<u>Research Assessment #5</u>

Date: October 16th, 2020
Subject: Bad News That Advisors Have to Tell Their Clients
APA Citation:

Kiesnoski, Kenneth. “When an Advisor Has to Deliver Some Bad News to a Client.” *CNBC*, CNBC, 3 July 2019, www.cnbc.com/2019/07/01/when-an-advisor-has-to-deliver-some-bad-news-to-a-client.html.

One of the questions I had immediately after deciding I wanted to study wealth management this year was “How are clients able to deliver bad news to their clients?” The article titled, “When an advisor has to deliver some bad news to a client” by Kenneth Kiesnoski did a great job of providing me with some answers to this question. The article provided me with examples of different upsetting examples where financial advisors had to tell their clients bad news. The article stated that sometimes professional help is just needed to help people with large amounts of money, but this also comes with consequences sometimes as well (Kiesnoski, 2019, p.1).

The first situation that occurred is when a financial advisor named Douglas Boneparth had to let a client know that they could not retire at the time they were planning because they would not have enough money (Kiesnoski, 2019, p.3). After reading this, I immediately thought to myself how would I handle this situation? I decided that I would most likely try to sit down with the client and let them know that although it might seem so rough right now, it will be better for their future to wait a little bit longer to retire because they will have the right amount of money saved up. The advisor claimed that it was heartbreaking to tell them this news, assuming they were even still working (Kiesnoski, 2019, p.3). The second scenario that the article mentioned was very similar to this one and it was where the advisor had to let their client know that they did not have enough money saved up to retire yet. In my personal opinion, this can hurt the client so much, as they had been planning for retirement for so long, and they do not expect for these things to happen (Kiesnoski, 2019, p.4). When trying to decide what I would do in this situation, I was stumped, as I honestly do not know how I could give a client that type of information. However, I would first ask more experienced advisors for advice so that I can have a little bit of guidance and a more professional opinion on the matter. I am always open to criticism and critiques. Then, I would ultimately end up having to have a serious conversation with the client, explaining to them that they cannot retire yet, but if they wait a little longer and save up more money, they can probably live a better retired life. It is important to provide your clients with any hope you can give them when things begin to go downhill in their lives, in my opinion at least.

The article then described a situation where a mother was forced to cut off her daughter financially because she was spending too much money, and it was causing the mother, named Annabelle, to have health problems (Kiesnoski, 2019, p.5). To me, this situation was very personal because my own mother and I are very close and if she had to cut me off financially, I would be hurt. So, I tried asking myself, “How would you deal with this?” Honestly, it was very difficult for me to come up with a solution to this. But, eventually I came up with a solution. I would probably talk to the daughter herself and explain to her that she needed to be cut off, for her own mother’s health. I figure that if they have that close of a relationship, the daughter will understand the situation better if she understands that it is a matter of life or death for her mother. The advisor named Stacy Francis, who had to deal with this, did just that. The mom Annabelle and her daughter never had a closer relationship after the daughter was financially cut off (Kiesnoski, 2019, p.5). Another wealth manager named Ivory Johnson, had to give her client the news that they needed to downsize. When a client has lived so much of their life luxuriously, it can be difficult for them to understand this transition that needs to take place. Personally, I would probably create a future plan for the client, to persuade them how much better their life would be later on if they downsize to a smaller house. The actual advisor in this situation did something very similar, and had a conversation with her client about his purpose. He ended up agreeing to the downsizing, and he was never happier (Kiesnoski, 2019, p.5).

Lastly, a client named Diahann Lassus, had to tell her client that if they did not watch their spendings they were going to run out of money in a year's time (Kiesnoski, 2019, p.6). This stuck out as the most intense situation to me. I think that this is such a difficult piece of information that could honestly ruin a client’s perception of life. The advisor must be very careful when dealing with situations like these. Similar to the last hypothetical solution I created, I would sit down with the client and propose a plan of how the client can cut down on spendings, and begin building up their wealth again. The actual financial advisor in this situation did exactly that, however this time, the client was not open to change. She did not want to change her spending habits. The article stated that this was because for some clients, no amount of information can change their behaviors, so at that point financial advisors are not worth much in these types of clients’ lives. I take this very personally, as I have faced those who are not open to change either, even in my own family. It can be so difficult because you want to help them so badly. But sometimes, there is simply no amount of help that can change these peoples’ behaviors. Also some people will simply have an unhealthy relationship with money, and that no amount of financial advice can help them. The author compared this to cigarettes, as if people were all open to improving their health, nobody would still be smoking in the world (Kiesnoski, 2019, p.7). Personally, if this happened to me, I would let the client know that if they are not willing to work with me, then I cannot help them, and that they should find a new financial advisor. I think that it is important to let your clients know that your job is to help them, but if they are not willing to accept the help, then there is no point in even working together.

Overall, this article taught me a lot about the different types of situations where financial advisors have to deliver bad news to their clients. By learning this, I was able to come up with ways that I myself would deal with these situations. Even if I do not follow these plans in the future, at least I have a slight idea or what kind of path I will take when telling clients bad news. However, even though I have an idea of what steps I will take to solve these issues, I will probably learn a lot more in the future and hear a lot of professional advice and opinions, and my perception on these situations will most likely be altered.

Article Annotation Link:
https://docs.google.com/document/d/1gV7xNb1tax3HqIOZbHJNEm5M3mhd44S0koODXeiVfmM/edit?usp=sharing