

*For client reading purposes, where Dixie Butler has been quoted,  
the test has been colored red.*

## ***Journal of Financial Planning***

### **Focus**

### **The Many Facets of Client Reviews**

**by Richard F. Stolz**

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When everything's clicking along nicely, periodic client meetings can be little more than a quick review of investments and a general opportunity to get caught up. But when financial markets and the geopolitical climate are giving clients heartburn and insomnia, such meetings are anything but routine.

The good news is, this troubling climate—if it doesn't drive financial planning clients off the deep end—creates an opportunity for planners to become more valuable than ever in helping clients articulate and reach their financial goals. And periodic face-to-face meetings with clients, if handled effectively, can lay a strong foundation for that success.

How are planners handling client meetings today? Have they changed in how they go about the task in light of turbulent times? What are they hearing from clients in their meetings? And how are they responding to client concerns?

A review of the strategies and recent experiences of eight successful CFP® certificants around the country reveals a variety of approaches for responding to a universal condition: nervous clients. In many cases, tried-and-true approaches to client meetings are being used today, no differently than during the booming 1990s. In others, meeting procedures and agendas have been adapted to current circumstances.

And even within the same planning practice, something as basic as the frequency of client meetings can vary by client. "We don't limit how many times we sit down with a client for a review," notes Dixie Butler, CFP®, of U.S. Investors in McLean, Virginia. But the frequency of client meetings is often a function of the size of a client's portfolio, she notes.

Some clients, especially those more focused on investment management than full service planning, "don't even want to come in, but we want to be sure we know their risk profile," Butler says. And that cannot be accurately gauged in a short telephone conversation.

Like many planners, Diane Armstrong, CFP®, of Hamilton Capital Management Inc. in Columbus, Ohio, sits down with clients on an annual basis to review a statement of financial position. "We believe financial planning is an ongoing process," she says. That necessitates at least an annual meeting to ensure that the plan is on track, she adds.

Moreover, the way a planner charges clients for services can have an impact on how often the client may be inclined to request a meeting. For example, John W. Wimbiscus, CFP®, of Trinity Financial Advisors in Chicago, Illinois, works on a retainer basis. "We're going to have between two and four meetings a year," he says. And because his firm typically handles clients' tax work as well as investment and insurance needs, multiple meetings are often necessary to focus on different service components.

Finally, how new the client relationship is also can affect the frequency of review meetings, planners say. "Early in the relationship, you tend to see them more often," notes Steve Vozenilek, CFP®, a planner and investment consultant in the Bethesda, Maryland, office of Legg Mason.



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Understanding what clients actually expect with meetings is also an important factor, Vozenilek adds. "When an account is established, in addition to coming up with an investment policy statement, I also have a discussion which is effectively a customer service agreement. I ask how frequently they had contact with their previous advisor and what sort of ancillary services they want or need, such as educational materials."

Some planners who draw a clear line between pure financial planning and investment management services may be inclined to meet less frequently with clients—at least for purposes of reviewing the financial plan itself. "If we've done a comprehensive financial plan," notes Kelly Christiansen, CFP®, of Sage Financial Advisors in Phoenix, Arizona, "the client may feel that they don't need to meet for two or three years. But we stay in periodic contact with clients and let them drive the decision as to when they need a meeting."

That doesn't translate to a complete laissez faire policy, however. "Certainly if we see something that demands a meeting, we'll be insistent about it," Christiansen says.

## Principal Focus

For some planners, the principal focus of most client meetings—however frequently they occur—is the basic review of investments. "We will go over the returns with the client based on each fund," says Butler. "We'll look at how each fund did relative to its peers. We also make sure the broad mix of funds is still what they want; they give us the guidance and we do the slicing and dicing."

Josette C. Rathbun, CFP®, a planner based in Indianapolis, Indiana, with SalomonSmithBarney, also uses routing meetings to give clients a thorough understanding of investment performance. "We compare the portfolio with the composite of the appropriate benchmarks," she says. "Where we feel we need to make a change, we'll take care of that"—and explain the decision to clients at the meeting.

But rather than jump straight into a rundown of investment results, Steve Vozenilek says he likes to "reconnect with the investment policy statement, review the objectives we had set earlier, to set the tone and lead into what the market's been doing, what their investments have been doing, to evaluate whether their objectives have changed."

Nobody, however, recommends launching immediately into a full-bore presentation on investment results—or any other form of monologue, for that matter. Says Vozenilek: "You may know 100 times more than you say; knowing that gives you confidence. But you don't need to give them a brain dump. It tends to be more casual than looking at why this investment went up compared with this one."

Adds Henry Montgomery, CFP®, of Planners Financial Services, in Minneapolis, Minnesota, "If you start telling them everything you know, you'd have them in for three days."

But client meetings provide an excellent opportunity for general investment education, says Dixie Butler. "We spend a lot of time educating clients about what markets do," she says. "I tell them, 'there isn't anything magic about this. Markets move up and down.'"

Perhaps more important than concentrating on imparting particular facts or market insights is communicating something more fundamental: that you are on top of the situation. "Clients want to know that somebody is in charge, that they have a financial quarterback," says John Wimbiscus. "They want to know that their situation has been addressed."

Explains Montgomery: "Concern, interest and capability. Those are the most important things you need to communicate. They want to know that you know."

Adds Vozenilek: "I try to make them aware that my job is really to understand them and their situation, to be their 'family member' who just happens to be in the investment business, instead of being this person who's on a hill and giving them all the answers."



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## Assessing Risk Tolerance

The best way to communicate those ideas, however, involves as much listening and probing as making authoritative statements. Some standard areas of questioning in client meetings—such as those relating to risk tolerance—take on particular significance today.

"We have a questionnaire about risk," says Dixie Butler. Her clients complete the questionnaire before a meeting. She quickly points out that questionnaires are, by themselves, an inadequate tool for assessing client risk tolerance. "Clients will say one thing in a questionnaire, and then when you discuss investments with them, you sometimes get a different picture."

Clients may turn out to be either more—or less—risk-tolerant than is suggested by their responses to a questionnaire. But a risk profile questionnaire at least "gives us a starting point to talk about how much risk they're willing to take. It opens the conversation for the client to understand what risk is all about," Butler says.

John Wimbiscus, who also has clients fill out a risk tolerance questionnaire, says the exercise must be repeated routinely for each client. "We've seen many of them changing. It has taught us that risk tolerance is not static." And since 2000, the general trend—not surprisingly—has been in the direction of risk intolerance, he says.

Kelly Christiansen also devotes a significant part of client meetings to risk tolerance. "I do a lot of asking how people feel about the markets, about how they did on the markets. What I'm trying to get at is, if you're 80/20 equity/fixed income, are you still comfortable with an 80 percent exposure? Can you stomach this?"

And to hedge his bets against the possibility that a client could be more risk-averse than he or she is willing to admit, Christiansen makes it clear to clients that he reserves the right "to make the portfolio more conservative" than would be indicated by the investment policy statement.

## Changing Goals and Circumstances

No less important than a change in risk tolerance is a change in client financial goals, or circumstances that imply new goals. "That's what drives the discussion at my meetings," says Diane Armstrong—"what we need to change."

Typical changes in financial plans stemming from insights gained from client meetings include redeployment of assets due to the prospect of an inheritance, establishment of college funds for new grandchildren and changes in beneficiary designations in insurance policies.

Making the determination that a change in plans is indicated can result from a series of specific, standard questions about the client's circumstances. For example, in periodic review meetings, Wimbiscus asks his clients, in effect, to "show me the money." We're always looking at cash flow," he says.

This not only provides a good sense of clients' basic financial status, but can determine whether any steps are needed to prepare for contingencies. "You get the big items that come up—we need to react to that." Case in point: A client who told Wimbiscus he was preparing to sink \$300,000 in a kitchen remodeling project.

Marc Freedman, CFP®, who practices with his father, Barry, in Peabody, Massachusetts, also zeroes in on his clients' cash flow situation when he sits down for a periodic review. "After talking about the net worth, we look at basic things like the paycheck—when it comes home, how it's handled, where it goes."

Such questions may simply lead to on-the-spot suggestions regarding better approaches to managing family finances, or provide the basis for more formal cash flow management recommendations.

Another line of questioning—or discussion—at periodic meetings concerns family circumstances. Although significant events or plans relating to the family tend to be volunteered, it is generally wise to ask about them, notes Diane Armstrong. She has several widows in her client base. At a recent client



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meeting she learned about a widow's plans to remarry—which will have huge implications for her financial plan.

"It affects a lot of things," she says. "She is wealthy, and the man she plans to marry is not. I recommended a prenuptial agreement; sometimes we feel more like marriage counselors."

## **Keeping a Broad Perspective**

But is it necessary to lead clients through the periodic meeting with a fixed battery of questions? Not if the important questions are answered one way or another, planners say. Henry Montgomery, for his part, likes to begin client meetings with an open-ended question: "What's going on in your life?" or "What's on your mind?"

"Usually they have something that has nothing to do with the annual report, but something that's important to them. Their daughter is pregnant, their Aunt Nellie died—all the things that are part of the human condition," Montgomery says. "They really appreciate getting it off their chest and having somebody interested. And it often gives you good insights into where they are emotionally vis-à-vis their investments with you, what you have done for them. It's a loosening-up conversation. When you get that done, the financial part becomes an afterthought."

Encouraging clients to bare their souls isn't a diversionary tactic, Montgomery says. Rather, it's a way to uncover information that's useful to meeting their needs. And the process can engender a high level of trust in the relationship.

Those clients who want to pay close attention to the financial details available for their inspection will still do so. "School teachers and engineers tend to want to get into the nitty gritty detail. They'll say, 'let's start at the top of the report and work our way down.'"

Montgomery adds, "The other type of person will say, 'That's what we pay you to do,' and won't want to look at the details. If they give you a lot of questions on detail, you answer them. If they don't, you broad-brush it and don't bore them with a whole load of hay."

Marc Freedman says his line of inquiry often focuses on "how clients are feeling about the money issues that encompass their lives."

"Are they able to meet their day-to-day needs? The way I start every meeting is a review of the net worth statement from the last meeting." That sets the stage for a general probing of clients' sentiments about their financial posture.

In fact, Freedman says he often doesn't even get into a detailed conversation about investments in his annual client review meetings. "I want to make sure people understand that investments are just one element of the lifelong relationship they'll have with the firm. Generally, unless the client brings up investments, I don't talk about them."

"If the main focus of the meeting is on the client's investments, given the volatility of the markets, that conversation could be different tomorrow from what it would be today," says Freedman, and thus the more enduring, strategic questions aren't addressed.

The risk of being sidetracked in client review meetings by transitory issues—whatever they might be—must be guarded against, he says. "Planners give first class attention to building a plan that's customized to a client's needs, but when they do the review, I wonder how much time they spend reviewing the plan instead of dealing with the issue of the moment."

And Kelly Christiansen says he makes a point in client meetings of not allowing clients to avoid accepting some responsibility for important decisions about investment strategy and fund choices. "I find that clients don't care which mutual fund they're in; they care about what the performance was, and why. But I like to make sure they understand what's in the portfolio. I want them to buy into it. I don't like it when they just say, 'go do it.'"



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While Freedman makes a point of keeping clients focused on the financial plan during annual review sessions, he doesn't feel the need to obtain buy-in on a narrow investment strategy. "My goals for when clients walk out of a meeting are that they feel good about the relationship they've established with the firm, that all their concerns and issues have been addressed, and that they feel good enough about our relationship to refer us to friends."

One way planners try to ensure that their review meetings are successful is by preparing clients for the meeting before they arrive. "We've established ourselves in all the areas of clients' financial lives," notes Josette Rathbun. So before review meetings, she sends clients a checklist and asks them to indicate any changes in circumstances that would point to the need for a new financial strategy or solution. That covers "everything that we addressed in our initial financial profile," Rathbun says. That way, Rathbun can be sure nothing falls between the cracks when she sits down with her clients.

Diane Armstrong, meanwhile, equips her clients with a "financial planning notebook," a binder whose contents include a statement of financial position, notes on prior meetings (including action steps), investment performance analysis and estate planning documents. "We have clients bring it to the meeting to update it, swap out the old pages and put in new ones. It's a way to help them keep on track toward reaching their goals." The notebook also provides some structure and focus to client review sessions, she adds.

## **Who, When, Where**

Most planners say their meetings last between 60 and 90 minutes. "After an hour and a half, the mental sharpness and willingness to sit still have been reduced," Armstrong says.

On the other hand, John Wimbiscus says his meetings typically last two to three hours. "I don't want to be looking at numbers the whole time," he says. "We take natural breaks to try to draw out things about what's going on in their lives, like an upcoming wedding."

And in the case of married couples, review meetings should include both spouses. Steve Vozenilek recalls a recent client meeting in which "the wife said she'd be content with a portfolio return between zero and five percent, and the husband wanted six percent to eight percent." That divergence of opinion might not have come to light had only one spouse been present at the meeting.

Marc Freedman is firm with clients on this matter: "If you're not willing to come in with your spouse, you're not coming in." He came to that hard-line position after mono-spouse meetings in which "the husband or wife would spend time complaining about the way the [absent] spouse handled money. That wasn't a healthy conversation."

On the other hand, having a couple—or near-couple—in a meeting can lead to surprising results. Henry Montgomery recalls one meeting with a male client who brought along his girlfriend. "Later he asked me what I thought of her, whether he should marry her," he says. It was a question Montgomery said he didn't consider himself qualified to address.

While client meetings are generally held at planners' offices, certain clients—notably surgeons and high-powered corporate executives—tend to expect to have their planners come to their offices. And in the case of "snowbird" clients who migrate south for the winter, review meetings are often held in the warmer regions. "I have lots of clients now in Florida," says Indianapolis-based Rathbun. "I'll go down there with my laptop and run through the plans at their dining room table. I just bought a condo in Naples, a stone's throw from some of my clients."

When clients come in for their meetings at Marc Freedman's office, they are greeted by his "director of first impressions," also known as Kim, his receptionist, who escorts clients to the conference room after offering them refreshments. Freedman stresses the importance of making clients feel welcome.

In the conference room, Freedman uses an LCD projector to display computer screens graphically depicting the client's financial status and elements of the financial plan. Typically he will build or update the client's net worth statement on the spot, as well as their goals. "I try not to prepare any type of



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results before the meeting, because 90 percent of the time, some of the variables change. And now, when we do it in the meeting, they're collaborating with me on the plan. They can see their goals. It's all there on the screen."

## Common Themes

Keeping clients engaged in the review and planning process is central to the approach of Steve Vozenilek. "The way I approach it is the old management-by-objectives. So, I'll say, 'if we move that way, here are the ramifications of that decision. You may not be able to achieve your objective. If you're willing to accept that, fine.'"

In today's client review meetings, that discussion typically revolves around investment risk and return trade-offs, he says.

A common theme of discussion in recent review meetings held by Kelly Christiansen has been whether there's any point to seeking a higher investment return than is necessary to achieve a goal. "For the folks who have plenty, if they only need six percent to achieve their goal, they don't need to take that much more risk. I tell clients that if they take a more aggressive investment posture they might die with more money, but who cares?"

Similarly, Marc Freedman has been working hard lately in client review meetings to keep clients focused on goals, not rates of return. This is essential not only for clients' peace of mind, but to maintain his business.

"I like the Dan Sullivan R-squared question: 'What would have to have happened for you to say that this relationship was successful three years from now?'" Adds Freedman: "I will not allow my relationship with a client to be measured numerically. You're just setting yourself up for a disaster."

Still, it is the lingering disquiet over equity portfolio losses that is the theme or undercurrent of many, if not most, client review meetings today, planners say. "After a market like what we've had, people who said they had a tolerance for risk, have become a lot more conservative now that they've actually experienced it. It's not some theoretical history lesson," says Christiansen.

Which is not to say they're all panicking. In fact, Christiansen says that "for the most part, our clients are delighted" with performance when they recognize that total portfolio losses are much smaller than they had expected based on a focus on the equity sector.

Moreover, when clients have been conditioned to understand that planners aren't magicians, they are more accepting. "Our clients understand that we don't have a magic wand over here, that if the market's down, they'll probably be down too," says Dixie Butler.

Still, for most clients, the duration and severity of the bear market "is out of their frame of reference," notes Rathbun. "We'd have to go back to the late 1930s to see this kind of a market. Most of my clients were in diapers then."

Thus, in her review meetings, Rathbun is working to show clients a middle ground between heavy equity exposure and a full-scale retreat to cash. For example, she has been discussing strategies involving convertible bonds and preferred stocks.

Freedman notes that in recent meetings, many clients have felt a strong urge to change something—anything. "In a crisis situation, this is what people want to do. But sometimes doing nothing is the right thing. Most of our clients understand that, but need to hear it. I like the expression, 'Don't let the ship steer you. You steer the ship.'"

For Steve Vozenilek, the best approach to helping clients today—beyond offering practical solutions and bits of wisdom—is to dig deeper into their situations. "I'm going into a lot more depth as to what the goal is," he says.

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"If I talk to somebody about their family, it's not just about kids and their ages, but 'what is your relationship with your daughter-in-law?' My profiling is getting deeper. I'm not getting into investments until much later than I had previously," says Vozenilek.

Not only does this ensure that he's doing the best job possible to understand the most appropriate financial strategy, but it communicates to clients that somebody is truly looking out for their best interest.

As Josette Rathbun observes, "Bottom line is, your clients have to sleep at night."

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