Why asking uncomfortable questions is a ‘professional responsibility’ for advisors

BRENDA BOUW GLOBE ADVISOR
PUBLISHED YESTERDAY
UPDATED 8 HOURS AGO

One expert says asking clients uncomfortable questions ensures they’re prepared for potentially tough times. For instance, advisors should ask parents with young children what would happen if one of them were to die young.

ANTONIOGUILLEM/ISTOCKPHOTO / GETTY IMAGES

For many Canadians, working with a financial advisor is usually a pleasant experience filled with aspirational thoughts and dreams about living their best life. But like most goal-setting initiatives, some hard work and difficult conversations need to happen along the way.

To do that, advisors have to ask their clients personal and often sensitive questions about their families, careers and health to ensure they’re putting together the most effective financial and estate plans possible.

“It’s not value proposition; it’s a professional responsibility,” says Rona Birenbaum, certified financial planner and founder of Toronto-based Caring for Clients.

She likens the exercise to the probing questions physicians ask patients about their health and lifestyle to provide the best care. With advisors, the goal is to improve their financial health.

For example, advisors need to ask clients questions about their personal life, including relationships with spouses and children, and information about their jobs or business ventures. The questions help shape retirement goals and plan for unexpected things such as a loss of income, illness and death.

“You’re not asking for information that’s outside the scope of what you need to know as an advisor,” Ms. Birenbaum says. “Occasionally, clients who’ve not experienced comprehensive financial planning will ask, ‘What do you need that for?’ In my experience, that’s more a lack of understanding of what financial planning is rather than just not wanting to share.”

Explaining the significance

Advisors should start by helping clients understand why they need to ask so many personal questions.

“It also makes asking those questions easier because clients will understand how it will be helpful to them,” Ms. Birenbaum says.

A common example is the need to see will and power of attorney documents. Advisors often ask clients for these to ensure they align with their investment choices. An example is when a will doesn’t name a beneficiary for a tax-free savings account (TFSA). If a beneficiary is named, the TFSA assets flow directly to them without going through the estate, which means the potential to save on probate fees.

Fed to deliver what could be last interest rate hike in this w...

Wilmot George, vice-president of tax, retirement and estate planning at CI Global Asset Management in Toronto, says asking clients uncomfortable questions ensures they’re prepared for potentially tough times.

For instance, he says advisors should ask parents with young children what would happen if one of them were to die young. Business owners should be encouraged to discuss what happens if they pass away or the company runs into financial trouble. Advisors should also be talking to clients with blended families about how to split their assets should they pass away.

“One question might be, ‘What is the potential for conflict among your beneficiaries and/or your executor after your death?” Mr. George says. “And could that lead to delays in the distribution of your assets?”

He says asking questions will also lead to deeper conversations about what estate planning tools a client should consider. Examples might include joint tenancy arrangements (where they make sense), beneficiary designations for registered plans and insurance contracts, and appropriately drafted will and power of attorney documents.

“Once clients understand the issues and potential opportunities offered by an estate plan, they would be more willing to disclose personal information to further advance the conversation and the results,” Mr. George says. “It promotes thought, uncovers opportunities and can prevent conflict. It can also deepen and strengthen advisors’ relationships with clients.”

Advisors also need to be vulnerable

Wes Ashton, co-founder, director of growth strategy and portfolio manager at Vancouver-based Harbourfront Wealth Management Inc., says advisors should approach these difficult conversations with care and compassion.

“Be humble. Start by saying something like, ‘Do you mind if I ask you some of these questions? I’d like to get a better understanding of your situation so I can advise you properly,” he says.

Advisors will also need to be vulnerable, Mr. Ashton adds, which may include sharing some of their own experiences to help clients feel at ease in answering personal questions.

“By sharing some of your personal experiences, you’re saying, ‘I understand what you’re thinking. Here’s what happened to my family, and what we found helped,’” he says. “I think that goes a long way instead of jumping right to the point and saying, ‘This is what you need to do.’”

Asking clients challenging questions is critical, but Ms. Birenbaum says advisors should also be mindful about returning the conversation to something more positive before the meeting ends.

She recalls advice from her late husband, a co-founder of her business and trained counsellor skilled at ensuring clients left his meetings feeling hopeful and inspired.

“I remember asking him, ‘How do you do that?’” she says. “His response: ‘As long as you suture them up at the end of the meeting, then it’s alright.’ That’s the key.”

For more from Globe Advisor, visit our homepage.

Follow us on Twitter: @globeadvisor

Report an error

Editorial code of conduct