ThinkAdvisor

Beware of These 10 Common Financial Advisor Mistakes

These blunders not only ruin a client's experience, but they can harm the industry's image, Howard Lashner says.

By Jane Wollman Rusoff | August 22, 2023

Here's practical advice from a 30-year-plus advisor and Primerica's national sales director: "You want to have the type of relationship where it's you and the client against the world. The goal is always to position it so that the client understands that it's us and them together trying to get what they want," Howard Lashner (https://lashner.primerica.com/) tells ThinkAdvisor in an interview.

His philosophy of working with clients is expressed clearly — and with anecdotes — in his classic book "10 Common Mistakes Financial Advisors Make & Simple Ideas to Avoid Them"

In the interview, the independent, whose Lashner Financial Group is located in Huntingdon Valley, Pennsylvania, discusses all 10 mistakes and how to avoid, correct or eliminate them.

Not only can these blunders "create massive confusion" for clients and "an overall bad experience," they "move the entire industry down a notch in terms of the way people view financial advisors," Lashner argues.

In our conversation, he talks about why "the biggest mistake" to building a successful client relationship is failing to reveal how you, the advisor, are compensated before the first meeting.

He also delves into why the most important client questions are follow-up questions, and why relying too much on technology means that financial advisors are "basically making themselves obsolete."

One of Primerica's top 10 securities producers, Lashner has received a number of honors, including a "Best in Client Satisfaction" award for the Philadelphia tri-state area from Philadelphia Magazine and appearing on Forbes' 2022 Top Financial Security Professionals list, in which he came in No. 31 nationwide.

ThinkAdvisor recently interviewed Lashner, who was speaking by phone from Bucks County, Pennsylvania.

"The Buck Stops With Us" is his motto, an allusion to former President Harry S. Truman's famed pledge and desk plaque.

That's as close to talking politics with clients as Lashner gets. Instead, he discusses differences in economic policies and not the politicians he "likes or doesn't like." That, he says, "isn't my role."

Here are highlights of our interview:

THINKADVISOR: How do the 10 common advisor mistakes you write about affect financial services?

HOWARD LASHER: They create massive confusion for clients and an overall bad client experience. They move the entire industry down a notch in terms of the way people view financial advisors.

In your first chapter, you write about "Too Much Jargon, Not Enough Clarity." Why do advisors make the mistake of routinely using so much jargon with clients?

One of two reasons: They have an insecurity and think if they use big words and industry jargon, it will make them sound intelligent; that will impress people, so they'll want to work with them.

The second reason is that they're trying to hide something. If they use language that somebody doesn't understand, and it creates the misperception of something, they can say, "I did tell the client, but they didn't understand."

Our job is to explain things in the simplest way, so that people get it and to educate them and use language they're comfortable with.

I've met with clients who have said, "I was going to transfer my old 401(k) to an IRA. The advisor sent me paperwork, but it's just too overwhelming."

Why wouldn't the advisor say, "Let me fill in everything for you, you verify it and then sign at the bottom"?

But many advisors don't do that, and it creates massive frustration for people.

You advise that "the best way to be valuable to a client is to keep yourself in the situation whenever possible. Why is that important?

I get that there's definitely a need for high tech for people to be able to get information and research on their own.

But the majority want to be able to look over and have somebody nod their head and say, "Yep, that's okay. You can do that."

The second mistake in your listing is: Building a Client Relationship on Selling a Commodity." Why is that ineffective?

You need to build a relationship on trust. When I hear [a company] say, "This product is wonderful for clients, and here's how you want to sell it," I always think, when you have a hammer, everything looks like a nail.

You want to have the type of relationship where it's you and the client against the world. When you're a product pusher, it's you versus the client.

People don't want to be sold. They want somebody valued to give them information, but they want to feel that they made the decision themselves.

So the goal is always to position it so that the client understands that it's us and them together trying to get what they want. It should be about whatever the right solution is.

You stress that not talking about compensation at the start is "the biggest mistake" to successfully build a client relationship. Why is it?

I don't see anyone that isn't referred to me, and I don't schedule an appointment until we've had that conversation about compensation — and the client says, "I get it."

When you don't do that, the client is sitting there waiting for the next shoe to drop: "What's this going to cost me? Can I afford it? Is it worth it?"

So in that first phone call, I'll say, for example, "Your neighbor, Mary, introduced us. Did she explain to you how I get compensated?"

Typically the [prospects] say "no"; when they say "yes," they usually get it wrong.

"Trying to Sell or Implement Your Plan Right From the Start" is another big mistake. How come?

The most important questions to ask are the follow-ups after the client responds. The key is the question beyond the question.

Sometimes newer advisors get so caught up in what they're going to say, they're almost like machine guns: "Let me just get through the interview. The client will answer my questions, and then I'll get right to my recommendation."

My experience is that it's not about the [prepared] questions; it's the questions we ask after the client answers. That makes all the difference in the world.

It's about trying to see what's important to them, and what's a priority?

"Trying to Do It All by Yourself" is a mistake as well. You say advisors should hire administrative staff, even if only one person.

This is a big one. A [Kitces Research] study found that about 50% of an advisor's time is taken up with administrative [work].

They do it themselves because they're pennywise and pound-foolish. They don't want to pay for it or think they can do it better.

But it involves a lot of wasted time. First, it's getting organized; then, once you're done, you have to access a different part of your brain to go back to being an advisor.

Also, administrative people develop their own relationships with clients, and that's really valuable.

Sometimes clients say things to my administrative people that they don't say to me, and I'll [get worthwhile information]; for instance, their job is at risk or a close family member is dying.

Those things will change what I'm talking to them about.

"Relying Too Heavily on High Tech Instead of High Touch" is another common mistake you point out. What about building trust?

If we rely on technology too much, then we're basically making ourselves obsolete [as financial advisors].

There's a massive push by the industry for technology, like, "We have a great website where you can do everything on your own."

But a very high percentage of people don't want to do it on their own because they know they're going to make mistakes and hit walls.

The majority of people don't want to make all their financial decisions themselves without verifying that they're doing the right thing.

The more we push them into technology, the more we're pushing them away from having a relationship with us.

We want to be involved in all aspects of their decision-making because we can create value for them.

"Not Properly Setting the Stage for References and Introductions" instead of, as you write, "making yourself referrable: Doing what you say you'll do," not being pushy in making recommendations to referrals" and so on.

Those are absolutely important. today, customer service is so bad on so many levels. It drives people crazy.

When you lift up the hood, [advisory clients] will start talking about [service they receive]: "I'm not happy" about this; "I'm not happy" about that. "I called this person, and it took three days to get a response."

Clients [often] need something in an emergency. But advisors also need to handle the little things that are irritants to clients.

When an advisor sends them paperwork and says, "Fill this out," that's an irritant.

I've had clients tell me, "I was going to transfer my money to a different advisor. They sent me [all the paperwork], but they didn't put a stamp on the envelope. I hardly ever go to the post office. So everything was just sitting there.

"Eventually, I just said, 'Forget it.'"

What's your process for avoiding client irritants?

[For one], I send clients an overnight pack or [for non-urgent things], a self-addressed stamped envelope — and the [forms] are always already filled out.

If a client says, "I need to withdraw money," we do a three-way call. Could the client do that themself? Of course, but it's an irritant.

And we make sure that the money is coming out of the right account in the right way.

Sometimes clients pull money out of the wrong account and have to pay taxes and penalties because of it.

Another mistake is "Not Doing Regular Customer Follow-Up." You recommend calling clients every 90 days, if possible, checking to see whether there have been any changes in their lives, such as one that might relate to tax law changes.

Also, if they get an annual bonus, the advisor can recommend investing a portion of it.

When you're transactional, you say, "Here's my business card. If you need anything, give me a call."

That makes people realize they're just a number.

Recently, the husband of one of my client [couples] died suddenly. The widow said he'd told her, "If anything happens to me, you call Howard. He'll help you with everything."

He had that confidence because we were talking on a regular basis about where he was financially. I would [reach] out to him.

It wasn't a "Here's my business card; call when you need something" type of thing.

"Focusing on the Big Things to Get Big" is one more mistake. Please explain.

If you don't see little things as important, why would folks trust you with the big things?

Trust is the foundation of all successful relationships (https://www.thinkadvisor.com/2023/02/13/9-advisor-actions-that-influence-client-loyalty/) and is built on doing what you say you'll do, especially the "little" stuff.

It's my responsibility that everything gets done by either me or one of my assistants. There really are no little things. Whatever it is, I gave my word. So it has to happen.

My highest value is trust. Trust is like a balloon. Once you pop it, you can't get it back. You could be right and be telling the truth, but if the client doesn't trust you, [that trust can't be retrieved].

"Bringing Up Politics With Clients" you list as a mistake. Please elaborate.

Don't talk politics with clients.

But what if the client brings it up?

Clients always bring up politics! But I just don't talk politics with clients. That's not my role.

Instead, I talk economics: "Let's talk about the economics of different policies."

I never comment on whether I like one politician over another, even though most clients make their political beliefs known to me.

Mistake No. 10 on your list is "Compounding Mistakes by Not Handling Them Properly" — mistakes made by advisors, clients, the system, as well as "mistakes that don't exist except in clients' minds." What do you mean by that last one?

Sometimes a client will call and say, "There's a mistake in XYZ. But there's no mistake. They just didn't understand or forgot.

One client called me: "All this money is missing from my account! What happened?"

I told them, "A week ago you transferred the money to another account." They were like, "Oh that's right!"

Sometimes clients call: "I did XYZ and screwed up. Instead of calling you, I called the mutual fund company and told them to do something.

"I realized after the fact that it was the wrong thing. Is there anything you can do?"

My attitude is it doesn't matter who made the mistake; it's my responsibility.

Can I fix everything? Of course not. But I will do my darndest. I want to do whatever I have to do to make sure the clients are happy.

My experience is that the greatest trust occurs after there's a mistake. It doesn't matter whose mistake it is.

If handled properly, the client will say, "Now I know I can trust you. I see how you've handled this."

A mistake is an opportunity to solve issues in a way that takes the responsibility off the clients' shoulders," you write. Please talk further about that.

That attitude goes back to the plaque [former President] Harry Truman had on his desk that said, “The Buck Stops Here.”

That has to be our attitude: “The Buck Stops With Us.”

When a client calls and says they need something, it’s our job to try to figure it out and not blow them off by saying, “Call this number,” or “Go to our website,” or “We didn’t make that mistake; you have to figure it out yourself.”

I always try to make sure that we’re in the middle of the solution, which also makes us more referrable along the way.

Pictured: Howard Lashner