachelor's degree in psychology, I was hardly confident enough to ask people to pay me for my advice.

That was my primary motivator to go out and get my CFP marks and ultimately continue on to earn [additional post-CFP designations](#). For me, not being able to confidently convey my knowledge meant I needed more knowledge.

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doing business development. That was a good eight or 10 years into my career.

I've since observed that one of the key differences between advisors who are good at business development and those who aren't is that the former approach their task from a place of confidence. They feel it's only natural to share their expertise with more people, to help more people. If you have the expertise, why wouldn't you?

***'Financial advisor' is associated with services industry, but 'wealth manager' feels more aspirational.***

But even if you have the expertise to add value as an advisor, it's still difficult to prospect because so many consumers have had bad advisory experiences. Imagine you're at a social event, and someone asks you what you do, and you say, "I'm a financial advisor," and they say, "Oh, yeah. I have a financial advisor. He helped us with our life insurance a few years ago," because they think comprehensive financial planning is getting a life insurance policy. Alternatively you say, "I'm a financial advisor," and they take a step back and scan the room for someone else to talk to.

Even if you don't get an adverse reaction, it's not like you can always find an opening to tell people about this great service you deliver. You're confessing you're an advisor and hoping it doesn't make you a social pariah.

This is the challenge of doing business in a low-trust industry, with low barriers to entry.

The [Edelman Trust Barometer](#), the de facto leading global measure of consumer trust, identifies financial services as the least trusted industry there is. We are dead last. Fewer than 50% of all consumers actually trust financial services companies, which means it's literally an odds-on bet that when you say, "I'm a financial advisor" and ask for referrals, the person's immediate response will be negative.

Like it or not, even as we try to [become our own profession](#), advisors are still representatives of the financial services industry. That makes it harder for all of us to ask for referrals.

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though we're trying to extricate ourselves from a maligned group. Even as someone actively trying to improve it, I'm often ashamed of the industry I represent because I know what can and does happen in it.

***You don't see a lot of orthopedic surgeons going around saying, 'Do you know anyone who's blown out their knee lately?'***

Of course, even when you ask for a referral, there's always the possibility that the person responds, "I can't think of anyone offhand." This compounds whatever shame or awkwardness an advisor may feel about asking in the first place. What are you supposed to do? Drill deeper? "Are you really sure you don't know anyone who might want to work with me?" carries more than a whiff of desperation.

I think this is one of the many reasons why having some kind of niche or specialization is so important. Imagine you're an orthopedic surgeon. Most doctors get their business by referrals, whether from satisfied patients or colleagues who respect them. You don't see a lot of orthopedic surgeons going around saying, "Do you know anyone who's blown out their knee lately?"

In other words, when you have a niche or a specialization, you don't have to go out and ask for referrals. You establish your expertise and become known for what you do, and people subsequently feed business to you.

The bottom line here is just to recognize the barriers to advisors asking for referrals. It may sometimes be just our fears that hold us back — but that doesn't mean those fears aren't well-founded.

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If any of the aforementioned issues is a blocking point, how do you grow past it? Do you need to change the company you're representing to one you're actually proud of? Do you need to reinvest in yourself with CFP certification or some other post-CFP designation? Do you need to position yourself in such a way that you're clearly differentiated from the bad apples in the industry? Or do you need to refine your specialization and become renowned in that niche — such that you become so referable that you [don't even have to prospect](#)?

Hopefully the answers will be self-evident to you, and the new year will find you taking action to improve not just your referral stream, but your sense of self-worth too.

***So what do you think? Why is it so hard to ask for referrals as a financial advisor? Is it due to the companies we work for? The industry? Our lack of confidence? How have you overcome the barrier to asking for referrals? Please share your thoughts in the comments.***



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