

Are you communicating well with your investment advisor?



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Open communication between investors and advisors is important, because candor is a two-way street.

So says Charlotte B. Beyer in her recent book, *Wealth Management Unwrapped*. A 40 year veteran of Wall Street and working with private investors, Ms. Beyer tells us that “the professionals know only as much as you can tell them about your needs, desires and tolerance for risk.”

I agree 100%: the more that any advisor knows about a client, the better the job they can do for them. After

all, the ultimate objective of being an advisor is to help your clients achieve their goals.

Good communication is such a simple concept — why is it often so difficult to get it right? Well, my industry is in a difficult position right now: trust was lost in the financial crisis thanks to players like Bernie Madoff and the collapse of seemingly solid institutions like Lehman Brothers.

I interviewed Beyer last week and she told me that “unfortunately for investors that want to feel empowered, the default option is too often the DIY (do-it-yourself) approach to investing. But they still yearn for good advice that they can trust.”

Her book suggests that we could solve some of the trust problem by reforming the way advice is bought and sold. Disappointingly, that might be a long way off.

Too often, advisors talk at clients (“But enough about

me. Tell me what you think about me”) and too often clients offer pat input (“What can I say? I’m just looking for a good return with very little risk.”)

As Beyer told me, “It takes a lot of courage for advisors and investors to embrace the idea of having a much deeper dialogue. The EQ (emotional quotient) of the advisor’s job is enormous. And investors should clearly and honestly communicate with their wealth manager to make sure the relationship is working for both sides.”

Where to start? Beyer again: “Start with the purpose of your wealth. Why bother? Because the more your values align with the

values of your chosen advisor, the greater the likelihood of compatibility and success.”

Over the years, many investors and advisors have confided in Beyer about problems in their relationships.

What investors never tell advisors:

“I can’t understand — don’t even enjoy reading — the volume of reports you send.”

“I wish you would talk less and listen more. You are boring.”

“I spot it instantly when someone on the team is not well respected by colleagues; the team is not congenial. I wonder why you bother bringing this person to the meeting at all, unless it’s the boss!”



What advisors never tell investors:

“I lose sleep, too, when your portfolio is losing money.”

“I wish I were not required to use my firm’s back office for the reports we generate for you. Our technology is not so good.”

“My boss pressures me to sell you a number of products I don’t really believe in.”

According to Beyer, “I have seen it work for investors who dare to speak up or advisors who are bold enough to bring up a tricky subject. The result is often a truer understanding and a stronger bond. Honesty is not only the best policy, but also the absolute bedrock of every successful investor-advisor relationship.”

My favourite part of the book talks about tough markets and how when stocks are going down, you can wade into some pretty tense conversations in any investor-advisor relationship.

“Both investors and advisors can learn from an interesting study that suggests the highest duty of an advisor is to prevent a client from making rash decisions.”

This part really resonates with me. Although I am a CFA charter holder and I have now worked in the investment industry for 24 years, I am certain that my most important skill is my ability to communicate clearly and honestly.

One day in March of 2009 I received seven phone calls from very worried clients. As it turned out, this was the day before the market bottomed. It took a lot out of me but I managed to convince all seven to remain invested. After the market recovered and my clients thanked me, it was then that I realized I am a pretty good advisor.

As Beyer told me, “remember that the whole purpose of investing is to achieve your goals.” Are you comfortable with your advisor? If not, find one that you can talk to.