

Careful Consideration

MOST FINANCIAL ADVISORS, WHETHER they ply their trade at trust companies, work in investment advisory firms or own sole proprietorships, have an overriding impulse when they meet high-net-worth clients for the first time: They want to focus on investment management. That's understandable, since financial advisors are professionally conditioned to build portfolios and increase assets. And it would be the rare case when a client's objectives would *not* be well-served by good investment performance.

As seductive as that impulse is, though, the astute financial advisor also steps back and carefully identifies what his clients want to *do* with their wealth before making trades and reshaping portfolios. And that requires focusing on the long-term relationships.

In my experience, financial advisors who identify themselves as relationship managers accomplish more for clients and enjoy longer, more profitable service relationships than their more one-dimensional peers.

At your very first meeting with a client, your top priority should be to identify what

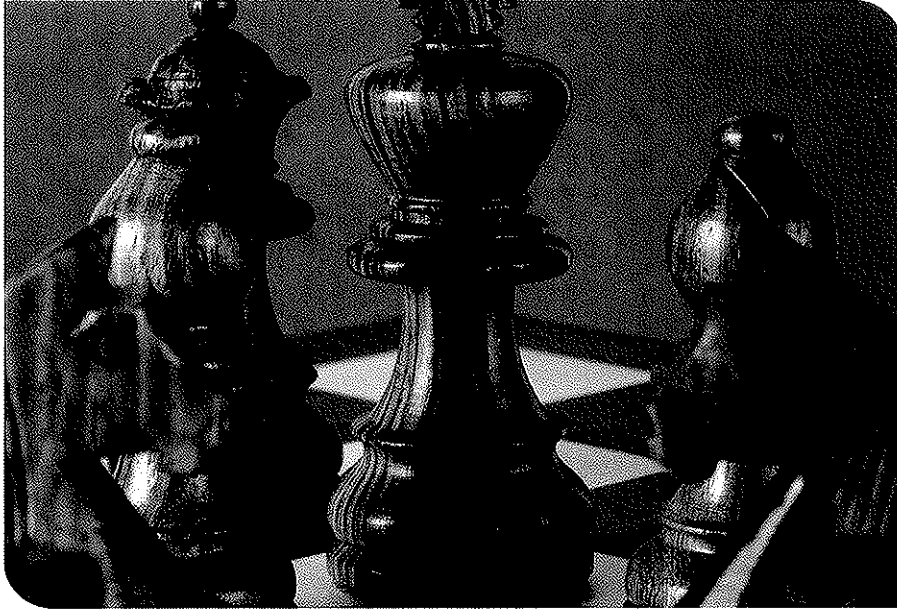
the client wants her portfolio to achieve. Does she want to pay for her descendants' education? Retire early? Fund her favorite charitable foundations? Does she want to do all of these things? It requires an investment of your time and effort to thoroughly understand these goals and objectives. And that requires your patience, persistence and commitment.

Most clients' goals are readily identifiable, yet the complexity of today's investment vehicles—perpetual trusts, asset protection planning, private foundations, etc.—often requires more time and effort than expected. The relationship manager must take a holistic approach, accounting for plan development, implementation and management during the life of the relationship.

It requires a lot of your time up front, but the upshot is that your clients will find profound satisfaction on many levels, and that will engender a durable relationship more likely to withstand the inevitable disappointments in the markets. One also hastens to note that clients who are happy for decades—and perhaps generations—are the best referral business.

Before discussing investments, an advisor should talk with clients about their goals and concentrate on how to build long-term relationships with them.

By Earl E. Watson III



INTEGRITY IS EVERYTHING AND THE CLIENT'S INTERESTS MUST COME BEFORE ANYTHING ELSE.

What this all entails is that you must get beyond the standard line of inquiry and attack the long-term goals from different perspectives. Instead of conducting rote question-and-answer sessions, you should establish a free and open dialogue. Ask the clients about their children and their circumstances. If you find out there are grandchildren, ask the clients if they face challenges with education expenses. Help them set up a 529 plan for the grandchildren, for example, or introduce an adult child to more favorable mortgage solutions. These ideas will help you become a trusted and caring advisor, as opposed to a mere number-cruncher. Over time, such an approach will foster a sense of confidence and trust, and the clients will see that you truly care about their needs.

Integrity is everything, and the client's interests must come before anything else. So successful relationship managers also understand that a carefully cultivated relationship, one that took years to establish, can be destroyed by a momentary lapse of judgment—if, for example, you were to share inappropriate client matters in the office or show lax control of sensitive mate-

rial. This might be even harder to control as the family branches off into new shoots. All it would take to destroy the entire multi-generation relationship is a casual and very innocent comment to one family member about another's financial decisions. You do not know who shares information with whom. So the importance of protecting any one individual's private information cannot be overstressed.

Breaching confidentiality is hardly the only way to jeopardize the relationship. There may be times when you find conflicts of interest among the client, the firm and yourself. The scenarios are endless and the conflict is often apparent only *after* the critical decision has already been made. In successful and healthy client relationships, the relationship manager will understand the need for occasional personal sacrifice.

For instance, one very common conflict of interest occurs when you must consider farming out a service to another person

instead of taking on the job yourself. The shortsighted advisor might allow a home team bias to creep into the process and recommend what is best for his firm and not necessarily what is best for the client. In many instances, this will not be readily obvious nor seriously affect the client's goal, but it's unacceptable even if it happens once. The relationship manager with the longer-term time horizon will understand instead that, in the end, all the parties' interests are much better served when the choice is based entirely and exclusively on what is right for the client and the client alone.

You must always pay close attention to details, recognizing and neutralizing threats and problems before they come to the client's attention. The captain and crew of an airliner are responsible for ensuring that passengers arrive at their destination comfortably and safely. Before and during flight, the captain and crew are constantly monitoring potential problems and taking appropriate actions to maintain the objectives. The relationship manager and her support staff play the same roles for clients. The clients will not necessarily be aware of the monitoring, testing and correcting; they simply rely on you to make sure they reach their destinations as they intended. If their goals become unachievable for some reason, we have a responsibility to tell them that and come up with alternatives for them.

In this age of online investing, when high-net-worth investors have sky-high expectations, you could hardly be blamed for wanting to plunge into the clients' portfolios and start picking stocks instead of doing people work. Even so, savvy relationship managers understand that the careful cultivation of close relationships with their clients will allow them to better carry out their clients' objectives and achieve their goals.

One suspects that the great poet Ralph Waldo Emerson wasn't thinking of relationship managers and their clients when he famously wrote, "Life is a journey, not a destination." Still, Emerson's words are as meaningful today as they were when he composed them. **FA**

Earl E. Watson III, a certified public accountant and personal financial planning specialist, is the CEO and president of North American Management Trust, a New Hampshire chartered trust company providing wealth management services to families, individuals, trusts and related entities. He can be reached at ewatson@namcorp.com.