The Warring Hand

After years of scandal and ensuing loss of trust, advisors must abandon for good the aggressive practices of the past. BY MITCH ANTHONY

The Saxons, a warring tribe of Europe, were practically compelled to convert to Christianity. They consented on one condition. This condition, they told their converters, would only be known at the time of their baptism. When the warriors were placed under the water as a symbol that their old life was dead, they went under — all, that is, except their right arms. These they held out of the water, above their heads. These were their fighting arms. Although they went through the ritual, they were never truly converted. They could not let go of their old warring ways.

I had a conversation with an advisor the other day that left me stunned — stunned that this sort of conversation is still going on at a wirehouse after all the bad press of the last three years. I came into contact with this "advisor" [whom I will call Mick Black] through a referral from a golf buddy who had obtained a loan at around 3.5 percent. Following are my notes from two conversations:

CALL NO. 1

MITCH: "Hi, Mick, my name is Mitch Anthony. My friend is so and so, who told me about his loan. Are you familiar with who I am?"

MICK: "Yeah. I know who you are. You wrote a book, didn't you?"

MITCH: "Actually, I've written eight books…"

MICK: [interrupting] "Yeah, yeah. Well, anyway, so how much do you want to borrow, and how much do you have in equities and those types of accounts?"

[At this point, I'm wondering if this is his idea of warming up to a client because it feels more like date rape than a conversation.]

MITCH: "Mick, I think I know where you're going here. You'd like me to move all my accounts to you in order to arrange a loan. But I don't think I'm going to be interested in that arrangement."

MICK: "Well, we like to have the *whole relationship* here. Now, what other assets do you have?"

[I'm cringing at his cheapened usage of the term "whole relationship."]

MITCH: "Mick, I think we might be talking about two different kinds of relationships here. The kind I'm talking about is where you earn my trust and stewardship of my assets over time."

MICK: "Yeah, well, that's fine. But I'll tell you, this is a great deal. I'll have my assistant call you to get the process going."

[In spite of Mick's tactlessness, I continue the call wanting to investigate the possibility of replacing a 7.5 percent loan on a second property with this much lower rate. We discuss various loan details and the call ends.]

My second call takes place a few days after his assistant has called and helped with the application process, during which I discover that I have to re-mortgage my home to get the quoted rate, which I have no interest in doing. [This "detail" never came up in our first conversation.]

When the second call comes in [caller ID displays his name], I ask my father, a 30-year sales veteran, and my wife if they would like to listen in on the abrasive and rude Mick Black. They nod and I hit the speakerphone button.

CALL NO. 2

MITCH: "Mitch here."

MICK: "Did you get my message last Friday?"

MITCH: "Yes I did."

MICK: "Well, why didn't you return it [hostile tone]? I thought you were into this whole relationsh…relational [he spits the word out like it's poison on his tongue] thing. We can't build a relationship if you don't return my calls."

[My father and wife are staring at me in wide-eyed disbelief. They too had never witnessed a sales call where the seller opens by chewing out his prospect. It got worse from here.]

MITCH: "Mick, I didn't realize when you and I were talking that I would have to re-mortgage my home in order to get this loan. I just need to get $100,000 to replace a loan I have out at 7.5 percent."

MICK: "Well, what's the rate on your house?"

MITCH: "Six and an eighth, and I'm quite content with it at 15 years. I understand that 3.7 percent is attractive, but that rate fluctuates. Where was this rate four years ago? Seven percent? I'm comfortable sitting pat at 6 percent."

MICK: "I could certainly argue with your philosophy there [another interesting sales tactic — arguing with a prospect's philosophy]. I've put a lot of people in this loan and they're all very happy they did it."

[Mick's tone has now moved toward being condescending and bullying — as if I'm the dumbest dirtball he's ever talked to.]

MICK: "Oh, by the way, have you read the investing section in the *Journal* this morning? There's a story about Warren Buffett and the fact that he's buying up junk bonds and making a lot of money. What I would suggest is an arbitrage strategy where you borrow at the 3.5 percent and I can put you in a junk-bond fund paying 9 percent."

[I am dumbfounded at this point. Surely, I'm hearing things. I decide to repeat back to Mick his solicitation so he can hear what it sounds like as an incoming message to a prospect.]

MITCH: "So, you think that what I ought to do is re-mortgage my home on a variable-rate loan and put the proceeds into junk bonds?" [The silence hangs for a moment.]

MICK [his tone giving away the slightest hint of hesitation]: "It's a great arbitrage strategy and I've got a lot of people taking advantage of it."

MITCH: "I'll have to think about that, Mick, and let you know."

JUDAS HAS A NEW PR AGENT

Mick Black's firm is running a new advertising campaign these days. It tells a story of being all about the client and meeting the client's every need. I'm sure some well intentioned marketing executives would love to think that the fairy dust of this campaign will affect advisors [like Mick] to behave in this way. But, if and when they start holding baptism services for the likes of Mick Black, they will witness a multitude of hands held high above the water. The Mick Blacks of this world have no interest in changing their behavior — not after all the top-producer awards they've received acting like a playground bully.

Firms advertise with good intentions. Though well intentioned, the ads are often ill timed and serve to fuel a cynical fire burning in the once-burned consumer. The money for advertising would have been better spent on training Mick Black and his ilk to conduct a more meaningful conversation.

Today's clients are not interested in new images about being client-centered; they are interested in conversations that demonstrate that idea. Today's clients require more than service; they want servitude. This servitude expresses itself in a conversation about their life, needs, and hopes — as opposed to the self-serving conversation about the latest/greatest way to make money. It's their money and they've exchanged good parts of their lives to get it. The conversation they now expect is about them. Period.

Most financial services firms have figured out [if new advertising slogans are a reliable indicator] that clients now demand and expect an unselfish and facilitating advisor, and there is also a swelling awareness of the need for a more qualitative approach in client conversations.

One would have to have been in a coma the last couple of years to miss the televised promise of the new and improved, selfless, even altruistic advisor who can't wait to make your dreams come true. If these campaigns were working, these firms would not still be bleeding assets. What the Madison Avenue gurus failed to figure out was the intense degree of cynicism their ads would provoke from scarred and injured clients as well as observers on the financial services playground.

There is a great gulf between advertisement and advisor. In some places, Judas is being advertised as Mother Theresa. Until behaviors are changed, advertising dollars are being wasted in publicizing the so-called transformation. Wouldn't these marketing dollars be better spent in processes leading to true transformation in the advisor/client relationship?

Just how great is the gap between advertisement and advisor?

Recently, while discussing the need for a new set of relational and conversational skills for advisors, an editor at a financial services magazine interrupted me to say, "No, that's not what they want to hear. We need to give them new ways to sell." He continued a monologue on selling strategies to itching ears that made me feel like I was in a scene from the movie, "Glengarry Glen Ross."

Some folks in the industry delude themselves into thinking that new tact is all that is needed. Those who get it, however, understand that nothing less than a conversion of the very soul of the advisor/client relationship will suffice. The first step begins by figuring out who exactly is supposed to be served in this relationship. Are we serving the firm at the trough of client portfolios, or are we serving client needs and interests and prospering as a result?

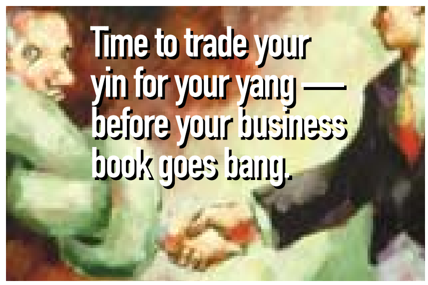
It will take more than a corporate initiative to bridge this gulf — it will take nothing less than a reconstruction of the "advisory" process and a conversion of the salesman's soul.

REDEFINING THE SOUL OF ADVICE

Such conversions are beginning to take place in pockets across the industry as advisors awaken to the new relational dynamic with clients. They are recognizing that a permanent paradigm shift has introduced itself into the client's perspective of a legitimate advisor. The old is giving way to the new. The old way was based on *controlling the relationship*, *convincing the client*, and *competing for attention*. This model is based upon age-old metaphors of war and gamesmanship. After 9/11, the market downturn, and the revelation of conflicts of interest in the industry, clients have no interest in being a party to the game or in battling with their advisor.

The new model emphasizes *cooperation* not control, *conversing* not convincing, and *collaborating* not competing. Sound too feminine for you? Welcome to the new world, where client interests transcend those of your firm. Time to trade your yin for your yang — before your business book goes bang. It is no longer acceptable to attempt to control client decisions. Now advisors must cooperate and partner with clients for answers that serve them in the long run. No longer do we try to convince people of our assumptions but instead have real conversations that uncover real needs. No longer do we run down our competition, which in the end speaks ill of the entire industry; we now collaborate in any way we can to serve our clients' interests.

The competitive tactics of yesteryear have lost their relevance. The majority of companies created products, and pushed those products through advisors. How well those products suited a client's current needs or life became secondary to quotas and, in many cases, mere afterthoughts.



The dangerous middle ground created by new advertising campaigns is that some companies will continue to do business the same as they always have, but will introduce "time to clean up our act" baptismal rituals in an attempt to restore confidence with clients. They will pay lip service to building relationships, but their warring hand will be noticed by virtue of how quickly the conversation turns to pushing a product.

THE WINDFALL OF SINCERITY

Client-centered financial planning and advisory self-transcendence are not the result of an ad campaign but of a purposeful ethos that infects every product design, strategic initiative, process, advisor-training meeting, and interaction with clients. The warring hand must be converted along with the heart and soul. The convert must come up out of that water knowing that self-centered financial advice has been washed away.

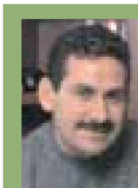
Recently, I ran into Marv, an independent financial advisor whose business is booming at present. In the last six months, clients with assets totaling $30 million have walked unsolicited into his office — many fleeing from relationships with Mick Black-types. I asked Marv what he owed this windfall of clients to. His answer, "Some of it I owe to the advertising campaigns put out by the offending parties. One client said that when he saw the ad and compared the behavior of the advisor with it, he realized just how jaded and demeaning the campaign was. This client lamented that since the firm couldn't keep its original promise to look out for his financial well-being, they answered by making a bigger, more impossible promise.

By contrast, Marv's business plan is quite simple. He asks clients what they have experienced and what they need and gives them what they need — with no compulsion to move any particular product. Referral business, Marv assures me, is brisk.

The days of control and coercion of the client are over. The ways of intimidation and bullying will be left to those advising on the grade school playground. Mick Black is dead. He just doesn't know it yet. As long as clients bend to his advice, their fees will subsidize his behavior. But when they take exception to that behavior, the warring hand will strike them. Once the hand strikes, they will be shocked to their senses and head to the exit — never to return.

Firms must decide whether they want perceptions to change [and hope for behaviors to follow], or do something about the behavioral standards, and let perceptions grow organically.

You can lead a broker to water, but you can't make him sink. R



Mitch Anthony is the president of Advisor Insights, a training firm focused on building lasting client relationships. He is the author of "Your Clients For Life," "The New Retirementality," " Selling With Emotional Intelligence" and co-author of "StorySelling For Financial Advisors." He can be reached at mitch@mitchanthony.com.