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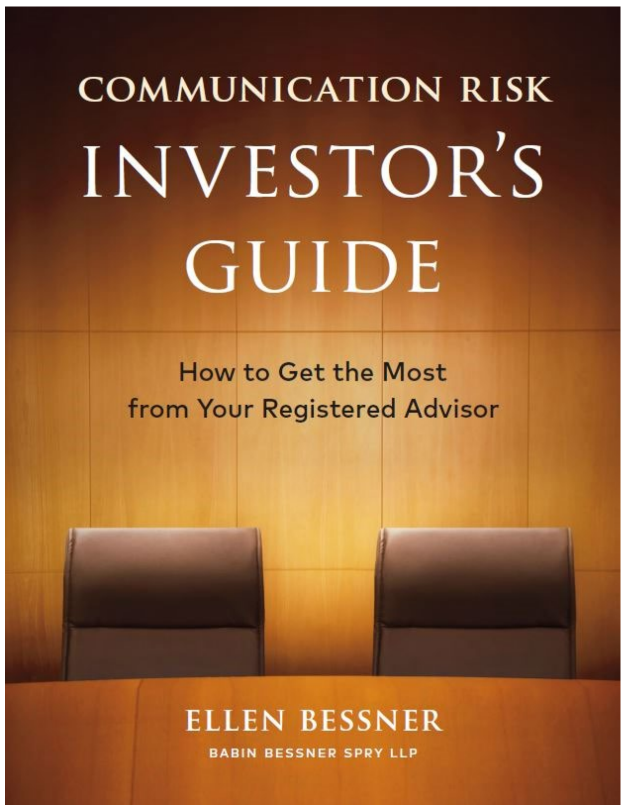

Set your client-advisor relationships up for success

Teach clients to meet you halfway — here's how

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How to set your client-advisor relationship up for success may seem like a strange topic for a litigation lawyer who has seen the results of relationships gone bad, when the client is dissatisfied, issues complaints to the dealer and regulator, and sues in court.

However, from years of defending advisors against their own clients, I know a way to reduce the risk of such problems, and, further, a way to show clients how to get the most from you.

It may sound simple, but the way is through clear communication (see my book *Communication Risk: How to Bridge the Client-Advisor Gap to Protect and Grow Your Business*). The complexity arises due to the single fact that relationships are a two-way street. How do advisors teach their clients to meet them halfway to ensure clients get the most from the relationship?

I have written mountains of materials to help advisors communicate better with their clients (hone their listening skills and ask big fat questions, listening to the answers to develop a bond with the client as a segue to learning more about them). But we also need to teach your clients.

While many clients think the only reason to hire an advisor is to get better returns, they need to realize that the other significant benefit is to help with setting goals. Advisors provide this help by understanding clients and analyzing and articulating what is and isn't attainable. Further, advisors provide great value by steering clients through market shifts, helping them stick to their plans in good times and bad. Without an advisor, clients risk being overcome by fear and selling when markets fall.

The challenge for advisors is to gain their clients' confidence with clear and open communication about their understanding of each client. The better an advisor understands the client and articulates to them what they understand, the more confidence the client has that they are understood and that goals set and attained reflect their values.

Here's a three-step process, further explained in a guide you can give to your clients and prospective clients so that they can learn how to get the most from the client-advisor relationship:

Step 1. As a client, what do you want and expect?

Clients need to reflect on what they want from their relationship with an advisor and choose their advisor carefully. If they are looking to buy the latest hot stock, they might be better off using an online discount broker.

If, however, they want financial support and a partner to help them build a financial plan and choose a portfolio that is best suited for them to meet their goals, they should choose someone who has the appropriate approach, personality, competencies and credentials. While it's important for clients to interview a few advisors and choose someone with whom they feel comfortable, they should not compromise on the advisor's credentials.

Clients should determine how frequently they want to meet the advisor and whether to meet in-person or not, and then interview prospective advisors asking pertinent questions.

If the advisor makes the client feel uncomfortable about asking questions, that is a sign that the match may not be suitable. Advisors should tell their clients and prospects that they should feel perfectly comfortable asking all questions, and advisors should not react negatively to any questions asked.

Clients should also be frank about their portfolio size and the services they desire. This is because advisors need to be careful not to take every client, if they cannot service the client while adhering to all internal policies, regulations and laws. There are no regulatory exemptions associated with servicing smaller portfolios in either the Mutual Fund Dealers Association of Canada or the Investment Industry Regulatory Organization of Canada.

Finally, when advisors speak to prospects, they may want to make sure they understand the difference between a registered advisor, who is by law permitted to sell securities or insurance products, and one who is unregistered, and not so permitted. If the prospect is considering an unregistered person, the advisor will want to alert them and the regulator so that this unregistered individual is stopped in their tracks.

Step 2. Ask questions

Prospective clients looking for an advisor can ask the advisor several questions that will set them up for success:

What are you licensed to sell? If the client wants securities or insurance or both, they must find an advisor with those credentials and registrations.

- Can you supply a financial plan? This is especially important if the client needs tax planning.
- Have you worked with people like me before (age, vocation, etc.)?
- How are you compensated and how will that impact the portfolio?
- What resources do you provide? Do you do tax returns? How much access to you will I have? Will I deal mostly with your staff or rookies in the office?
- What logistics are associated with meetings? This is especially important if the client lives in a remote location or far from the advisor.
- What is your process to develop and meet my goals? (Advisors, you might want to start discussing this with existing clients if you haven't before.)

Step 3. Maintain the relationship

The final step for a client who, presumably, has done steps 1 and 2 and chosen an advisor is to develop and maintain good communication practices. This is critical to the long-term success of the relationship.

Part of good communication is to set reasonable and measurable goals, be committed to the plan that is set, and meet regularly with the advisor to ensure client changes are shared so that assumptions can be re-established, goals reset if necessary, and investments adjusted as required. All of this will keep the client on track to meet goals, especially as the client changes.

Further, clients should know that they are not to rush or be rushed through meetings. Taking the time necessary will ensure the client shares their values and details about their financial situation, their risk profile, objectives and other important know-your-client information. Taking enough time will also allow the advisor to keep a better paper trail of what is discussed.

It is key to take the time to cover what is required to update the advisor and reset the plan, if necessary. The less knowledgeable the client is about the markets, the longer the meeting might be to ensure the client has a sufficient level of understanding to ask questions about product features and costs, after the advisor explains them.

Silence is an indicator that the client does not understand. The quality of a client's questions is an indication of understanding and engagement. The better the client understands and the more engaged the client is, I believe, the less likely there will be a complaint down the road.

In conclusion, communication, including clarity and frequency, is key to a successful relationship between client and advisor, which is a two-way street. Clients need to meet advisors halfway by being transparent about their personal details. If this information is held back, advisors cannot possibly assess the client's goals or help plan for a successful future. Clients need to understand their own risk in the relationship and take responsibility for meeting you halfway.

I urge all advisors to take and use my guide. Feel free to give it to clients and prospects to help pave the way to better relationships while reducing the risk of client complaints. Good luck!

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