



“Listening To You... We Get The Music”

or,

What Pete Townshend Teaches About Serving Clients

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We’d like to share a deep, dark secret with you. As much as we focus endlessly on investments, and as much as we have whole groups of people at Federal Street Advisors who do little else than asset allocation, manager due diligence and portfolio management, the core group of us are as interested in our clients’ family history as we are their investable assets. You might think that we’d shy away from this “touchy-feely stuff” and focus exclusively on hard-core investment strategy or estate planning, but over the years, we have found the value we can add from taking the time to *understand* our clients, and in doing so, gain insight into their family histories, is immeasurable.

Most of you are old enough to recognize the line above from “Tommy” by The Who. But, how many of you remember the refrain:

*Following you I climb the mountain.
I get excitement at your feet!
Right behind you I see the millions.
On you I see the glory.
From you I get opinions.
From you I get the story.*

In the opening days of a client/advisor relationship, it is not easy to dive right into the highly personal, but we do, and we look to get below the surface quickly. What we find there helps us better serve the client. We want insights into clients’ *hopes*, and we’ve learned over the years that it is also essential to understand their *fears*. We have a series of questions we use to start a conversation. These are not easy questions to answer and some clients refuse to discuss them, which is of course their prerogative. And, it is very important that we give both partners, in the case of couples, their own platform to speak. As some of you surely know from your own experiences, this is not a gift that spouses always give to each other.

Some of our opening questions include:

- Describe your childhood, especially in terms of dealing with money?
- What lessons did you learn from money growing up?



- Was money an issue or a source of conflict when you were growing up?
- Tell us about your parents and your siblings, as well as your own background.
- Do you have any guidelines, rules or guiding principals you follow regarding your wealth and your money? (Notice the distinction between wealth and money, which if not understood, we explain.)
- Do you have a philosophy about money and if so, who was your greatest influence in developing this philosophy?
- How did you accumulate the wealth you have today? What is the most important thing that your money gives to you?
- What have been some of the best financial decisions you have made in the past? The worst?

This list goes on, and the answers we receive prompt new questions that often take us deeper and deeper into understanding and appreciating our clients.

The objective of this approach is to learn about our clients as the people they are and not the balance sheets they often present themselves to be — what keeps them up at night, what concerns them, especially about their money, and why. With this approach, we can be better advisors — by understanding the past, we help clients pursue and achieve a less stressful future.

People often ask for examples as to how this knowledge helps us serve our clients better. For instance, a client recently expressed concerns about cancelling his life insurance policy, in spite of the fact that there was no objective reason for it given his family’s liquid wealth and rather limited spending. Years ago, in our initial conversation, this client had expressed fears of leaving the family penniless. He admitted to a moment of anxiety every time he checked the ATM balance due to years of finding no pennies in the bank. So, three years later, in a conversation about life insurance, we understood the underlying issues immediately, which had absolutely nothing to do with insurance, and came up with an approach that was both financially prudent and emotionally acceptable to this client. Had we not had that background, we might have gone on and on using analytical “advisor brains,” all the while thinking we were doing the right thing. What we would really have done is alienate this client and cause him undue stress and consternation, which can eat away at even the strongest and most productive relationships.

In another case, we heard a colorful story from a client raised by a father with a severe gambling habit. So much so that he went from rags to riches a number of times. As a child, this client watched his father’s Cadillac convertible, chrome wheels and all, be lifted and dragged away by the Repo Man. When this client showed a penchant for borrowing on margin to bolster his stock market returns, believing that the market would only go up and that stocks such as CITI could never go down (this was August 2007 folks!), we were able to better understand his family tendencies and remind him of his past in order to help steer him away from a future that easily could have been a repeat of that past.



We could write a great American novel populated with the stories we have heard and the issues we have uncovered in these conversations. We have heard many times about fathers dying when our clients were young, leaving them to fend for themselves as teenagers, about families that had little money but great wealth and values and persevered in tough times to not only survive but to thrive, about addictions that can be rampant in some families, about affairs, about growing up in families in which the topic of wealth was a greater taboo than the topic of sex, about sibling rivalries that tore families apart, and sibling bonding that surely kept families together. In every case, we heard these stories because we asked, and we used these insights to better understand and advise the clients who had the courage to share such personal details with us.

We don't expect any client to walk through the doors of 50 Federal Street, no matter how much they trust us, shouting “see me, feel me, touch me, heal me” – not now and not ever. But most clients enter a new relationship hoping that the advisor will at least understand them enough to be effective from the beginning and more and more over time. To be effective we must understand the person that our client is, which means understanding where they came from, how they became who they are, and how their relationships and experiences now and in the past affect the decisions they will make in the future. Those relationships are with family, friends, partners, mentors, rivals, advisors like you who are receiving this letter and on and on. When we are effective at delving deeper than the quantitative elements of the client that can be laid out on paper, we can serve as a true Wealth Advisor rather than only an investment specialist. And we can truly make a difference.

We hope that you find this approach and these insights to be useful. We know that many of you share similar philosophies with your own clients. If you want to explore this topic with more detail or relate how this may or may not have worked for you in the past, please don't hesitate to call Randy Hustvedt or Charlie Walsh at (617) 350-8999.

We look forward to hearing from you and exploring this topic in more detail.