Client Retention: It's Not Always About Money

By David Lansky

David Lansky discusses why the advisor must address emotional and relationship issues in planning for individuals, closely held corporations and family owned businesses.

Reasonable people sometimes act unreasonably when it comes to money or business. They may refuse good advice from expert advisors, and accept bad advice from family or friends. They may appear immobilized when faced with what appears to be a clear-cut decision about managing their business; or they may view their financial situation in a way that seems completely at odds with objective reality. When clients behave in these ways, it is often because they are reacting to emotional or relationship dynamics that are not outwardly apparent. By correctly "diagnosing" the underlying dynamics, the astute financial advisor stands to benefit in a number of significant ways. In this article I will review cases drawn from my experience working with individuals, businesses and their advisors. These examples will illustrate how emotional or relationship dynamics often affect financial and business decisions. I will discuss strategies for understanding and dealing with these situations and I will explore the benefits to clients and their financial advisors in terms of added value and client retention.

Case Examples: It's Not Always About Money

It is important that financial advisors have an understanding of the role that emotional issues play in financial decisions, particularly when these decisions don't seem to make sense. By clarifying the issues that underlie a client's apparently "irrational" behavior, the behavior may seem less irrational. Indeed, one may begin to understand that to the client, the behavior is not irrational at all. When one understands the underlying psychology, the problem behavior often makes a great deal of sense. This facilitates commu-

David Lansky, Ph.D., President of Family Business Innovations, is a psychologist and family therapist who specializes in working with family-owned and closely held businesses. He may be contacted by phone at (847) 444-0705 or via e-mail at dlansky1@aol.com.

nication and trust in the client relationship and will lead to more productive and more extensive client engagements.

Example. An elderly woman was heavily invested in a single stock. Her advisor correctly believed that his client would be well served by diversifying her assets. In spite of his best efforts to convince her to do so, she repeatedly refused. He became increasingly aggravated; she became increasingly reluctant to talk with him. During a particularly frustrating conversation, she exclaimed, "Don't you understand, every time I think of this company, I see my great-grandfather's face. He founded the company that this one became. I can't sell!" When her advisor realized that her single stock concentration symbolized his client's effort to stay emotionally connected with her past, he changed his approach. Rather than focusing on diversification, he began to focus on creating a more meaningful legacy for his client's great-grandfather. Now able to communicate well, they devised an alternative strategy, developing a memorial park in the center of town. This strategy encouraged the client to divest a portion of her holdings, some of which were invested in the park, some of which were invested in other financial assets, while still retaining, in fact heightening, her connection with her great-grandfather's legacy.

When a client appears to act irrationally, assume that the client's behavior makes sense and that your job is to discover how the behavior makes sense to the client. This will prevent challenging the client's reality while enabling the discovery of how he or she actually sees the world.

Sometimes, as in the above example, the emotional factors involved in a financial decision make it difficult for a client to accept and deal with change. This may lead clients to procrastinate, while everything around them is demanding that change take place. There are many risks for advisors and their clients when resistance to change is not well managed.

> If indecision or disagreement about money is motivated by underlying emotional issues, then attempted solutions will not be successful if they address money problems alone.

Example. An entrepreneur in his early 70s was advised by his accountant to transfer majority ownership of his business to his son for tax planning purposes. The plan was made and papers were drawn up without discussing the emotional or relationship implications of such a plan. The son, of course, expected that he would now be in control of the business; the father later claimed that he realized he was giving up ownership but that he didn't realize he was giving up control! The father could not adjust to coming into work and not being the boss that he always was. The son was impatient and angry about his father's stubborn refusal to accept change. The two men argued constantly at work and when they saw each other socially. The father eventually left the company, vowing never again to speak to his son. When the son was finally able to assemble his own management team, he fired the company's attorney and accountant.

Resistance to change should always be respected. There are good reasons why clients have difficulty making changes, whether we understand and agree with those reasons or not. The goal of financial advisors is to discover these reasons and to anticipate what sorts of changes will be easier to implement. It is important to convey to clients that change is a process that takes time. This family did not view change in ownership as a process; they viewed it as a single event—the signing of legal documents. Moreover, their advisors dealt only with financial issues and did not emphasize the importance of communication among the key stakeholders. *It is essential to include key stakeholders in planning meetings and discussions.* The consequence was family conflict and loss of a client for both advisors. Even though they technically did nothing wrong, the advisors were swept aside during "clean slate time," when the son gathered his allies and dismissed others.

If indecision or disagreement about money is motivated by underlying emotional issues, *then attempted solutions will not be successful if they address money* *problems alone*. When money is involved, it often seems like the only important factor, therefore more subtle factors such as emotions and personal values are easily overlooked. Astute advisors are aware that a person's finances can be secondary to his or her emotions.

Example. A man and his wife were divorcing. He had had a tumultuous affair, and was living with his new girlfriend. His wife was not happy with the divorce, even though she was to receive a large cash settlement. As the negotiations drew to a close, she refused to allow her husband to remove from their home a number of personal items that had only sentimental value. This resulted in court action that threatened the cash settlement. She would not relent. "She got cash, the house, she's a wealthy woman, what more does she want from me?" he asked his attorney. "You've been married 20 years, your affair completely took her by surprise, you've created havoc in your life and in hers, if it's not about money, what could she want from you?" his attorney asked. The man thought for several moments, "An apology?" he replied. After talking with his wife for the first time about the mistakes he had made in handling their relationship, he was able to remove his personal belongings from the house, and the divorce proceeded.

Focusing exclusively on money, the husband in the above example could not understand the roadblocks to finalizing his divorce. The attorney, by encouraging his client to focus on the wife's feelings of humiliation and the need for forgiveness, was instrumental in bringing the divorce to a close.

Example. A family came into considerable wealth when their malpractice lawsuit was finally settled. They lost a child through a physician's error. Their financial planner attempted to create a plan for the family. The parents insisted that the money be used for philanthropic purposes, and the three living children thought they should use their share of the settlement to further their personal goals. The planner was stuck.

This example illustrates, once again, that *in emotionally charged situations, attempted solutions are not successful when they focus on money alone.* The family needed to address the emotional dynamics that were hampering their financial planning. Indeed, they needed to set aside all discussions of money until they were able actually to sit down and discuss values, needs and the growing independence of the three living children.

When psychological issues are important but neglected, not only are solutions ineffective, but the attempted solutions can sometimes make problems worse.

Example. A business owner in his late 30s, a man who had accumulated significant wealth, complained repeatedly to his financial advisor about the performance of his investments. His wife, who was present at the meeting, noted that in the previous month he had become depressed and gloomy about their business, his finances and himself, even though their business was thriving and their investments were growing at a level that was acceptable to her. Their advisor, feeling defensive and unappreciated, tried to convince the business owner that their financial plan was sound, and that he had no reason to feel depressed or pessimistic. The more his advisor dismissed his worries, the more distraught the client appeared. The advisor knew that he was at risk of losing a client. In a last-ditch effort to understand why this was happening, the advisor asked, "Has anything happened in the last month, other than the performance of your investments, that could be making you feel this way?" "Well," his client responded after several moments, "a few weeks ago we attended a benefit and we sat at a table with a friend of mine who's worth over $100 million dollars." "And was that depressing?" asked the advisor. "Sure," his client sighed, "I'm not worth even a tenth of that!"

Like many people, this man's assessment of his personal net worth had little to do with the actual amount of money he had in the bank, and more to do with *what the money meant to him*. To this man, money meant success and self-worth, and by comparing himself to his friend, he felt diminished and devalued. What his advisor needed to realize was that no amount of cajoling, convincing or arguing about money could help his client feel secure. The advisor's attempted solution, trying to convince his client that his investments were secure, only made the matter worse. *This was not about the advisor's performance, but about the client's fragile sense of self-worth.* If the advisor had recognized this early on, he might have been less defensive and more compassionate toward his client's anxiety and worries. This may have helped solidify their professional relationship, prevented the advisor from losing a client and allowed the client to address the emotional issue, rather than the pseudo-issue of his advisor's competence.

Sometimes an advisor may become caught in the middle of a client's conflictual relationship. When this happens, the "triangulated advisor" is left with few options other than addressing the relationship dynamics or risking the loss of a client.

Example. A financial consultant was working with a married couple. The woman, who was the primary breadwinner in the family, asked the consultant to arrange for some additional life insurance. Because she traveled so much, she asked that he coordinate his activities with her husband. Her husband, however, did not think that the new insurance was a priority, so he did not follow through with the consultant. When the insurance program did not materialize, the woman called the consultant and voiced her dissatisfaction with his service.

"Triangulation" is the term we use when a third party is pulled into conflict or is affected by the lack of communication between two or more other parties. Triangulation often occurs when families work with advisors because communication between family members can be quite emotional. In the above example, we infer that the husband and wife disagreed about the new life insurance, and the consultant was being "punished" for their disagreement and communication problem. The key to managing triangulation is to encourage communication without appearing to blame or to take sides.

Diagnostic Cues

The examples above illustrate some of the roles that emotional and relationship issues may play in financial planning and decision making. In general, these issues come into play when communication problems exist between clients or between clients and their advisors. We discuss below a number of diagnostic cues that should alert an advisor to communication problems, and accordingly, to the need to address emotional or relationship issues.

> An advisor's feeling and intuition provide the most robust diagnostic cues about emotional and relationship issues.

Communication may be a problem when there is a discrepancy between what a client says and what the client does.

Example. An estate planning attorney had completed the estate plan for her client. The client promised several times to come to the office to review the plan, but failed to do so. When the attorney asked her client about the discrepancy between his spoken intention and his actual behavior, the client stated that he was unhappy with his bill and was considering retaining new counsel.

The attorney in this example had no idea that her client was dissatisfied until late in their work together when she noticed that he was not following through with his stated intentions. Discrepancies between intention and behavior are diagnostic cues that should be taken seriously by financial advisors. By pointing out these discrepancies to clients, and by gently enquiring about their meanings, important information about relationships and communication may be uncovered.

Communication problems occasionally are present earlier in client relationships and may be detected by advisors who pay attention to their own feelings.

Example. A financial advisor, who was developing a profit sharing plan for a company, was asked by the business owner to review employee benefits. After several weeks of multiple meetings with the business owner and his executive team, the advisor felt frustrated. Neither project was moving forward and the advisor felt as though he was failing. He complained to a colleague, "I feel like I'm the only one who cares about these projects, and I'm working the hardest!" The advisor's satisfaction improved dramatically after he shared his feelings with the management team, who then revisited their priorities and decided to put the review of employee benefits on hold.

An advisor's feelings and intuition provide the most robust diagnostic cues about emotional and relationship issues. For example, as illustrated above, when advisors feel as though they are working harder than their clients, they probably are working too hard. There may be many reasons for this kind of imbalance: differences in priorities, lack of clarity about goals or indifference to stakeholders. Whatever the reason, when advisors use their feelings as diagnostic cues, they are able to take a step back, observe the process, then use it to guide their work.

Advisors who observe and trust their own feelings may discover creative ways to use these feelings in their work with clients.

> **Example.** An advisor met with a business executive who was contemplating retirement. The client was concerned that the downturn in the stock market would undermine his retirement plans; the advisor was concerned that the client's spending habits were a greater risk to his security. During the meeting, the advisor noticed that she was feeling angry with her client. She decided to take a risk and gently share her feelings with her client: "I know this may sound ridiculous, but I'm feeling a little angry at you. I care about you, and I realize that I can't tell you what to do, but here you are blaming the stock market instead of controlling the thing you have most control of—your own spending." The client, surprised by the intensity of his advisor's feelings, began to talk to her about how angry he felt that he was being forced to retire by his company before he was ready.

By viewing her own feelings as important diagnostic cues, the advisor in this example enabled her client to talk about the issues that were significantly affecting his financial behavior. Advisors who use their feelings in this way must be careful to be nonjudgmental, gentle and considerate, so as not to raise clients' defenses.

Strategies

While there are many ways to talk with clients about emotional and relationship issues, we believe that there are three core strategies that should always underlie this work.

- **Trust yourself.** As noted above, your own feelings are the best indicators that underlying issues are operative and important.
- **Ask the right questions.** By asking questions about emotions and relationships, clients are encouraged to understand and to share the complexity of their financial lives. We often use the "Columbo" approach, "I am probably wrong about this, but is there something else going on that I should know about?"
- **Use teamwork.** Financial advisors are not psychologists. If emotional or relationship issues appear to be very significant, consult with colleagues or refer to communication, conflict resolution or business psychology experts who can assist in these complex cases.

Summary

These are challenging times for financial advisors and their clients: the world is changing, financial markets are uncertain and people are concerned about the future. In times like these, people tend to be more emotional and tend to make more emotional decisions. This is often manifest in relationships with financial advisors. Clients may be less trusting, more fearful and more likely to change advisors if they are not happy with short-term results. That is why it is now even more important than ever to be willing to address relationship dynamics and emotional issues. If you don't, you are risking the loss and dissatisfaction of clients. If you are intent on growing your practice, on retaining clients and on adding value to your consulting, consider addressing these factors. As we illustrated above, by doing so you will be able to: (1) enhance trust; (2) facilitate communication; (3) overcome resistance to change; (4) enhance your ability to arrive at workable solutions; (5) prevent relationship problems from getting worse; and (6) avoid relationship "mines" that occur because of triangulation.