

Overcoming a Key Barrier to Moving Accounts

By Dan Richards*

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Clients and prospects are more skeptical today than ever. They are worried about their financial institutions, their advisors, and the future of the economy.

Overcoming this skepticism is a critical challenge, and one of the toughest objections advisors face when attempting to get clients to move accounts is “I don’t want to lock in losses by selling my investments now.”



Sometimes this comes up when they first talk to a prospect on the phone, and on other occasions it arises during the initial meeting or when the advisor is presenting recommendations.

Here’s a step by step plan to use when a prospective client says “I don’t want to lock in losses.”

Start by validating the objection

Whenever a prospect raises an objection, they put their guard up because they expect that objection to be attacked.

Instead, respond by validating the objection, saying something like “I can absolutely relate to your concern. None of us likes the idea of locking in losses by selling when investments are beaten down.”

Responding in this way reduces tension and demonstrates that you share the investor’s concerns.

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Get the prospect talking

Your primary objective in any conversation with a prospect is to get them talking, learning as much about them in the process as you can.

It's especially important to unearth as much as you can about the concerns that investors have about moving. Selling investments at depressed levels may be only one of the barriers to making a change - and perhaps not even the largest obstacle.

Try to learn more by saying something like: "What other concerns do you have about the possibility of making a move?"

If you can't get a response, you could try something along the lines of: "In talking to other investors, one concern about moving advisors relates to the paperwork entailed and the possibility of tax records being misplaced. To what extent is this something that worries you?"

Or if you want to be a bit more aggressive, you could say something like: "Some investors I've talked to tell me that they're not sure they'll really be better off working with someone new. Is this something that concerns you?"

Let prospects know they won't be selling everything

Many investors are concerned that a new advisor will propose selling all of their investments as a matter of course in order to demonstrate how smart they are (and by implication how ill-advised the investor was in their choice of their previous advisor, or in their attempt to invest on their own.) As part of that, often investors fear that a new advisor will want to sell everything indiscriminately, regardless of the merit of these investments.

Deal with this up front by saying something like "It's unlikely that we'd be looking at selling everything you own."

If talking on the phone, you could say: "When we meet, I suggest we take a few minutes to talk about your objectives and goals as an investor and then go through your most recent statement so that we could talk about what might be the candidates to be replaced in light of that."

If you're meeting in person and you've already had the conversation about the client's objectives, you could say: "What I suggest is that I take a copy of your statement and that we schedule a time to sit down again later this week. Between now and then, I'll spend some time going through this in detail so that I can come back with specific



recommendations on the investments it makes sense to retain and those that are candidates to be replaced.”

Focus on the positives

If a prospect agrees, focus first on what you’d hang on to - and err on the side of keeping investments rather than replacing them.

Next, write down a list of the investments you’d sell and beside that list write down what you’d replace those investments with.

Then go through each investment you’d sell and talk about what you like about that investment and what you don’t like. After that, talk about the investments you’d recommend putting in place of those investments you think the prospect should sell.

The key is to move the prospect’s focus from the pain of selling investments that are down to the gain of the alternatives you’re suggesting.

Point out tax savings

If a prospect has a significant non-qualified portfolio, point out that they might recoup taxes by taking losses on investments that are down. You can offer to calculate how much they would get back - we all hate taxes, this can be a hot button.

Agree to maintain existing holdings for a period of time

If a prospect is still hesitant and a key reason for their unhappiness relates to poor communication last year, you could say: “I understand your concern about selling positions that are down. If you’re open to moving your portfolio over, we could agree to spend the first month developing a plan for you and spending some time ensuring that we’re on the same wavelength. Only after that would we look at making changes.”

Monitor how your portfolio would have done

Suppose you’ve gone through all of these steps and the prospect is still reluctant to make a move.

As a last resort, you could offer to set up two hypothetical portfolios for them - the one they own and the one you recommend. As part of that conversation, agree that you’ll be in touch about once a month, sending reports, revisiting how the two portfolios are doing, and answering any questions they might have.

Investor skepticism spiked as a result of the market events of the last year,,and that skepticism goes beyond their own financial advisor and financial institution. Investors



are skeptical about *all* financial advisors and *all* financial institutions. You need an approach to respond to statements like “I don’t want to lock in losses” that respects the level of anxiety many of today’s investors feel.

** 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.*

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