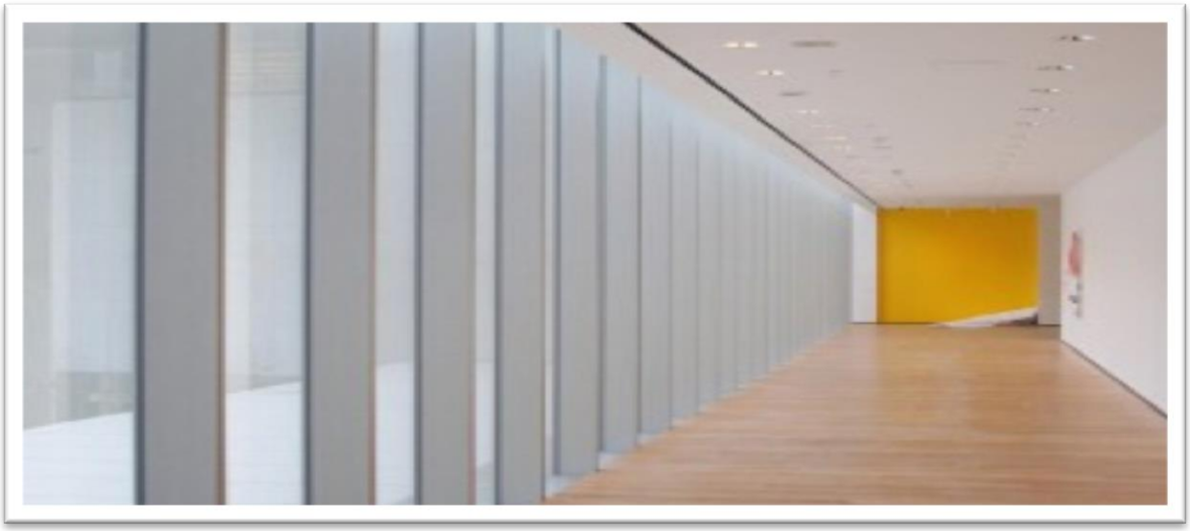

The New Balance of Trust

According to experts and numerous surveys of advisors and clients trust forms the foundation of the advisor–client relationship. Although that might sound elementary, it is overlooked by many advisors and clients. In fact, both parties take serious risks when it comes to cultivating and preserving trust through their communication practices, empathic skills, and competence in discussing what can be awkward topics, like fees or sensitive personal and family issues.

TWO WAY STREET

Under the old way of thinking, advisors needed to prove to clients that they were competent, ethical, and all around nice people. The arrival of anti-money laundering and anti-terrorist financing regulations made trusting a client even more important. Today, the tables have turned and clients now need to prove themselves as reputable and ethical. Compliance has taught us that to help clients we must focus our attention on the ones that truly want to be helped; that for the relationship to be beneficial for the client both parties must be accountable.

As an advisor, I need to trust my clients in a variety of ways. There are certain components to trust that every client, consciously or even instinctively, looks for in an advisor. First, by and large, clients are looking for someone whose level of competence inspires trust. In other words, a client generally seeks an advisor who is experienced and knowledgeable, one who can help them make difficult financial and personal decisions. Conversely and quite simply, as an advisor we look for clients that we can trust. The profile: their identity is real and not fabricated; they tell the truth; their requests are ethically compliant and legal; they are professional and return phone calls and emails in a timely fashion and we feel safe in their homes or offices.

IF, THEN

While many advisors tend to think of trustworthiness as simply a function of personal and/or industry ethics, clients distil this level of trust into one basic yet critical question, “Do I believe you will look out for my best interests and not lie or steal from me?”, and this is precisely where an advisor’s reputation comes in. Clients tend to look favourably on advisors who are referred by trusted associates or those associated with reputable companies that they have heard of. Advisors operate with a similar mindset. We are more trusting of clients referred to us by existing clients or reputable professionals that we work with. With a referral, we make the assumption that some of the due diligence or relationship vetting has already been performed.

The final element of trust focuses exclusively on the interpersonal relationship. This element, which we might call relationship competence, may be the most critical because without it the relationship is extremely fragile. Essentially, client trust is based on the premise that, “If I share personal things about myself or my family, I need to trust that you (the advisor) will handle them well.” Whereas advisor trust is based upon, “Tell me all the truth, the whole truth, and nothing but the truth.”

As advisors, we ask questions that, when answered fully, become the basis for recommendations and team based solution implementations. If we know what frustrates the client in the problem solving process we can take steps to minimize the issue(s). The new advisor-client relationship has evolved to be a social contract based upon elements of trust. It is an interpersonal relationship based upon both parties having to prove to each other their commitment in the areas of ethics, truthfulness, competence, and professionalism.

For the relationship to truly be beneficial, both parties must be accountable.

To have a deeper conversation about how this subject will affect you or your business, please contact us directly:

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