

Lessons from the Loss of a Multi-Million Dollar Account

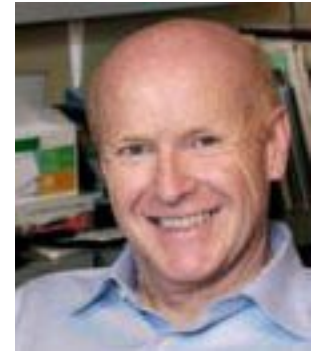
By Dan Richards*

April 14, 2009

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives

Last week, I had a conversation that showed the price advisors pay for lack of attention to detail.

A successful tech entrepreneur – let's call him Jeff – in his thirties started his company in the 1990s on a shoestring with little except vision and determination. With limited capital, he went through the typical tribulations of a start-up before developing momentum; last year he fulfilled every entrepreneur's dream and successfully sold his company to a large multinational.



About five years ago Jeff began working with a financial advisor from a mid-sized independent. A fellow CEO referred this advisor to Jeff, after Jeff decided to establish a corporate 401(k) plan for his firm. By the time of his company's sale, assets in the plan approached \$1 million and this advisor was also handling Jeff's personal accounts and those of his senior team.

Other Articles by Dan Richards

[Twelve Tips for Motivation in 2009](#)

[What to Say When You've Said It All](#)

[A Five-part Conversation to Rebuild Market Confidence](#)

[Three Myths of Market Underperformance](#)

[Twelve Pieces of Good News in the Gloom](#)

[Talking to Prospects about Last Year's Performance](#)

[The End of Prospecting](#)

[Becoming the Fall Back Advisor for High End Prospects](#)

[How to Consolidate Client Assets](#)

[The Pendulum Never Stops...](#)

Throughout their relationship, Jeff was frustrated by his advisor's lack of attention to detail and failure to be on top of things. On one occasion, they agreed to transfer a \$1,500 account at a bank – but someone this never happened. Another time, when meeting to conduct a portfolio review, the advisor forgot to include a significant non-registered account.

Sloppiness and lack of follow through became a growing problem and understandably undermined Jeff's confidence in the advisor – it also became an issue with the other senior members of his team working with this advisor.



Nevertheless, Jeff wanted to give his advisor every opportunity to shape up. A few months before the sale of his company, he made a point of taking him aside and informing him of the upcoming transaction – and told him that now was the time to step up his service level and demonstrate that the advisor really wanted to work with him.

In spite of this heads-up, there was no improvement in the level of service. As a result, shortly after the successful sale of this company, Jeff and a number of his colleagues were introduced by their financial advisor on the transaction to a contact at a bank-owned firm, where they ultimately moved their multi-million dollar accounts.

At no time had performance entered into this decision – it was purely and simply driven by the loss of confidence in this advisor's follow-up and attention to detail.

Advisors can learn three important lessons from this episode.

First, attention to detail and follow-through are crucial to building clients' confidence in you. It's essential to put systems in place to ensure that you execute on both the big and the little things.

Second, some clients will put up with a remarkable amount of frustration before they make the decision to pull the plug.

Sometimes it's because they are very patient and forgiving. Other times they are time-pressed entrepreneurs whose focus is on their business and who want to avoid the hassle of changing advisors.

Most often, however, clients hang in because of inertia.

They stay where they are because they fundamentally don't believe they'd be better served elsewhere. In many regards, this captures the sentiment of many clients today who are staying with their existing advisors – they aren't thrilled where they are, but aren't sure it's much better anywhere else.

Ultimately, though, if clients remain unhappy and only stay with you out of inertia, one of two things happens. In some cases, they will be approached by an advisor who taps into their discontent and gets them to move. In other instances, even the busiest and most forgiving clients will lose patience and start looking for alternatives.

The final lesson from this episode is the need, painful at times as it might be, to systematically solicit feedback on how clients really feel, so that you can address issues before they cost you the account.



You can't rely on your clients to be forthright in giving you the opportunity to rectify problems. Jeff truly went the extra mile to try to make the relationship work and to give his advisor every chance to remedy the problems.

Jeff was atypical in his candor. Rather than telling you they're unhappy, most discontented clients speak with their feet ... and advisors only discover that a serious problem exists after the account is lost.

In light of 2008 portfolio performance, it's imperative that you talk to clients about where they stand. You might lose clients even if you candidly discuss their investments – but chances are those clients were going to leave no matter what you did. Failing to have that conversation only increases the odds of seeing clients defect.

** Dan Richards conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries and to reach him, go to www.strategicimperatives.ca.*

www.advisorperspectives.com

For a free subscription to the Advisor Perspectives newsletter, visit:
<http://www.advisorperspectives.com/subscribers/subscribe.php>