Lessons from a $1 Million Misunderstanding

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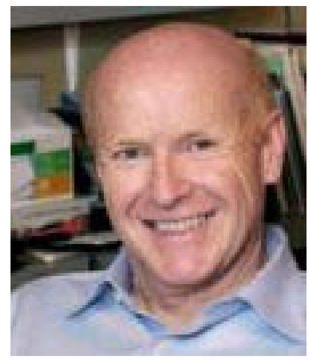

A recent conversation drove home how easy it is to cross wires when communicating with existing and prospective clients.

That conversation was with a good friend, a successful Toronto lawyer in his 60s who I've known for over 30 years. He has been managing his own money for the last while but markets over the past couple of years persuaded him he should look at working with a financial advisor.

He mentioned that he had sat down with one advisor (as it happens, someone I know quite well) for ninety minutes, had enjoyed their conversation and was leaning towards working with him.

In fact, he had agreed to a follow-up meeting the next week to talk about a specific plan.

This all fell apart at the very end of the meeting, as he became concerned about this advisor's strong emphasis on stocks of small mining companies ("Moose Pasture Mines" was how my friend described these stocks) that he saw as being too risky for someone in his sixties.

As a result, he had decided not to move forward with this advisor and had cancelled the follow-up meeting.

How this went wrong

Knowing the advisor, this didn't sound right. I called him, mentioned I knew the prospective client he'd talked to – and asked for his take on the conversation.

It turns out that he had thought the meeting went well and was baffled by my friend’s decision to cancel the follow up meeting.

In talking further, he said that he’d made an offhand comment that he'd successfully used a Canadian tax saving vehicle called flow-through shares (similar to limited partnerships in the US) to help some clients save taxes .... And yes, he had told my friend that these flow-throughs consisted of junior resource stocks.

Two important lessons

I ultimately got this advisor and my friend back together for a coffee to clear the air – and we identified the source of the misunderstanding.

When they met, the very last thing they'd talked was the flow-through share opportunity – by leaving this to the end of the meeting, this was what the prospective client walked away remembering.

There are two important lessons for advisors from this.

First, in structuring agendas for meetings with existing and prospective clients, be sure that you end on the right note – often advisors will leave the least important item to the end of the agenda and risk that being what the people you're talking to take away.

And second, you need to be sure to summarize what you've covered at the end of every meeting (and ideally recap this in a short email immediately afterwards.). You can't assume that people you meet with will remember all the things you discussed – you need to take two minutes at the conclusion to summarize the key points you talked about

You can never eliminate the chances of miscommunication – but you can reduce them.

One way to do that is to learn from what happened to this advisor.

Whether meeting with an existing or prospective client, be sure to end every meeting on a positive note that is consistent with your overall approach.

And having done that, take the time to summarize what you covered after meetings.

Those two things will significantly reduce the chances of an expensive misunderstanding.

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.clientinsights.ca.