

## Better Business

Friends and family can be an excellent source of potential clients if you can overcome inhibitions about mixing up your relationships

# I'll be there for your investment

**M**ANY advisers are more comfortable advising total strangers than doing business with people they know.

Doing business with acquaintances, friends, family or in-laws involves overcoming barriers and perceptions. Many advisers have friends who originally started out as clients yet are reluctant to approach friends and ask them to be clients.

Think differently. A wine enthusiast knows you can buy an excellent bottle of wine for £25 in a wine shop. If you found a wine that tastes as good and cost only £5, would you tell anyone? Most people would tell their friends who enjoy a wine. Why?

Because it is a good deal. They are doing a favour, helping them by sharing knowledge.

Consider the parallel to investing. As an adviser you are prepared to do a spectacular

job for a total stranger yet are hesitant to offer those same services to a close friend. You are the £5 bottle of wine. You should tell people about yourself.

Based on interviews conducted with successful financial advisers and high net-worth individuals within the US, 10 barriers were uncovered.

First, confidentiality – can you keep their secrets? They may be unaware of client confidentiality rules and assume you name drop to get business. They may be hesitant to reveal their specific circumstances.

An adviser in California kept financial plans neatly bound in binders in a bookcase, each with a distinctive code. I asked why: “It is a



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strategy to get friends comfortable with doing business.” A friend visits prior to going out for drinks and remarks on the coded binders.

The adviser explains: “It is a small town. People want to know everyone’s business. When you visit my office you never see a binder or piece of paper with a client’s name on it. And if you become a client and our friends visit my office, they will not see a

**“You have lots of history with your friends. You will tell them what they need to know without fear of hurting their feelings”**

binder or paper with your name on it.”

### OWNERSHIP

Second, can you deliver? The risk-to-friendship barrier. If you have close friends who started as clients you understand it is

not a big issue. The key is getting the client to take ownership.

When a friend asks to invest in the equity market, advisers often give their best picks or design a portfolio and hand it over. The client has no sense of ownership. If something goes wrong, it is the adviser’s fault.

An adviser in New York uses this strategy. When building an equity portfolio he starts by recommending large capitalisation grown and value mutual funds – unit investment trusts in the UK. He intends to add other funds in different categories, but not until the client provides additional funds.

Often the client initiates the discussion with: “Should we not own a small

capitalisation fund?” or “Why do we not have a hi-tech fund?” The adviser was planning to add similar investments with the new money, anyway, but by voicing suggestions the client buys in. If the market underperforms, often it is the core holdings, large-cap growth or value, that weather the storm best. Higher risk investments often have higher volatility. A rational client realises the adviser’s original recommendations often performed better, their suggested additions were the source of most of the losses.

Third, what size accounts do you handle? Or how big a cheque do I need to write?” Some advisers draw a line: “£100,000 is my minimum. I do not accept smaller accounts.” That is arrogant. It closes the door before you have all the facts.

Consider instead “We find we can be of the most value to people with investable assets of £100,000 or more for the following reasons...” You have introduced a number and also kept your options open.

### TIMING

Fourth, is this the right time? Do they have money now? – Tom Stanley, author of books including *The Millionaire Next Door*, mentioned in a seminar that timing is everything. Be aware when people receive bonuses or learn when interest-bearing investments reach maturity. They need to make deci-

sions. Many prospects work with another adviser already. When they have a performance review, would they be open to your presentation around that time? If they are dissatisfied with performance they may be open to making changes.

Fifth, I already have an adviser. This answer assumes investing, like marriage, is based on monogamy. Investing is actually different. Russ Alan Price and Brett Van Bortel’s book *The Millionaire’s Advisor* indicates “millionaires have multiple investment advisers”.

A study indicates that in the US millionaires have an average of three investment advisers.

Do not quote statistics. Perhaps you could reply: “Successful people have multiple final advisory relationships. You are obviously successful. How many do you have?”

The next four barriers have obvious solutions.

Do they know and understand what you do? We make assumptions about people. Take the time to briefly review what you do with friends and give practical, anonymous examples of how you help people. Friends need to understand what you do to refer people.

Next is have they been asked to be clients? Everyone wants to be an important client – it is the reason for hotel affinity and frequent flier programmes. While you assume someone has not approached you because of the risk to friend-

ship, they may be assuming you have not asked because you prefer not to do business with friends. Ask tactfully.

### CAPACITY

Do they know you are still adding clients? Friends often have little understanding how your business works. They may not know where your clients come from. If you are established in the business and complain about long hours and paperwork, they may assume you have all the clients you can handle and it would be an imposition to ask for you to handle their account. Communicate the fact that you are still adding clients.

Are they comfortable with your experience? Many people enter the financial services business as a second career in the US. Friends may question your experience. Solutions involve selling the firm first and professional certifications you have either earned or are studying towards. Communicating that your role is similar to a relationship manager helps too.

The final barrier is almost impossible to overcome. Do they prefer to do business with someone else? You married their sister. They do not know why their sister chose you. They would not do business with you if you were the last adviser in England. They do not like you as a person.

We marry into a family. In-laws come with the package. We make that relative our pet project and exert tremendous effort to

turn them around. It rarely works. Scratch them off the prospect list and move on. As a New York adviser said: “If you do not have a good relationship with your brother-in-law, it is unlikely to improve when he becomes a client.”

When approaching friends for business you have several points already in your favour.

You have already earned your friends’ trust. You know personal details such as the strength of their marriage, responsibility to ageing relatives and the relationship with their children. It can take a long time for a new client to become comfortable sharing this information.

They will also assume that your friendship brings them to the level of clients with significantly higher asset levels. It can be good business to live up to this expectation and give them the type of service you give your best clients.

You are not a stranger they met when walking into an office and asking to speak with an adviser. They know your personalities can work together. This means you will be able to give unbiased, objective advice.

You have lots of history with your friends. You will tell them what they need to know without fear of hurting their feelings. Further to this, they also like you. Where possible, people do business with people they like.

Barriers to doing business with friends can be real or imagined. Most can be overcome. Although approaches vary, it comes down to tactfully asking them to do business. As a friend you have many advantages in your favour.

### KEY POINTS

● Doing business with acquaintances, friends, family or in-laws involves overcoming barriers and perceptions

● Everyone wants to be an important client, it is the reason for hotel affinity and frequent flier programmes

● Because you are a friend they assume the relationship brings them to the level of clients with significantly higher asset levels

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