insurancenewsnet.com
Your industry. One source.™

SIX SIGNS CLIENTS HAVE OUTGROWN THEIR FINANCIAL ADVISORS

By: Brian O'Connell - April 17, 2019

Financial advisors have enough on their plate without looking over their shoulder at clients thinking about moving on to new advisory experiences.

But it happens when clients don't believe their advisor is keeping pace with their expanding financial picture.

"While some people in the retirement-planning stages worry about outliving their money, others have a different concern: that their money is outgrowing their investment advisor," said Eric Kearney, a money manager at South Florida-based Retirement Wealth. "It's not unusual for the size of the client's investment to increase well beyond their advisor's level of experience and knowledge."

Increasingly, Kearney added, high-net-worth individuals often demand more creative, sophisticated planning for their needs than their original advisor is able to provide.

Red Flags

So what are the warning signs that a client is thinking about moving on? Here are several red flags advisors should learn to recognize:

The client has an "outdated" portfolio. "A typical scenario sees someone continually growing their net worth, then later realizing that their portfolio never really changes," Kearney said. "The advisor is using the same approach over and over again.

By the time the client explores a second opinion, they can see they should have graduated from this very simple portfolio hundreds of thousands of dollars ago. That's usually when they realize they're in a fee-ridden portfolio."

The advisor is unaware of options. Many investors aren't aware of their full range of options, Kearney said, adding that their advisors often aren't either.

"If a client is never offered any new ideas or strategies, such as lowering their taxes, reducing their mortgage payment or being offered a long-term care alternative, that means the current advisor is probably stale, and they're not interested in offering you proactive type service," Kearney said.

There's a lack of consistency, especially on communication. "Wealthier clients with multiple financial pieces in motion notice when advisor contact is inconsistent," Kearney said. "There are a lot of people, even with multi-million dollar accounts, who think, 'Maybe my account is just not big enough for my advisor to pay attention to me."

Yet that's usually not true, he said. It's often just a matter of the advisor not having the right systems in place.

"It's important to for an advisor to have a team with a point-of-contact person whom the investor can reach any time," Kearney said.

There's little capacity to grow with their clients. If an advisor hasn't had any real experience with wealthier individuals, then they tend to hold back clients who started small and grew their wealth substantially, said Marc Labadie, Partner at CR Myers & Associates in Southfield, Mich.

"This is a relative concept that can occur on all levels of wealth," he said. "We all have 'sweet spots,' or ideal clients. They tend to be within a similar wealth range."

If an advisor's typical client has a net worth of $1 million to $2.5 million, "they may not be well equipped to work with a client whose net worth surpasses that range substantially," Labadie said.

The advisor has not achieved similar financial success. The idea of high-level executives, CEOs, and business owners taking financial advice from financial reps is "odd," Labadie said.

"Most wealthy people I know and work with want to deal with people who have achieved a similar level of success in their own business," he said. "People they can relate to and know are dealing with the same planning concepts and dollar amounts that they understand."

The advisor focuses too much on jargon. If the advisor has limited or no credentials, he or she may well concentrate the majority of client planning sessions discussing the market or particular positions in the portfolio, said Lou Cannataro, a wealth management advisor with the Northwestern Mutual Wealth Management Company in New York City.

"Quite often, the advisor will use an avalanche of industry jargon, market predictions and what they think is going to occur in the markets," Cannataro said. "But that's just a façade for an advisor whose planning acumen is paper thin."

This advisor's value approach when securing a new client may have been sold as "market sophistication."

"Yet once the client eventually understands that asset allocation and consistence are responsible for 90 percent of the returns, they begin to question their advisors about the real value of the relationship," he explained.

See It Forward

For clients on the fast path to upward financial mobility, the key is to ask the right questions before signing on. For advisors, the key is answering those questions knowledgably, and with a forward-looking vision.

"There comes a point when a client knows he or she has outgrown your advisor, but you don't want that to be too far down the road," Kearney said. "Before they get an advisor, or when looking for a new one, I think people really have to ask them, 'Who is your typical client? Do you match my needs? Do you deal with a certain range of net worth and have minimums?'

"People want to know if they're working with an advisor that really understands them."

Marc Labadie, previously with CR Myers, now partner at the R.O.W Group in Nashville, TN., is a financial services expert specializing in wealth transfer from one generation to the next. Marc has more than 15 years of proven experience helping clients accumulate, preserve and pass on wealth.

To contact Marc, call 615-250-7600 or email Marc@TheRowGroup.com