

Financial Advisor Magazine

March 2009 issue

Taking Your Client's Pulse

A new study says they don't blame you for the market crash, but you need to sit down with them and confront the damage.

By Mitch Anthony

For all the number crunchers and “algebrafiles” reading, I want to point out that the only two numbers that matter at this moment are pulse rate and blood pressure. Have you collected those numbers from your clients? And, more important, have you played a significant role in lowering both?

Taking these measures will not require a stethoscope or a blood pressure monitor. You'll simply need to pack your investment philosophy, your intuition and an injection of hope.

We are now living in a time where you will have to begin majoring in subjects that used to be minors and vice versa. The role of the advisor is morphing from the left-brain functions of analyzing, projecting numbers and simulating to the right-brain functions of philosophizing, being personal and inspiring hope and faith. Hope for a more informed financial tomorrow and faith in principles that stand the tests of time and turmoil.

The need for you to evolve as an advisor has been made clear in a study conducted by Van Kampen Consulting and Luntz, Maslansky Strategic Research. Van Kampen's Scott West, who designed the study, said that the researchers were interested in finding out exactly how much damage was done to the advisor/client relationship in 2008. They were wondering, from a fund manager's point of view, what it would take to get people to invest again through a local advisor.

They assembled focus groups in both Denver and New York. The groups had average investable assets of \$250K, and half the subjects were 50 years of age or older. The participants were asked how the events had affected their relationships with their advisors and how much they blamed them for the current market trouble.

“Within 30 minutes in the Denver study group, it was apparent that every one of these clients was giving their advisor a free pass,” says West. “At first, we thought maybe it was the altitude in Colorado, but the same sentiment was expressed at sea level in New York as well.”

West said the sentiment was unanimous among clients, who saw the institutions, not advisors, as being culpable. One of the remarks was: “I can't fault my advisor for having bad information when the information they were given was flawed.”

“The problem right now is not the client,” West says. “It's the advisor. If you're paralyzed with feelings of shame, embarrassment and disappointment, you need to pick up the phone, get in your car and get face-to-face with every client.”

The participants were very specific in their recommendations for their financial caregivers. The clients devised specific instructions on how to take their pulse and help lower their blood pressure. Here are their recommendations:

- Be proactive (like you've never been before);
- Get personal (know what's changed for the client); and
- Stay positive (they need that from you right now).

Those feelings were echoed in another interview Van Kampen conducted with select advisors managing more than \$1 billion in assets.

One of these subjects said that a proactive strategy alone helped her attract an influx of more than \$150 million in assets since December 1, 2008. People were so blown away by her assertiveness in confronting last year's economic damage, misinformation and discouragement that they began to send her scores of clients whose advisors lacked similar motivation.

Another \$1 billion advisor said that he went on an eight-week “planes, trains and automobiles tour” to sit down face-to-face with every one of his clients. He didn't prioritize them by the amount of money they had but by whether they were approaching retirement, already in retirement or possessed of a 529 plan.

One of the advisors referred to this proactive strategy as “communications triage.” And an advisor had best bring a sense of urgency when he reaches out in this way. The study showed that the clients had a grace period available for the conversation, but the longer the advisor waited, the less likely the window of grace was left open.

The successful conversation with these clients often requires reflection. One advisor created an investment philosophy statement that he reviewed with each client, saying a planner could otherwise be in trouble if he could not bring his clients back to the basic tenets the relationship was founded on. It is critical for advisors to know their philosophy is sound and does not change because companies and individuals act imprudently.

Once you have covered the philosophical you must then uncover the personal. One simple question will suffice: “Is there anything going on in your financial situation that we need to talk about?” And be careful with the pronouns you choose. When you talk about how much was lost, say how much “we” lost, rather than telling them how much they lost.

The final piece of advice the clients in the survey offered was that their advisors should stay positive. They had no interest in seeing confusion and hand-wringing or hearing “brand-new” ideas from their advisors. Nor did they want their advisors to show false bravado and blind optimism without acknowledging the devastation. But the clients often mentioned that the best advice they had heard was to “stay the course”—which makes perfect sense if you have just finished reviewing your investment principles.

And when advisors do acknowledge the damage, they should stress that the situation is not unique. It is only different by virtue of magnitude and severity, but we have seen problems of this nature before. This isn't the first time people have overleveraged debt, overspent, failed to understand investments or chased “easy” money. These are age-old problems, and it's not our first, or last, experience with them. The notes may be a little different this time around, but we recognize the music. Or as Mark Twain put it, “History doesn't repeat itself, but it rhymes.” There is hope in that thought.

West said, “I know it's cold right now and we're buried in snow. Just as we all know that there will be more job losses and discouraging economic stories to come, our clients want to know that spring is coming. They want to know that it's getting lighter later in the day and that buds will appear once again.”

Clients said as much. They want to talk—now. They don't want to see a deer in the headlights but a light at the end of the tunnel. Now, more than ever, advisors must remain bullish on communication and positive on life.

The most positive thing you can do is get in front of your clients. Get to know their stories and leave them with a philosophy that is inspiring. You will leave them in a calmer state, with a lowered heart rate and with confidence that they have the right advisor.

And remember, by taking their pulse ... you will lower your own.

©2008 Mitch Anthony. All rights reserved. Mitch is the president of the Financial Life Planning Institute and Advisor Insights Inc. He is an industry leader in training advisors on building life-centered relationships. His numerous books include The New Retirementality and Your Clients for Life. He can be reached at mitch@mitchanthony.com.

