

The Behavior that Destroys Client Confidence

By Dan Richards

July 3, 2012

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives.

A highly successful business owner recently told me what he thought about his financial advisor. On balance, he's happy with the job his advisor is doing, except for one small thing.



Here's how the conversation started:

"I've got the bulk of my savings with a broker that I've worked with for several years and I'm generally happy with the job he does," was his opening comment. *"He's very conservative, which I like, because it keeps my own aggressive instincts in check. As a result, when markets cratered a few years ago, I didn't get hit nearly as hard as the guys I golf with".*

Then I asked about the contact from his advisor and he was happy there as well:

"My broker touches base about once a month and is really quick to return my messages. When we sit down to discuss my portfolio, he's well prepared and has specific suggestions, so the meetings are a good use of my time. And if I ask to meet at my office, he's always willing to come to me rather than expecting me to go to him all the time."

Then he paused and went on:

"There is one thing, though, that does bother me. Sometimes when I'm speaking to my advisor on the phone, I get the sense that I don't have his full attention. As a result, I've have to repeat myself or he asks the same question more than once It's as if his mind is wandering or he's doing something else while we're talking. And I do recall once or twice hearing some clicking in the background, as if he was typing on his computer while we were talking."

I asked this investor to tell me more about this:

"I don't want to make a bigger deal out of this than it is, but it's really begun to bug me – my time is valuable and if we're going to talk I want his complete focus. It's got to the point that recently I asked if he was set up for Skype so we could talk face to face. It turns out



that his firm doesn't allow Skype but he did say that he would be happy to schedule a call from his home first thing in the morning or at the end of the day.

It's funny, recently my broker asked me if it might be possible to get an introduction to my golf group and I said I'd see what I could do. What I didn't say is that my big hesitation is being embarrassed if one of my buddies has the same experience that I'm having. Given everything else my broker does right, I can live with this, but I'm not prepared to take the responsibility if this happens to someone I refer."

Your two priorities on phone calls

Let's be clear here – this business owner may be absolutely wrong about this and it's possible that he has his advisor's 100% attention when they're talking on the phone. Whether that's the case or not, he doesn't *feel* that he has his advisor's full attention ... and that's created a problem.

There are two messages from this conversation: First, in any interaction with clients, we have to give them our full attention. On long phone calls, that can be challenging – one solution is to make notes, circling key points to which you want to respond.

And second, we need to ensure that clients feel they're getting all of our attention, by acknowledging what they're saying – long periods of silence don't communicate that we're listening. On longer calls, you may want to recap client comments at key points: "*Just to be completely clear on my part, here's what I've heard you say.*"

Losing 10 points in your IQ

For many of us, the key message from this conversation is that we need to stop deluding ourselves about our ability to do two things at once. I've seen advisors "listening" to conference calls while working on their computer – and I know that either the call or the work they're doing (or both) are suffering.

In May, Princeton psychology professor and Nobel prize winner Daniel Kahneman spoke to the CFA Institute annual meeting in Chicago. He made the point that research shows we can effectively multi- task in a very limited set of circumstances. If we're doing something that requires little conscious attention, for example driving down a highway, we can also carry on a meaningful conversation with a passenger. Because we're driving on auto-pilot, we're able to divert our attention to another activity.

That changes when we have to focus. As soon as the driving requires conscious thought, for example making a left hand turn into traffic, both drivers and passengers instinctively stop talking, because both know that the driver shouldn't be distracted.



The same principle applies to everything you do during the day – any important activity needs your 100% attention.

Still not convinced? A recent article on multi-tasking pointed to research showing that trying to do two things at once causes a 10 point drop in IQ and reduces productivity by as much as 40%. That 10-point drop in IQ is equivalent to losing a full night's sleep – or twice the impact of smoking marijuana.

Read the article excerpt below – and then resolve that starting today, on any important issue, you will give that issue your full and undivided attention before it endangers client relationships or costs you a referral.

Deluding yourself on multi-tasking

“The pioneer of this research is Professor Earl Miller, a neuroscientist at MIT. He scanned volunteers’ heads while they performed different tasks and found that when there is a group of visual stimulants in front of you, only one or two things tend to activate your brain, indicating we’re really only focusing on one or two items. In other words, our brains have to skitter to and fro inefficiently between tasks.

But the real problem occurs when we try to concentrate on the two tasks we are dealing with, because this then causes an overload of the brain’s processing capacity. This is particularly true when we try to perform similar tasks at the same time - such as writing an email and talking on the phone - as they compete to use the same part of the brain.

As a result, your brain simply slows down. Even just thinking about multi-tasking can cause this log-jam, as Glenn Wilson, a psychiatrist at the University of London, reported a few years ago. He found that just being in a situation where you are able to text and email - perhaps sitting at your desk - can knock a whole 10 points from your IQ. This is similar to the head-fog caused by losing a night’s sleep.

This is why Professor Miller, for one, is highly wary of the multitasking lifestyle.

‘People can’t do it very well, and when they say they can, they’re deluding themselves,’ he says. ‘The brain is very good at deluding itself.’

Not only does multi-tasking affect our mental clarity, switching between tasks also makes us less efficient. An American study reported in the Journal Of Experimental Psychology found that it took students far longer to solve complicated math problems when they had to switch to other tasks - in fact, they were up to 40 per cent slower. And studies in the US show that students who do homework while watching TV get consistently lower grades.

In the words of UCLA psychology professor Russell Poldrack:



“There is a cost to the way that our society is changing. Humans are not built to work this way; we’re really built to focus.”

[Dan Richards](#) conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries, go to www.clientinsights.ca. Use A555A for the rep and dealer code to register for website access.

www.advisorperspectives.com

For a free subscription to the Advisor Perspectives newsletter, visit:
<http://www.advisorperspectives.com/subscribers/subscribe.php>