

## WEALTH MANAGEMENT

## → FINANCIAL PLANNING

# TALKING SALES

Don't buy your insurance based on sales talk or relationship. Financial adviser David Choo tells us why we need to know the product and process.

**T**here is something unique in many salespeople which gives the sales profession a bad name. It is derogatively labelled "sales talk" and can be used to mean "no action, talk only", or "hype and smoke only". This ought not to be. Sales is such an important activity that really "nothing happens until a sale is made", if we leave out voluntary work and charity. We know that everyone who wants to bring another to his point of view needs to do some "selling". Taking this broad sweep, everyone is a salesman, including politicians, preachers and parents. The term "sales talk" is rather reserved for those who, in selling merchandise or services, are used to making their sales pitches very much like the animated "pasar malam" vendor selling "koyok".

My interest here is not to shotgun selling but to take a potshot at the oft-quoted claim of life insurance salespeople who sincerely believe that, if they can sell life insurance, they can sell anything else. That is, "life insurance is not bought but sold".

At face value, this statement can mean simply that life insurance is such a taboo subject that no one will initiate buying it, and you need a salesperson to sell it to him. This was true in the 1970s and 1980s when it was, indeed, taboo to mention death, and salespeople were taught several less offensive ways to convey the idea. But life insurance is no longer such a taboo subject today. Nevertheless, it still ranks high as a crowd disperser, or conversation killer, and it is still a challenge to sell life insurance. It is because of this that the term – "life insurance is not bought but sold" – still holds currency.

I think viewing life insurance selling as a challenge is fine, but resorting to "sales talk" as a primary means of selling insurance is unethical and unnecessary, and it will do the financial services and life insurance industry, in particular, a lot of good if there is less "sales talk" and more "walk the talk".

#### There are three reasons why sales talk has flourished thus far:

1. The consumer knows far less than the salesperson and does not know how to go about buying insurance.
2. The consumer depends unduly on relationship with the salesperson.
3. The consumer is not using competition enough to get the advice, product and service he deserves.

What can be done to help consumers do better in buying life insurance (and unit trust also)?

The present situation where financial advisers typically know much more than the typical consumer gives too much power to the advisers to indulge in "sales talk" only. The incidence of misselling is probably higher than reported because many consumers do not know that they have been missold in the first place. Consumers must, at least, know something of the subject and be able to evaluate the advisers' advice and recommendation. They can put the advisers on guard to do what is right by asking about three important matters.

#### STATUS OF THE ADVISER

The Financial Advisers Act (FAA) requires financial advisers to disclose the companies they can distribute for. Asking for this gives the consumers a clear idea of the status of the adviser, as job designation and titles can be misleading. The two most important things to determine are:

- Whether the adviser is a tied agent (represents one company only), an exempt FA, or licensed FA? Some exempt FAs represent one insurance company only.
- If the adviser is a licensed FA, whether he is independent or not. The FAA and its guidelines require all advisers to have a "reasonable basis" for recommending products. In the case of independent financial advisers, the FAA requires that the advice given and products recommended must be "fair and objective", which is a higher standard. (For more details on the differences between the different types of advisers, please refer to earlier articles available in our website.)

#### KNOWLEDGE OF THE PROCESS

Consumers must know whether the adviser does product peddling, product pushing, single-need selling, financial needs analysis, modular financial planning or comprehensive financial planning.

It will come as a surprise that product peddling and product pushing are still around today and may be found among advisers in insurance companies, banks and even financial adviser firms. This is because of the lack of knowledge on the part of the consumer and even the adviser (e.g. new ones, some still undergoing training). Product pushing is still highly effective and some product pushers are doing very well financially, but it is likely that many of these sales could be misselling.

Financial planning, while in principle the most sophisticated process, is still not in vogue because of the time and fees involved. Whichever process taken, consumers must take care that their objectives and needs are addressed by the advisers and that they get best advice and products. There are many instances where consumers have not made maximum use of their advisers' knowledge and experience because they do not want to spend the time required. For those deterred by fees, the good news is that many advisers do not charge fees but depend on commissions of products sold.

From my knowledge of the market, the majority of consumers would be adequately served by the advisers who are commissioned-based. Those with special needs that require expert advice from advisers will benefit from fee-based or fee-only adviser. But anecdotal evidence shows that many who have done so could have saved their money, as their circumstances and needs are not exceptional at all.

### KNOWLEDGE OF PRODUCTS, SOLUTIONS AND SERVICE

Consumers should be extra careful that the solutions and products they get are in their best interests and not the interest of the adviser.

How can they be sure of this?

They can ask for the commissions that the advisers receive for different products. This may be a factor, but there are some products that are best of class and also pay high commission.

Another way is to compare the products offered. Two advisers may recommend different products and from different companies also. Ask for reasons for their recommending these products and evaluate whether these are valid reasons. In comparing products, besides looking at the figures like premium (cost) and values (benefits), look also at terms, e.g. is the premium guaranteed or non-guaranteed (insurer can raise the premiums), is the benefit guaranteed or not, etc. Generally speaking, there is no “free lunch” and it is better to expect that the product provider is a hardnosed businessman, and it pays to examine product offerings. Never rely entirely on sales brochures, advertisements and gifts or discounts, because most of these are once off, whereas premiums are long-term. Be careful about things like interest (whether simple or compound), riders (most riders are good but you may be able to get these covers cheaper, e.g. medical, personal accident) and exclusions.

Never succumb to impulse buying, especially at the first interview. When checking out with another adviser, be careful about biasness, especially if the adviser consulted is a tied agent who only can sell one company’s product. Generally, it is better to check with an independent financial adviser, since he is under obligation to give fair and objective advice and product recommendation.

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### UNDUE DEPENDENCE ON RELATIONSHIP

Many surveys have shown that people choose their financial advisers based on relationship more than any other factor. This is fine because it is easier and more comfortable to talk to people we know, about money and personal matters. However, consumers should pay heed to whether the adviser, whom he knows, is able to take care of his interests best. Familiarity with the adviser should not cause the consumer to lower his guard, which may encourage the adviser to take things easy and presume on friendship opening all doors. Some consumers prefer to work with strangers, who are referred to them, because they find that they can be more objective and demanding of the adviser. The best situation is to continue to deal with friends, but insist on a professional relationship and require the adviser to deliver in terms of best advice, best products and best service.

### USE COMPETITION

Savvy buyers learn to put salespeople on edge and often pit one against the other. Competition almost always works for the good of clients. Calling for quotations and tenders is standard procedure practiced by companies. Individuals can benefit from this also. But from whom you call quotes is important. We have heard of dummy quotes and fixed quotes that fraudsters

call just to give the semblance of competition. Consumers who call quotes from incompetent and uncompetitive suppliers will not benefit from competition. I would advise everyone to consult at least two financial advisers to obtain the best from them. If your present adviser is a tied agent, or from a bank, your alternative should be an independent financial adviser so that you can widen your access to the product and information market. If your present adviser is an independent financial adviser (IFA), choose another IFA whom you think is more qualified and competent. If your present adviser is a relation or friend, you may want to choose a friend or an adviser referred by a trusted friend. If you are presently insured with one insurance company, it is better to consult an adviser from another company, or better still an IFA who is able to show you what other insurance companies have to offer, for diversification and also better competition. As a general rule, never buy (or be sold) on emotion. Be especially cautious about sales approaches that work more on your emotions than on your intellect or rationality. Be on guard when there are freebies and discounts or rebates. Even if these are genuine, they may mask the shortcomings of the product.

As you encourage competition, the sales tactics of each adviser may differ. Be on guard against those who resort to high-pressure tactics. It is unfortunate that life insurance salespeople have generally gained a reputation for hard selling. Faced with this, consumers have to be firm and decide to buy, rather than be sold. Financial investments and insurance are long-term in nature and it pays to be deliberate. It is usually the product pushers (whether in insurance companies, banks, or financial adviser firms) who adopt high-pressure tactics. Those who adopt a needs-based or financial planning approach would first do a thorough fact-find before they begin talking about advice and product solution.

Enthusiasm and persistence are virtues and no salesperson would do well if they are not enthusiastic and persistent. But these virtues, misapplied, become sales talk and high-pressure selling. It is time advisers live up to their title and provide advice and solution, rather than sales talk because of the outmoded adage “life insurance is not bought but sold”. **SI**



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