The Power of Personalization:

A Client-First Approach

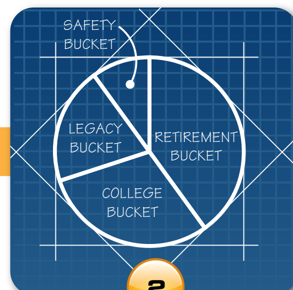
ClarkCapital MANAGEMENT GROUP

DISCUSS

1

The advisor discusses the client's particular goals, dreams, and risk tolerances.

DESIGN



2

Clark Capital collaborates with the advisor to design a plan for each client. The advisor presents the plan to the client for final approval.

BUILD

3

After client approval, Clark Capital builds the client's portfolio according to the client's goals.

REVIEW PERIODICALLY

Clark Capital MANAGEMENT GROUP

The Power of Personalization: A Client-First Approach

Since the Great Recession, the asset management industry has gradually shifted conversations away from alphas and betas and toward goals and desired outcomes. Common themes of the shift have included a focus on using client-friendly terminology and a shift in priorities away from product-focused to client-focused conversations. According to the Money Management Institute, "by making the investor — rather than markets or investments — the focal point of the investment conversation, the advisor and the investor may be able to enhance investment outcomes."[1] And while there is no shortage of buzzwords and sales pitches on the new ways to communicate with clients, the asset management industry has largely lacked a comprehensive execution plan.

The New Benchmark:

Each Client's Goal

Clark Capital believes a client-first approach to investments can deliver a systematic way of meeting the individual client's needs. We believe that in order to help clients achieve long-term success, advisors and asset managers must deliver a clearly articulated, individually personalized client experience. Vital components of the approach include:

1. Providing comprehensive coverage for each stage of the investor life cycle in a personalized financial plan
2. Fully supporting the financial plan with targeted investment strategies and a simplified income plan
3. Personalizing risk management efforts to help the client remain within their risk comfort zone through good and bad markets

Together, advisors and asset managers can make a positive difference in clients' lives. By delivering comprehensive, personalized portfolio management, Clark Capital supports advisors in their efforts to deliver financial wellness to clients. Our entire investment team meets weekly to analyze the markets and make decisions about clients' portfolios. At that time, they review client cases under consideration for personalized portfolios and evaluate the clients' needs and goals. Your Investment Consultant then discusses with you Clark Capital's conclusions and recommendations.

BUSINESS IS EVOLVING AND WE MUST ADAPT

Outside of our own industry, forces are at work that are changing the way business is done. Consumer preferences and expectations are changing and the asset management industry must adapt. Let's explore some of the common themes affecting the consumer and business-to-business world today.

To Connect with Clients

Make Information Relevant to Them

Information Overload and Shorter Attention Spans

Our attention spans are getting shorter. The BBC reported that: "The addictive nature of web browsing can leave you with an attention span of nine seconds — the same as a goldfish."[2] The problem with the age of information is that there's just too much information! We live in an age of hyper-competition, commoditization, and overstimulation.

In order to keep clients invested in achieving their goals, it is essential to help them tune out the noise of the financial media and help them feel more connected to their own unique strategies. To do that, we must make investments highly personalized and highly relevant. If clients feel truly connected to their investment plans, we believe they will be more likely to remain committed to their financial plans. Their investments should represent their dreams, not their anxieties.

How Technology and Consumers Are Driving the Personalization Revolution

As I write this, I'm drinking a custom blend of my favorite coffee. I'm listening to a personal playlist I created on the music streaming service Spotify, and I've checked my personalized news feed twice. My news site isn't *The Wall Street Journal*, *Barron's* or *InvestmentNews*. It's all three of them — and several others. While some prefer to follow Kim Kardashian and Lindsay Lohan, others can build out a completely personalized news site using Twitter. Twitter allows the user to understand stories from different viewpoints, and it's typically where news breaks.

Many of today's top global brands are using personalization to connect with consumers and grow loyalty. Consumer brands like Nike, Coca-Cola and Oakley have all led the charge towards mass customization and personalization. Today you can build a custom pair of Nike Free Run sneakers online, incorporating your favorite designs and colors. You can put your name on a virtual Coke bottle and "share" it on social media. You can even custom-build your own shades on Oakley.com, creating your own unique pair of sunglasses.

Client Expectations Are Rising

The most striking example of mass customization is my iPhone itself. Although I'll probably see a hundred people in downtown Philadelphia with my model iPhone today, no two are alike. That's because everything from my banking information to my favorite music, saved restaurants, news sites, books, podcasts, and pictures are on my phone. As such, my phone takes on a different meaning. It's no longer just a phone; it provides access to the things I enjoy and need to get through my day.

Connect a client's investments to all the things that define them, and you'll deliver a very powerful concept. Your clients' investment portfolios should be treated as vehicles to help them meet all of their life objectives and goals. The world is getting more and more personalized and is raising clients' expectations about products and services. Isn't it time for investments to join the movement?

A Power Shift in Favor of the Customer

Think about the last time you wanted to buy a car. Did you go straight to the lot or did you do some homework first, researching your options, prices and customer reviews? Regulatory pressures have helped our industry remain largely shielded from customer reviews; however, this will inevitably evolve. If the financial services industry truly wants to serve a higher purpose of helping clients make their money work for them, we need to provide a better basis for how clients can evaluate us and choose what's right for them.

A Collaborative Process Is Key

According to HubSpot.com, "The trend can't be ignored any longer: Buyers are more informed and self-sufficient than ever before. They can do all the research they want about a particular product or service on the company website, and even buy online if the option is available."[3] The internet and the digitalization of information have given buyers more power than ever to access the information they want, and to buy on their own terms when they are ready.

In the midst of these trends, we believe a highly collaborative and consultative process is key to helping provide a better client experience; it can also help generate more referrals. Although clients may come to you with what they think they need, it's up to you to guide them in the right direction and help them make the right decisions with their money.

HELPING CLIENTS STAY IN THE GAME

Combining Technology and Collaboration for a Better Client Experience

For baby boomers today, life is complicated. Many of them are straddling the pressures (financial and emotional) of caring for elderly parents and financially supporting their children. At a time when robo-advisors rule the headlines, there are more retirees, with more complex issues, than ever before. A large portion of today's affluent population requires more collaboration and one-on-one planning than an online platform could ever offer.

Personalized Investments Enhance Your Financial Plans

Technology doesn't have all the answers, but it can help enormously when it comes to building comprehensive strategies that help organize clients' investments and help clients feel more in control of their future. Technology has enabled our industry to introduce the Unified Managed Account (UMA), a single account that combines multiple strategies under a single account number. It has also enabled us to introduce investment lifecycle segmentation, or bucket strategies, so that clients can better organize their future income needs.

Customization and personalization are at the heart of financial planning. Successful financial advisors are experts at building personalized financial plans with personal benchmarks, and Clark Capital is a pioneer in offering personalized investments that fully support the financial plan. Keeping clients focused on their own needs requires asset managers to put clients first and to build products tailored to clients' specific goals.

How to Incorporate Personalization in Your Practice

As we discussed, in the new age of global communications, it is becoming increasingly difficult to stay engaged if we don't find a topic relevant or we're not emotionally connected to it. By helping clients tune out the hysteria promoted by the media, we can offer them a better experience with a higher probability for success.

We believe a truly personalized investment strategy cannot be built by pulling investment models off a shelf. It must involve collaboration between the investment advisor, investment manager, and the client. Every client's needs and circumstances are different, and many clients have very complex needs that require a high degree of adaptability by the portfolio manager.

Every Client's Needs and Circumstances Are Different

How should a personalized portfolio feel to the client? "Personalization is like someone giving you a fitted baseball cap with your favorite team's logo on the front and your initials stitched in on the side.

In contrast, non-personalization is like someone giving you a one-size-fits-all baseball cap with some team you hate's logo on the front. No initials. No consideration for your preferences whatsoever."[4] In our world, that translates to putting clients in a traditional 60-40 off the shelf portfolio because they were "lucky" enough to have that risk profile.

Here are four ways you can incorporate personalization into the investment planning process:

- **Case Design:** An asset manager that offers case design as part of the partnership can be a plus. Through the case design process, you can ensure the investments are tailor-fit to meet the client's needs and objectives.
- **An Income Plan with Personal Benchmarks:** The right income planning software can help you identify the impact of outside sources of income such as social security and assets held away from your advisory oversight. It can help you identify the client's personal benchmark and use it to ensure the client is on track to maintain their lifestyle in retirement.
- **Advanced Unified Managed Account (UMA) Technology:** Since a personalized investment portfolio often requires multiple strategies, the number of accounts and individual strategies are best handled as "sleeves" within a single account. Advanced UMA technology can help you simplify paperwork and reporting and make changes in the allocation when necessary.
- **Asset Location and Tax Management:** Sophisticated UMA technology can help advisors create tax-smart strategies to help clients avoid paying unnecessary taxes and keep more of what they earn. Through the financial planning process and close collaboration with an asset manager, advisors can help ensure optimal asset location across accounts and can help generate higher after-tax income for clients.

Helping Clients Stay in Their Risk Comfort Zone

Personalized Risk Management May Help Clients Stay in the Game

In order to establish a suitable risk level for clients, it's not enough to rely solely on traditional metrics such as the clients' age, current financial status and goals. Just as the markets go up and down, investors' appetite for risk goes up and down. Changes in investor behavior are documented by money flows into equities during the late stages of a bull market and out of equities during the late stages of a bear market. In both cases, irrational behavior is driven by fear and greed.

A personalized risk management approach has the ability to adjust and adapt to the changing markets based upon the desired outcome or goal of the client. Here's where the flexibility and experience of the asset manager really come into play. It's impossible to review the answers on a questionnaire and truly know a client's risk tolerance. Risk tolerances change as markets change, and it's important to be able to adapt to changing risk appetites through an entire market cycle.

There are a variety of ways to manage volatility, and each has its pros and cons.

Time can manage volatility, since over long periods of time the effects of market spikes are smoothed out. But not every investor has the luxury of a long term time horizon, nor do they always have the emotional fortitude to just "stick it out" in a bear market.

Bonds have traditionally been used as a volatility mitigation tool to help provide an income stream and to lower the overall risk of the portfolio. However, the threat of rising interest rates may mean higher volatility in the bond markets. Investors should not expect to receive the same benefits that they received over the past 30 years of a declining rate environment; rates simply don't have much lower to go.

Alternatives can help incorporate non-correlated asset classes into a portfolio. But the alternative category is all-encompassing, containing many different types of investments. It's important to truly understand the individual characteristics of the alternative investments you're incorporating to know how they will complement the overall portfolio and react in different market scenarios.

Hedging vehicles, such as products that track the VIX Index, can provide a way to access areas of the market that are negatively correlated to the equity markets, such as the VIX index. Hedging strategies are used to protect investors from severe market declines. However, in an up market or sideways market, they may create drag on the portfolio. It's important to use them correctly and set the proper expectations with investors.

We believe one or all of the above vehicles can provide risk management for an investor. Through the case design process, advisors can personalize the risk management approach to meet the individual client's needs.

CHANGING THE CONVERSATION AND THE APPROACH

By shifting financial conversations to help clients focus on purpose and goals, our industry can help clients make more meaningful — and smarter — decisions about their money. We believe that utilizing a highly personalized approach that combines sound concepts and the right product mix is essential to helping clients focus on outcomes.

Clark Capital's Client-First Approach

Sources

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