

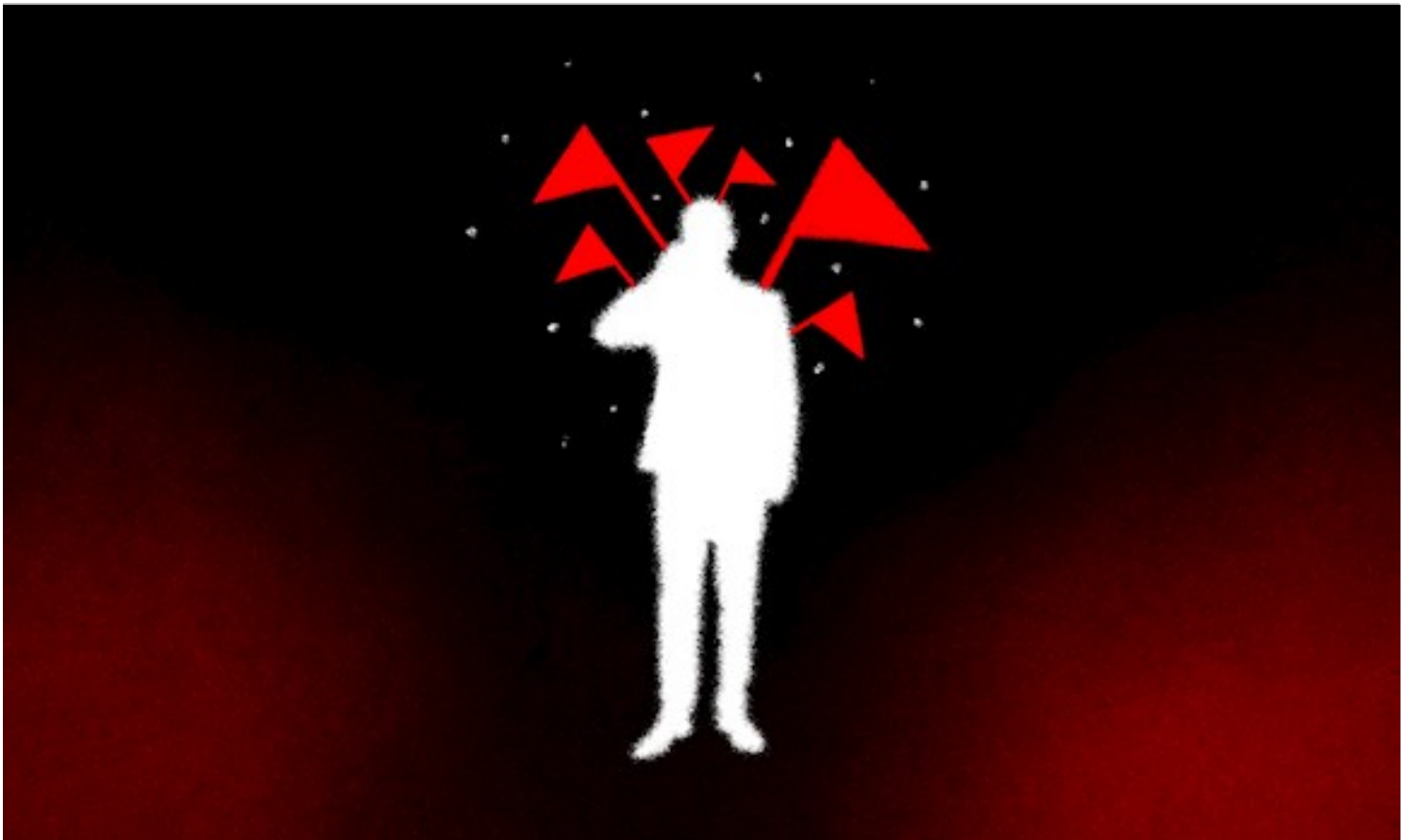
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PRACTICE MANAGEMENT

Red Flags Advisors Must Watch for to Avoid Insufferable Clients

“As you get older, you just don’t want that stress anymore.”

By David Sterman November 12, 2019



(Illustration by RIA Intel)

What’s one key difference between an up-and-coming advisor and an experienced one? Younger advisors likely have more than their fair share of emotionally draining clients, while veteran advisors rarely have to deal with such stress.

“Younger advisors are willing to overlook client nuances at this stage of their careers as opposed to a mature seasoned advisor,” says Islandia, NY-based advisor Richard Colarossi.

Trouble is, some of those clients can turn what should be an enjoyable process into a miserable one, leading to stomach churning and anxiety when prepping for meetings with them.

“As you get older, you just don’t want that stress anymore,” says Colarossi.

The good news: “With experience you can start to spot these kinds of problematic clients early on,” says Kash Ahmed, President of American Private Wealth, a Bedford, MA-based wealth management firm.

What are the key signs to look for? Colarossi notes that there are certain tells during the initial “get acquainted” consult: “I try to read their body language while I’m talking. If they are rolling their eyes, their body is twitching, or they seem somewhat combative, then that’s a problem.”

The advisor is especially turned off by potential clients that communicate in a seemingly hostile or aggressive manner.

Karl Leonard Hicks, who runs Riverside, CA-based The Leonard Financial Group, stresses that he’s not just reading a potential clients’ personality.

“For me, it’s really about the attitude they bring to the meeting,” he says. He recalls one client that consistently disparaged a sibling that co-shared the proceeds of a trust. That raised a red flag about how the client would likely communicate about their advisor/client relationship down the road.

Getting on the same page about what the planning process will accomplish is another key consideration.

“I greatly prefer to work with clients that appreciate from the start that I am here to help them meet all of their goals, not just deliver a certain level of market returns,” adds Hicks.

All of the advisors interviewed by *RIA Intel* shared a similar refrain. They prefer to work with clients that grow to feel like friends. As Colarossi notes, “my clients should be people I’m willing to have over for a Sunday barbecue.”

In fact, screening out potentially unpleasant or difficult clients is crucial if you are to enjoy your practice. “If a client is bringing you a lot of stress, then you are going to take that sense of stress home to your family,” says Ahmed.

Another helpful way to screen out potentially problematic clients is to learn about their past financial industry relationships. “I always ask what it was about those past experiences that led to disappointment for them” says Jeffrey Edwards, who runs Irvine, CA-based Atlas Financial Planning.

Let’s be clear, dealing with finances can create profound anxiety, especially in the early phases of a client relationship when financial uncertainty has yet to be addressed.

Hicks suggests advisors will likely never attain a truly stress-free practice, and that some meetings will always have the potential to induce anxiety.

I always ask myself, “is it my anxiety or theirs?”

“If it’s the client that has the anxiety, then I just need to be helpful and comforting in alleviating that,” he says, adding that “if it’s my anxiety, then there’s something amiss and I have to address the roots of that.” If an ongoing relationship remains stressful for the advisor, then it may be time to sever ties with that client.

Severing ties with existing clients, or declining to work with a potential new client, can be a fraught conversation. Newer advisors often have yet to develop the right ways to express that, for fear of being hurtful.

Hicks tells such clients that “I don’t think we offer the right services for you.” He notes that these clients may express confusion about what ultimately feels like rejection. But he adds, that there is rarely a lingering conversation after that.

Ahmed broke the news to one such client and says that the client had a fairly hostile reaction, which of course, all of us dread, but must accept as part of the planning communication process.

Yet he adds that it's crucial that advisors stick to what their gut tells them about a potential new client.

"It's so important for us to pre-emptively decide who is going to be a good fit," says Ahmed. Like some advisors, Ahmed's firm send out a pre-screening questionnaire before he meets with clients, "which can tell you a lot about what they are expecting from the planning process and why they are seeking advice now."

He flips the notion of advisors trying to make a good first impression on its head. "The client has to make the case of why I should work with them." Again, this is the kind of communication dynamic that newer advisors just don't yet know how to articulate.

Ultimately, advisors are here to help, and we are neglecting our duty to the public if we only choose to work with the most engaging, stress-free and enjoyable clients. While I count a few difficult clients in my practice, I also recognize that I am providing an important service to them, and they have already been turned away by other advisors.

Edwards accepts the challenge of taking on problematic clients. If they bring a certain level of tension to the meetings, he'll ask himself what's driving that? And when flare-ups occur, he looks to "acknowledge they are disappointed and explain how we'll avoid any miscommunication in the future."

Still, it's important to acknowledge in advance that certain clients will simply not be a good fit for your practice or will bring unneeded stress to your life. Minimizing the number of these clients will enable you to enjoy your practice for many years to come.

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