



Why Cultural Competency is Key to Your Value Proposition

For today's financial professional, it's critical to understand cultural differences to establish trust with clients and prospects.



Marquette Payton, CRPS® , CDFP® Retirement Director, Defined Contribution and Wealth Advisor Services for Janus Henderson Investors explains why it's critical for today's financial professionals to recognize and understand cultural differences to establish trust with clients and prospects.

Think about all the different types of people you come across as you go about your daily life. Because they all have different cultural backgrounds and identities, each individual is going to have a unique story. These stories translate into different goals and dreams when it comes to managing finances.

Why does this matter? And more specifically, why does this matter to you as a financial professional? For starters, consider the fact that, according to Forbes, "there are 131 million multicultural Americans, making up 37.5% of the U.S. population, and these multicultural Americans have a lot of buying power."¹ If you didn't find that statistic surprising, consider this: In their 2021 Multicultural Economy Report, the University of Georgia's Selig Center for Economic Growth found that the buying power for African American, Asian American, Native American and Hispanic consumers has exploded over the past 30 years, from \$671 billion in 1990 to \$4.9 trillion in 2020.²

Clearly, multicultural Americans represent a substantial and rapidly growing proportion of the country's consumer spending power. And yet studies indicate a lack of awareness and confidence among these groups when it comes to investing – a problem the financial industry could address through increased education and proactive outreach. So, I would ask, do you feel prepared to connect with culturally diverse clients? If you're unsure or hadn't given it much thought, I hope you'll continue reading for some ideas on how you can bridge the cultural gap.³

The Importance of Understanding Different Values

While investors' financial goals – accumulating, saving and investing assets, broadly speaking – may not vary all that widely from person to person, there is great variety in terms of what they value most.

For example, we often think of retirement planning as being a high priority for clients, but that isn't the case for everyone. Growing up in a Hispanic family, a priority for many members of my family is to take care of each other. In fact, research shows that many Hispanics think of finances as a broader family endeavor. Other cultures may place an emphasis on religion, while for others, the most important goal may be giving back to the community. Financial professionals who don't take these sort of dynamics into account will give clients the impression that they don't understand what's important to them – which means the relationship will likely never get off the ground.⁴

You may be feeling as though you need to become an expert in all cultures to attract and work with multicultural clients, but that isn't the case. Instead, your goal should be to develop *cultural competency*. I have some ideas on where to get started on that front, but first, let's define what cultural competence even means. According to the National Association of Social Workers, cultural competency is "The ability to act on understanding of specific cultural, language, social and economic nuances of particular people and families."

With this definition in mind, let's discuss some steps you can take to develop this critical skill set.

Reflect on Your Own Culture First

Before we can understand someone else's culture, we need to take a step back and truly understand our own culture first, because that's what shapes our worldview. This gives us the ability to compare different cultures with our own and better understand the differences.

Unconsciously, we bring our own cultural frame of mind and past experiences to any given situation. This is not to say culture alone determines how someone views a situation; each person's history and personality also play an important role, but culture tends to have the biggest influence on one's perceptions. For example, I'm sometimes told that I speak English very well; however, English is my first language. Some people just assume that Spanish is my first language because of the way I look, and that's OK; I understand that their worldview has shaped this perception. But this is particularly important for financial professionals because a person's worldview is tightly entwined with how they think about money. As such, it can have a strong bearing on whether someone wants to form a relationship with you as their financial professional.

Practice Building Cultural Competence

Once you have taken the time to understand your own worldview, you can practice building cultural competence. A good place to start is by making a conscious decision to establish friendships with people from other cultures. There are forces in society that can separate us from one another, so building friendships with people from other cultures is a great way to overcome these societal forces.

Keep in mind that you are already skilled at asking clients questions. And these are often very personal questions related to their family situation, fears and insecurities, and even mortality. So hopefully it won't feel too intimidating to also ask questions about a client's cultural identity, customs and views. This also happens to be a great way to build cultural competence.

For the most part, people appreciate when they are asked questions about their culture. And if we are thoughtful and sincere about the questions we ask, most people will be more than happy to provide you with a wealth of information about their background – an exchange of information that will help build trust.

Take Time to Educate Yourself

Reading books and listening to podcasts about different cultures and histories can also make you come across as more informed and authentic, and it shows that you care enough to take the time to educate yourself. Having this background information will also make it easier to ask the right questions. Remember, you don't have to be an expert on someone's culture to get to know them or to ask questions. Of course, people who are themselves from a certain culture are usually the best experts but making an effort to do even a small amount of learning on your own can be a huge step forward.

Listen to Their Stories

Storytelling can also be very powerful. If you get an opportunity to hear someone tell you their life story firsthand, you can learn a lot and build a strong relationship at the same time. Every person has an important story to tell, and each person's story is going to provide you with information about their culture. Through listening to people's stories, we can get a better understanding of what their lives are like, which will put you in the driver's seat of being able to put together a uniquely tailored financial plan.

Action Steps

Once you have reflected on your cultural worldview and practiced building cultural competence, you are ready to put some of that work into action. A good next step is to consider your team's cultural makeup. Having a multicultural team communicates to clients that you care about diversity. Remember that everyone has a cultural background and worldview – including you. When you have different points of view represented in your practice, it provides the variety of backgrounds and skill sets necessary to meet the needs of a variety of clients. In fact, the Certified Financial Planner Board of Standards points to numerous studies conducted within the last five years that demonstrate how stronger diversity leads to stronger sales revenue, customer growth, greater market share and higher profit levels.⁵

The look and feel of your website also communicates cultural competency. Who is featured in the images and videos that are displayed? How do you communicate that you value diversity in your practice's vision and mission statement? What words did you choose to use, and do they communicate that you welcome people from a variety of backgrounds?

You can also partner with organizations that support multicultural groups, such as your local Chamber of Commerce and groups for minority entrepreneurs, among others. A quick search online will show you which organizations are in your community. Volunteering at these organizations is a great way to network and show your support.

As the world becomes more and more diverse, so will your clients. But as you recognize and appreciate the distinctions among us, remember that in the end, people just want to work with someone who understands them and cares enough about their unique needs to help them achieve their goals and dreams. That understanding is at the heart of the value you provide to your clients as a trusted financial professional.

1 - "How the U.S. Hispanic Market Is Changing This Year." Forbes, January 25, 2019.

2 - "Consumer buying power is more diverse than ever." UGA Today, August 11, 2021.

3 - "Recommendations regarding Minority and Underserved Inclusion in Investment and Financial Services." SEC Investor Advisory Committee, Sept. 2020.

4 - R. Paulino. "The Hispanic Community's Connection to Financial Security." The Financial Clinic, 2017.

5 - "Why Diversity Matters." CFP Board, Center for Financial Planning, November 2019.

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