



HIGH-NET-WORTH INVESTING

## The four pillars of financial adviser trustworthiness

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It's been about a year since the Canadian Securities Administrators introduced changes to the industry-governing client relationship model. The CRM2 initiative requires advisers to more fully disclose performance and the fees they charge.

To a large extent, these changes were born of our regulators' response to a growing skepticism among Canadian investors about the role of advisers. Some of this skepticism has been warranted: For too long, some investors have found it difficult to understand how much they're paying for financial advice, and the value they're getting for that advice.

But let's not kid ourselves. A good portion of this skepticism is based on a myth – that advisers are a mob of unscrupulous salespeople who charge too much, and engage in obvious conflicts of interest by receiving commissions for pushing clients into expensive investments they don't need.

Interestingly, high-net-worth (HNW) investors don't buy this myth. Sure, wealthy investors want to understand what they're paying for. And if they don't receive good value from their advisers – or they feel they're being "sold" rather than advised – they have no problem firing them.

But the idea that investors must be "protected" from advisers? It's a non-issue. HNW investors place a high value on advisory relationships that not only offer quantitative planning and portfolio management, but also holistic, qualitative advice that addresses the growing complexity of wealth, particularly in regard to family issues and intergenerational wealth transfer. That's why nearly every wealthy investor I've ever met (clients, entrepreneurs, executives, business associates, friends-of-friends, etc.) works with an adviser. And many times, with more than one.

Long ago, the best advisers realized that if they wanted a career, they would have to change – to evolve from product pushers to true professionals. Instead of selling, they'd have to wake up every day thinking about doing the right thing for their clients. Transparency and trust were noble goals, but they were also essential for survival. These are the type of advisers HNW investors seek.

I've spent 27 years working with advisers, 12 of them as an adviser myself, and the remainder building a company by recruiting and working with advisers. And I can say with conviction that this evolution has created many great advisers.

However, I can also say that some have been left behind, either by choice or by circumstance. How do you avoid them, and find an adviser worthy of your trust? By doing what the wealthy do, and looking for the following qualities:

### **Professionalism**

HNW investors look for advisers with a career of ongoing professional accreditation. Such advisers have invested in acquiring the knowledge and capabilities required to evolve beyond salesmanship. This is different than simply maintaining regulatory licensing – which doesn't require evolution at all.

### **Process**

HNW investors avoid product pushers by focusing on process. They ask prospective advisers to articulate exactly how they plan to help clients accomplish their goals, and how each step gets them closer to those objectives.

At the least, this includes a detailed wealth-management plan and an investment policy statement – those focused on selling products aren't equipped for such planning. Either way, HNW investors end up with clear expectations in their dealing with advisers.

### **Communication**

HNW investors insist on working with advisers who are clear about the frequency and the form of adviser-client communication – whether that's monthly, quarterly, or annually.

In my experience, the best advisers have a knack for making confusing issues and complicated topics simple. They communicate information using lay terms, simple metaphors and common-sense wisdom rather than professional jargon or "insider speak," and always craft their messages to align with the client's overall plan.

### **Transparency**

Wealthy investors require absolute transparency about what their advisers are charging, and how they're being compensated. The best advisers have been providing this long before CRM2 mandated it.

HNW investors also value "personal transparency" too. They want to work with people who do the right thing not because they have to, but because it's the right thing to do. To me, this is a fundamental element of trustworthiness.

*Andrew Marsh is president and CEO of Richardson GMP Ltd., Canada's largest independent wealth-management firm serving affluent families and entrepreneurs. Richardson GMP Ltd. is a member of the Canadian Investor Protection Fund. Richardson is a trademark of James Richardson & Sons Ltd. GMP is a registered trademark of GMP Securities LP. Both used under licence by Richardson GMP Ltd.*

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