

# Overcoming objections



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# The challenge

Objections are a part of every advisor's working life. Even highly successful advisors with strong and well-developed client relationships are likely to encounter them. Clients may not only question specific recommendations, but also the advisor's role, fees and other aspects of their practice. This can be especially true for advisors who have adopted a consultative approach to their practice and encourage an open dialogue with clients.

# The opportunity

Addressing client objections in a smart, thoughtful and proactive way lets your clients know that you understand and share their concerns. The important thing is to see the objection not as a disagreement but as an opportunity to deepen your relationship by enhancing your mutual understanding of the client's needs. An up-front, straightforward approach to addressing client concerns will reinforce the value of you and your practice and should help you in retaining and attracting assets.

# How Legg Mason can help

On the following pages, you'll find ideas to address many types of client objections — both those you are likely to hear at the onset of a new relationship and throughout the relationship. *Overcoming Objections* is one of many resources available from Legg Mason to help you manage your practice, evaluate your service offering and formulate a strong value proposition. For information about other modules, contact your Legg Mason sales representative.

# Getting past objections

The tone you set when you begin working with a client will determine the tenor of the conversations you have with them later on. Taking an up-front approach and anticipating their concerns can help reduce the number of objections you receive. However, even your most trusted clients may at some time have objections — some that you are prepared to address, and others that may require careful thought.

To successfully move past objections, treat them not as a “hard” obstacles but rather as “soft” concerns that signal a need for further clarification, explanation or assurance. The following approach will allow you to explore, validate and clarify different types of concerns so that you can ensure that your client is fully informed and comfortable with your role and the value you deliver.

- Clarify objections.** Ensure that you have understood the objection clearly by clarifying it. For example, if a client expressed an objection about not being able to hire money managers directly, you would restate the objection by saying, “So, if I understand you correctly, you would prefer to manage your own investments at this time?”
- Validate the client’s position.** Let them know you understand and empathize with the concern by validating it. If a client says he or she prefers to manage investments themselves, you can validate that point by saying, “I can understand how you would prefer to do that. Can you describe your process to me?”
- Maintain a two-way conversation.** As you explore your client’s objection, keep the conversation interactive by using open-ended questions to ensure you fully understand the client’s concern. For example, instead of saying, “Are you comfortable with your own asset allocation strategy,” ask, “Can you describe your asset allocation strategy?” “Can you tell me about the type of successes you have had with it?”
- Answer the objection.** After you feel comfortable that you fully understand the client’s concern, you can now address it. Make sure that your answer or explanation reverts back to the big picture, that is, the client’s investment strategy and goals. Using the objection from above for example, you can say, “As part of the fee-based process, I may be able to help you address some of the weaknesses you’ve experienced with your own strategy by helping you map out your goals and developing an investment strategy aligned with those goals and your unique financial situation.”
- Check in.** After responding to a concern or objection, check in to help ensure that the client understands how your response answers his or her own concern. An example would be, “Does that explanation make you feel more comfortable?”

# Types of objections

## At the start of a new relationship

There's a kernel of truth in the old adage "You never get a second chance to make a first impression." If you are clear from the beginning that you are comfortable and confident talking through client questions, you set a tone of mutual respect that is helpful if a serious objection should arise down the road.

However, the most important step to take at the start is to explain your background, your practice, your services and your fees by clearly articulating your value proposition — a clear and realistic explanation of how you run your practice and serve your clients. This demonstrates your professionalism and helps to head off any future misunderstanding about the terms of your relationship — including your fees, your investment management process, wealth management services, service offering and any other services you provide.

## During the course of a relationship

You should return to your value proposition again and again during the course of your client relationship. It provides the essential framework for how you interact with clients, and a road map for future discussion. Of course, it is imperative that you consistently deliver on your value proposition over time. By doing so, you build client trust and lay the groundwork for constructive discussion of client objections, such as concerns regarding market performance, performance of investments and service expectations.

# Addressing client objections

Throughout the life of the relationship with your clients, you may be presented with a wide variety of objections. The following pages are a primer for some of the most common client objections, with sample responses for addressing them.

## Client objection: Fees

Client objection	Sample responses
<b>"I'm not comfortable with the fee."</b>	<ul style="list-style-type: none"><li>• Positioning your fees to existing and prospective clients is largely a matter of articulating your role, investment process and service offering. One way to position your practice (and in turn, the fees you charge) is as follows: "I am a wealth manager. My fee-based practice emphasizes personal client service combined with long-term investment planning. The fees that you pay in this relationship entitle you to the personal service that I will deliver consistently, regardless of performance or the market environment."</li><li>• To counter any initial objections, be up-front and forthcoming about fees. Your clients will appreciate a comprehensive and detailed discussion of what your fee comprises. Clients will generally not object to the fee you charge as long as you provide details of what the fee includes.</li><li>• As with any service, clients want to know that they are receiving value for services rendered.</li><li>• Discuss the topic in an environment of full disclosure.</li><li>• Say, "My fee is composed of the following services, which may include:<ul style="list-style-type: none"><li>a. Portfolio manager compensation</li><li>b. Custody and trading of account</li><li>c. My consulting services, including:<ul style="list-style-type: none"><li>– Goal setting</li><li>– Asset allocation (initial and ongoing)</li><li>– Establishment of, and ongoing review of, objectives</li><li>– Review and monitoring of investment vehicles</li><li>– Frequent assessment of risk tolerance</li><li>– Manager selection and monitoring</li><li>– Personalized services</li><li>– Wealth management services (i.e., business succession planning, charitable giving, intergenerational planning, estate planning, insurance, credit and lending, etc.)</li><li>– Transparency, i.e., comprehensive communications and performance reporting</li><li>– Ongoing communication and reviews</li><li>– My expertise, as well as my team's"</li></ul></li></ul></li></ul>

## Client objection: Investment process/manager selection process

Client objection	Sample responses
<p>“I like to manage my own investments.”</p>	<ul style="list-style-type: none"><li>• “Can you tell me a little more about your process? For example, do you have a buy or sell discipline?”</li><li>• “What is your asset allocation strategy?”</li><li>• (After client response):“That’s great. Can you tell me about some of the successes you’ve experienced?”</li><li>• Continue to probe the client on details of their strategy until you find a weakness in his or her approach. Then discuss the importance of the consultative process and how it relates to helping the client develop a customized strategy aligned to his or her goals and objectives. “As part of my discovery process with you, I may be able to address some of the weaknesses you’ve experienced with your own strategy by helping you map out your goals and objectives and developing an investment strategy aligned with those goals and your unique financial situation.”</li></ul>
<p>“How can I be sure you’re working in my best interests when choosing investment managers?”</p>	<ul style="list-style-type: none"><li>• “I have no bias toward any product or portfolio manager. My job is to offer sound choices aligned to your goals, along with my analysis and constant guidance.”</li><li>• Describe in detail the due diligence process you will use to select portfolio managers. If applicable, also reference your firm’s due diligence and research teams, including how they analyze and provide recommendations on investments.</li><li>• Articulate the criteria (including your firm’s research) you will use in continuously monitoring portfolio managers objectively.</li></ul>
<p>“I’ve heard ETFs are the way to go.”</p>	<ul style="list-style-type: none"><li>• “I agree that it may be appropriate to include those investments in your portfolio. Can you tell me what you know or understand about ETFs?”</li><li>• “Are you aware that the strategies of ETFs are not designed to beat the benchmark, only match it? Furthermore, I do not think a portfolio composed of index funds may be suitable, based on your risk tolerance and objectives.”</li><li>• “The strategies of ETFs may or may not be appropriate for your portfolio, depending on your goals, time horizon and risk tolerance. I will work with you to develop a customized investment strategy — which may or may not include ETFs — that meets your needs and objectives.”</li></ul>

Important note: Always consider client objections carefully before responding to any objections, in case there is indeed a legitimate reason for their objection(s). Please consult with your firm’s Compliance Department or manager before using any investment tools or materials, to ensure they are approved for use with clients.

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Client objection	Sample responses
<p>“I can directly hire my own money managers.”</p>	<ul style="list-style-type: none"> <li>• If appropriate, address minimums required to work directly with managers.</li> <li>• “I conduct a thorough due diligence process to select and evaluate investment managers, e.g., monitoring performance relative to peers or industry benchmark. My firm conducts an additional due diligence process as well.”</li> <li>• Focus on your value. “My role is to work with you to help you set goals and develop a customized investment strategy that will lead you toward those goals; when you work directly with managers, you would not have access to my services.”</li> <li>• “Selecting the appropriate investment managers and vehicles is an important part of the consultative process, but so is the development of a customized asset allocation strategy, divided among various asset classes suited for your objectives, risk tolerance and time horizon (e.g., stocks, bonds, cash and alternative investments).”</li> </ul>
<p>“I already have access to professional money managers through mutual fund investments.”</p>	<p>“That may be true. However, the difference is that when you work with me, I offer you a comprehensive, customized investment strategy tailored to all of your personal goals and objectives. I can also work with your tax professional to construct an investment portfolio that may allow for tax management flexibility.<sup>1</sup> Also, with a fee-based account, you not only have access to a wide range of investments (such as separately managed accounts, alternatives, exchange-traded funds and individual securities, in addition to mutual funds), but you also receive more detailed information on your account performance, trading activity, asset mix and the value of your investments, as well as the progress you are making toward your goals. This information (some of which you may already receive from your mutual fund company) is communicated to you through quarterly performance reports, online portfolio information, monthly investment commentaries and other communications.”</p>
<p>“I am invested in a variety of mutual funds that meet my goals and objectives.”</p>	<p>“As your financial advisor, I can go one step further and review your overall portfolio, your goals, time horizon and risk tolerance. In fact, as part of the goal-setting process, I will work with you to uncover your short- and long-term financial goals to develop a single, customized investment strategy — which may or may not include mutual funds — that aligns with those goals.”</p>

<sup>1</sup> Please see back cover for important tax information.  
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## Client objection: Planning process

Client objection	Sample responses
<p>“In your proposal, you indicate that I should reduce my holding in my company stock. I am loyal to my company and I think it would not look good to reduce my holding in my company stock.”</p>	<ul style="list-style-type: none"><li>• If you use portfolio analytic tools as part of your planning process, take the opportunity to educate your client on the benefits of diversification in reaching stated goals using stories from recent headlines (i.e., Bear Stearns, Lehman Brothers) to explain this.*</li><li>• “Based on the probability analysis we have provided to you, we strongly recommend that you reduce your allocation to your company’s stock in order for you to successfully reach the goals you have set for your retirement (or other financial goal(s)). While I respect and understand the loyalty you have for your company, I am concerned that if you do not adjust your holding, you may not reach your goals and/or you may take on more risk than I think you are comfortable with. A properly diversified portfolio may provide you with lower risk and volatility while helping you achieve your goals.”</li></ul> <p>*Please note that diversification does not assure a profit or protect against a loss.</p>
<p>“I am uncomfortable with the allocation you propose for my retirement assets. I don’t think it is aggressive enough to reach the goals I have set for my retirement.”</p>	<ul style="list-style-type: none"><li>• Use this opportunity to discuss your client’s tolerance for risk. A portfolio with a high allocation to more aggressive investments carries more risk than your client may be comfortable with. If you used portfolio analytic tools, this is also a good time to show different scenarios based on a portfolio composed of a higher allocation of “aggressive” assets.</li><li>• “Based on the allocation I propose, you will be in a good position to reach your goals with a level of risk with which I am confident you will be comfortable.”</li><li>• Reopen a dialogue about risk tolerance by asking the following questions:<ul style="list-style-type: none"><li>– If your account was to drop 20% in value due to market fluctuations, would you: a) buy more; b) hold; c) sell?</li><li>– If your account was to drop 50% in value due to market fluctuations, would you: a) buy more; b) hold; c) sell?</li></ul></li></ul>
<p>“I am uncomfortable with the allocation to equities/ fixed income/cash/other investments that you propose I include in my portfolio.”</p>	<ul style="list-style-type: none"><li>• “What specifically about the proposed asset allocation concerns you? Do you object to the percentage of your portfolio that is in equities? Do you object to the percentage of your portfolio that is in fixed income, cash and other investments?”<ul style="list-style-type: none"><li>– If the client is concerned about the allocation to equities (for instance, they may be concerned about market performance, and the risks), say: “While I understand your concern regarding the proposed allocation to equities, in order for you to reach your specified goals for retirement, you need to have a certain portion of your portfolio invested in stocks. Research has shown that an allocation to equities can be effective in obtaining long-term goals. Furthermore, the proposed allocation to equities is in line with your risk tolerance.”</li><li>– If a client is concerned about the allocation to fixed income (for instance, they may not think they need an allocation to fixed income), say: “An allocation to fixed income not only can help you attain your goals, but can also help reduce overall portfolio volatility. Based on your risk tolerance, this reduced volatility should make you more comfortable during certain periods of market turbulence.”</li></ul></li><li>• Please note that you should have a thorough understanding of your client’s goals and risk tolerance before recommending investments. Your clients should also have an understanding of the associated risks of all proposed investments before investing. Please also remind clients that of course, past performance is no guarantee of future results.</li><li>• Some of your clients may have concerns related to certain social issues. Gain an understanding of these issues before you propose an asset allocation strategy.</li></ul>

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## Client objection: Planning process (continued)

Client objection	Sample responses
<p>“My children will receive a scholarship to college. I do not need to plan for their higher education expenses.”</p>	<p>“Tell me more about that. What would happen if for some reason they didn’t get a scholarship? Even with a scholarship, there may be costs associated with higher education, such as books, fees and housing expenses. There are options, such as 529 college savings plans, that may help fund those expenses and provide you with tax benefits with certain restrictions.”</p> <p>Important note: When discussing 529 college savings plans with clients, please make sure that they carefully consider a plan’s investment objectives, risks, charges and expenses before investing. Please also provide them with a copy of the plan’s Program Disclosure Statement, which contains more information that should be read carefully before investing. Before investing, your clients should also consider whether their or their beneficiary’s home state offers a 529 plan that provides state tax benefits and other benefits only available to investments in that plan.</p>

## Client objection: Market performance

Client objection	Sample responses
<p>“I don’t want to pay fees when I’ve lost money.”</p>	<ul style="list-style-type: none"><li>• “It’s during periods of market volatility that I earn your trust and demonstrate my value. In addition to helping make sense of what is going on, I will help you manage your expectations and keep your investment strategy on track.”</li><li>• Stress the importance of client reviews. Say, “In addition to reassessing your goals, we’ll go over your investment performance and ensure that your investment strategy is appropriately aligned with your goals and objectives.”</li><li>• “One of the most important aspects of developing a customized investment strategy is the ability to modify or adapt it at any time. In fact, my role is to help you stay informed and make recommended adjustments to your program, if necessary.”</li><li>• Put performance in perspective. Say, “An important part of the consulting process is setting goals and objectives...when we go through the process of setting your goals, you’ll find that it is about more than just seeking maximum performance. It is about establishing a strategy that will help you achieve your goals — be they long-term in nature or shorter-term.”</li></ul>
<p>“The market has been going down. I don’t think this is a good time to transition to a fee-based relationship.”</p>	<ul style="list-style-type: none"><li>• Focus on your value as well as the value of the process, “Whether markets go up or down, my role as your financial advisor is to provide consistent value to you by developing an investment strategy that will help lead you to your goals and objectives and keep your strategy on track throughout all types of markets.”</li><li>• “The manner in which we structure your portfolio, select investment managers and investment vehicles, and tailor asset allocation is designed to help you potentially ride out the market’s rough periods.”</li></ul>

## Client objection: Product/manager performance

Client objection	Sample responses
<p>“The market is doing well, but some of my investments are underperforming.”</p>	<p>“With a professionally managed investment, there may be periods when your investments may underperform the ‘market.’ What are important are the goals you have set for yourself — those goals are the benchmarks on which you should remain focused. Based on your benchmark, I remain confident that your investments are providing you with the performance you need to achieve your goals.”</p>
<p>“I have heard that xyz product offers better returns/more international exposure/less volatile returns than the product I am presently invested in. Can you explain why you have me invested in this product and not xyz product?”</p>	<ul style="list-style-type: none"><li>• Use the opportunity to reiterate the investment strategy you have developed, the managers and vehicles you have chosen, and the rationales for those choices. Then discuss the product they are asking about and why it does not fit in the strategy or what you have chosen instead.</li><li>• “Based on the investment strategy we constructed, I do not think that product would be suitable for you.”</li><li>• Reasons could be:<ul style="list-style-type: none"><li>– Too volatile or not aggressive enough to help client achieve stated long-term goals</li><li>– Too much exposure in a particular asset class or sector</li></ul></li></ul>

## Client objection: Service expectations

Client objection	Sample responses
<p>“When I call regarding a question I have, I don’t always get to speak directly to you.”</p>	<p>“While I make every effort to be available to my clients each time they call, that is not always possible. I am supported by a highly credentialed team that shares my deep level of commitment to you.”</p>
<p>“Why do I have to get so much paperwork?”</p>	<ul style="list-style-type: none"><li>• With some investments (e.g., mutual funds), you generally cannot control the amount of paperwork and communications your clients will receive. Before this is raised as an objection, you should discuss with your client the types of paperwork and communications involved. However, there will be times when your clients object to the amount of paperwork and communications they receive — either from you, your firm, or the money manager(s) they have invested with. Your clients will appreciate providing clear answers to their objections/concerns. Your firm’s Compliance Department and product specialists may also be a resource as it relates to these types of objections. You should also make sure you are familiar with the paperless (i.e., online) delivery options available to your clients.</li></ul> <p>For example:</p> <p>“As a mutual fund shareholder, you are legally required to receive shareholder reports semiannually in addition to any communications — such as a change in a portfolio manager or a change in the fund’s investment strategy — from the mutual fund company.”</p> <p>“Our firm is required to send you a copy of a privacy notice each time they make a change to their privacy policy, or annually, whatever comes first.”</p>

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# Action steps

- Select a process for addressing objections. Use the guidelines and chart provided, or refer to them to develop your own approach.
- Refine your approach by practicing it with other advisors or professional peers. Solicit feedback.
- Rehearse and perfect your approach, and be prepared to use it during client meetings.

If you have any questions about developing your value proposition, please call the Legg Mason Sales Desk or your Legg Mason Sales Director.

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