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# Ending relationships with clients must be done with tact

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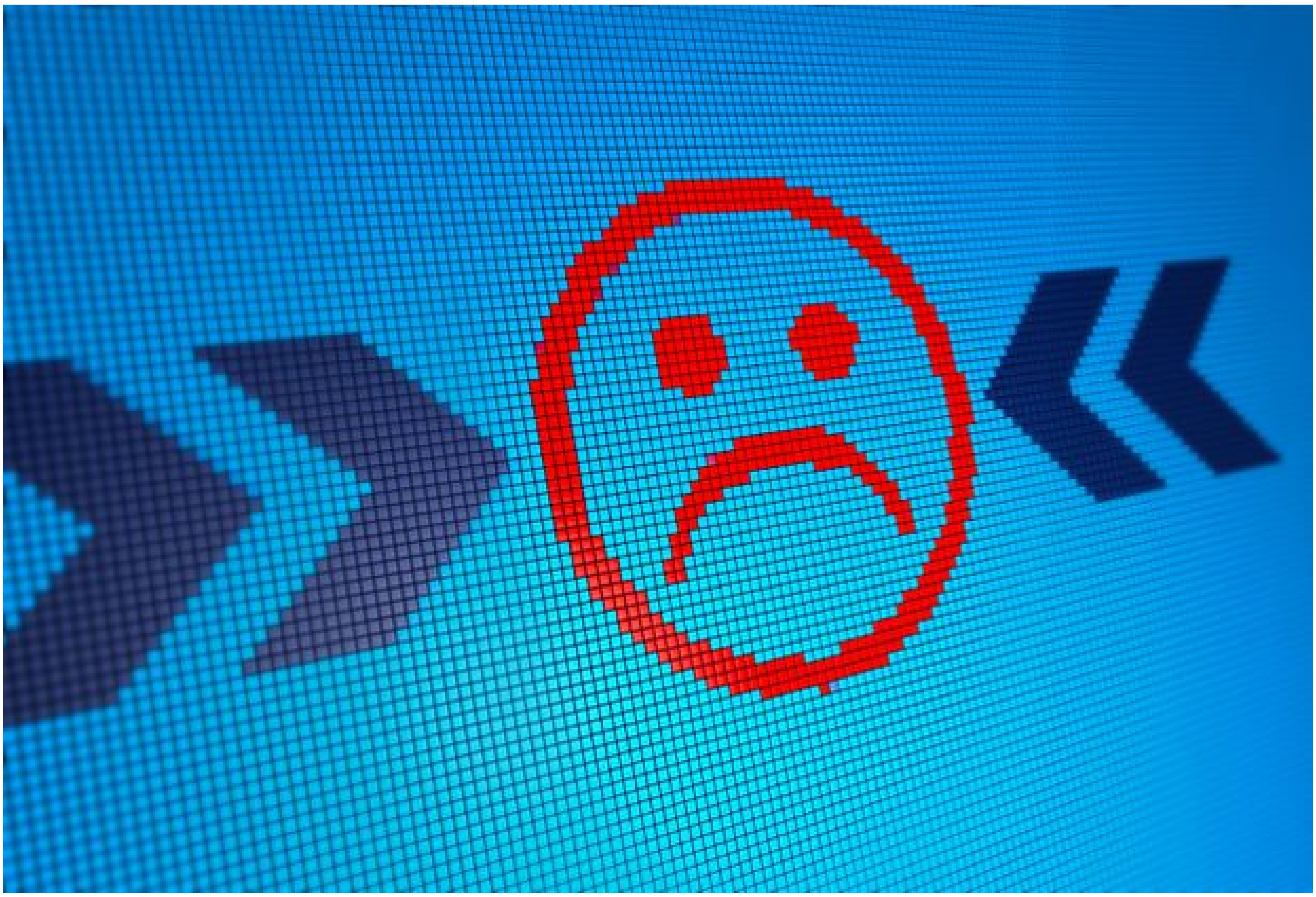

'[The relationship]'s clearly not working if there are continual challenges, and it's likely that the client isn't being served or won't be served in that particular case if it's a matter of fit or [if] the expectations aren't in line with the [advisor's] offering,' says Bernardine Perreira, an advisor with Raymond James Ltd.

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In many instances, the end of a client-advisor relationship comes down to differing expectations, or a question of “fit” – whether the current advisor best serves a client’s needs, says Bernardine Perreira, an advisor with the Perreira Wealth Advisory team at Raymond James Ltd. in Toronto.

“It’s clearly not working if there are continual challenges, and it’s likely that the client isn’t being served or won’t be served in that particular case if it’s a matter of fit or [if] the expectations aren’t in line with the [advisor’s] offering,” she says.

For Betty-Anne Howard, certified financial planner (CFP) at Athena Wealth Management, part of IPC Investment Corp., in Kingston, Ont., this scenario recently came to pass with a client who held high expectations for how proactive Ms. Howard should be in terms of prompting this client to add another child to a registered education savings plan. However, the client often didn’t communicate with Ms. Howard or make it to meetings regularly; furthermore, the client was not engaged adequately in the financial decision-making.

When the client became angry and suggested Ms. Howard failed to meet expectations, she says it was crucial to address the situation as graciously as possible and suggested that perhaps another advisor may be able to meet that client’s needs better.

“There are people who like to shift the responsibility over to us,” she says. “And it’s a delicate balance shifting that responsibility back to [the clients] so that they can save face and we can part on good terms.”

As ending a relationship with a client isn’t always ideal, advisors’ first goal should be to spot potential red flags at the prospect stage, says Ellen Bessner, partner at Babin Bessner Spry LLP in Toronto and author of two risk-management books for advisors.

Specifically, advisors should have a clear idea as to where they will draw the line in terms of the types of client behaviour they won’t tolerate, she says.

“When you’re prospecting, you need to suss that out because you don’t really want to be in a position in which you’re firing clients,” Ms. Bessner says. “It’s time-consuming, it’s stressful and

Steve Bridge, a CFP and money coach at Money Coaches Canada in North Vancouver, B.C., says that there's a clause on FP Canada Standards Council's Standards of Professional Responsibility that states the withdrawal of services must be done in a timely manner. Furthermore, CFPs must notify clients of the development and facilitate the move to a new financial planner. Beyond that, though, he notes there are no formal guidelines on how to end a relationship with a client. It's often up to advisors to use their best judgment on how to handle each situation.

When the relationship isn't working out, the process often involves an honest discussion with the client about expectations, Ms. Perreira says. Let them know you have their best interests at heart and outline how you think they may be served better.

Taking the lead from your dealer or compliance department, Ms. Bessner suggests the preferable approach is to call clients to set up a meeting to discuss the development rather than just to send them a letter in the mail that might catch them off guard.

Regardless of how the relationship was ended, an e-mail trail or letter is always essential to confirm and summarize what has been agreed upon, Mr. Bridge says.

Still, advisors should keep their emotions in check when letting clients go, Ms. Howard says. "It behooves us to be delicate, be gracious and take the extra time to let somebody go gently as opposed to slamming the door in their face."

Timing is also key. Regardless of the reason for ending a client relationship, advisors need to ensure that the move isn't going to impact the client negatively, Ms. Bessner says. For example, make sure the relationship isn't coming to an end when markets have crashed and the client needs to be making timely investing decisions.

Furthermore, she adds that advisors should speak with their managers and/or compliance departments to discuss why they're ending a relationship with a client before taking action. A situation in which an advisor's business has changed and certain clients no longer fit the model requires a different approach than if a client's behaviour is out of line.

shares her values and is setting up telephone meetings with those clients to inform them of the news and to introduce the new advisor.

“My mindset used to be that I wanted to be all things to all people, and that has shifted for me,” she says.

For more acrimonious situations, getting the help of the compliance department is crucial because it can help draft communication using appropriate language that will not intensify the situation, Ms. Bessner says.

Regardless of the reason, it’s important for advisors to know their own boundaries and admit when the client might be best served elsewhere.

“If you see that you’re not able to serve the client for whatever the reason – whether it be a personality issue, a product issue, a trust issue, or the client is just very secretive and you just can’t get proper know-your-client information from them – it’s just not worth keeping the client. But make sure you do it right,” Ms. Bessner says.



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