
Anecdotal Evidence: How to Charm a Client

By Kerry Pechter Thu, Nov 3, 2016

When dealing with your HNW clients and prospects, success depends less on performance or fees than on solving clients' problems and simplifying their complex lives.



A friend who lives in one of America's most desirable brains-and-money towns recently told me that he decided to move his \$1.5 million investment portfolio to a wealth manager at one of the wirehouses. After a quick mental calculation of the potential costs, I asked why.

The advisor had done him a big unsolicited favor, my friend said. Before their formal relationship began, while chatting over coffee, my friend told the advisor about a problem he was having with his son's private school tuition bill. His son needed to leave the school at mid-year. But the school wanted him to pay \$12,000 for the cancelled semester.

Later, the advisor gave my friend a call. He had taken the liberty of intervening in my friend's dispute with the school and had resolved the matter. The school had withdrawn its claim to the \$12,000. The exact details remain a mystery to me, but the advisor must have redeemed a favor from what Tom Wolfe, in *Bonfire of the Vanities*, famously called the "favor bank."

Imagine the relief that you'd feel on hearing such news. No need to call your lawyer and play hardball with the school. No need to argue with the ex-wife about who screwed up. No sunk cost to fester in the pit of your stomach. Think of the gratitude that a prospect would feel toward such an effective fixer.

Wealth managers of the world, the message is clear. When dealing with your HNW clients and prospects, success depends less on performance or fees than on solving clients' problems and simplifying their complex lives. They will appreciate you for it, and you need only say, 'It was nothing.' I'm not the first to observe this principle. I'm just offering more evidence for it.

Out of professional curiosity, I asked my friend about the wirehouse fees. The advisory fee would be 75 basis points a year; that works out to about \$1,000 a month. He didn't know yet

what the fees on his underlying investments would be. Did he realize, I asked, that he might pay upwards of \$200,000 in fees over the next 10 years?

Knowing that his grandfather lived past 90, I suggested that my friend apply \$100,000 to a deferred income annuity starting at age 85, park the rest of his portfolio in low-fee ETFs and cut his anxiety level in half. But he had already made up his mind to go with the wirehouse advisor. To be sure, my friend did not get rich by being a fool: he was an early Apple investor. Either way, his financial future is not in jeopardy.

The dishwasher technician's mistake

Never underestimate the financial naïveté of Americans who have had little exposure to our industry. Recently, a young technician came to my house to repair our computerized dishwasher. We started talking about personal finance. After the repair was finished, we opened my laptop and looked at a few sites online, including Betterment.

To get started with Betterment, you input your age and income. He did that, and hit the Continue button. The next screen asked him to choose from three financial goals. He selected “an annual retirement income of \$57,900.” What surprised me was his delight and on learning that Betterment could provide him with almost \$58,000 a year in 38 years. I explained that the income depended primarily on his saving habits. Beware of hearing precisely what you hoped to hear, I told him.

My plan to petition the airlines

Do you ever check a piece of luggage at the airport, and responsibly pay the \$25 baggage fee? (Southwest Airline customers can ignore this question.) Did it gall you to reach the gate and find that people who didn't check their bags at the ticket counter could check their bags for free at the gate—because the overhead racks were full?

I've wondered what behavioral finance gurus like Daniel Kahneman or Mier Statman would make of this. Are these luggage-huggers actively gaming the system? Do they gloat over saving \$25? Or do they dread trekking down to the dimly lit baggage claim area, to stare at the revolving “carousel” with the rest of us, lunging for their bag when it sails by? I may petition the airlines to let checked bags fly free, and charge \$25 for using the overhead bin. Imagine that.

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