

# CHAPTER 1

## If These Walls Could Talk

*The most certain science is conscience.*

—Viktor Frankl

Anthropologists studying peoples deep within the Amazon came across a tribe that had an unusually high mortality rate and short life expectancy. They studied the eating, drinking, medicinal, and health habits of the tribe and could find nothing to explain the phenomenon. Eventually, they found the problem in the very walls of the houses these people lived in.

The tribe built their homes from river mud, which contained a species of bug that carried a virus. By using this mud for the walls of their home, they were literally building houses of death. Upon discovering this, the anthropologists sat down with the elders of the tribe to reveal their findings. The elders dismissed the anthropologists so they could decide on the issue. They later told the anthropologists they had decided to do nothing—it would be too difficult to find a new way of building shelter. It was the only way the tribe knew.

This same story could be told about some investment firms as well: the dying stock/fund jockey and the diseased investment house that is infected in its very walls with a virus known as self-centeredness. This virus causes its landlords to believe that the client who enters the house exists only to meet the needs of the house and to serve its own interests. Some of the leaders in these houses

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are perplexed by the number of investment advisors falling by the wayside and the decline of worthwhile clients coming to visit. In declining markets many of these landlords blame the wayward attitude of the market rather than their own attitude and actions for this demise.

How do these same leaders explain away the fact that thousands of client-centered financial planning practices grow and maintain during the same market periods? Those financial professionals whose houses are built with the lasting materials of servitude and self-transcendence are flourishing as never before. The problem, as illustrated above with the Amazonian tribe, exists within the very walls of the infected investment firm office: Those who live within these walls breathe toxic air each and every day and, as a result, mortality rates are high.

The leader of the infected investment firm, whose team suffers the greatest mortality, most likely caught this virus through direct or secondary exposure to Ayn Rand's philosophy of objectivism that seduces executives and managers into thinking that the greater good is ultimately met by pursuing one's own self-interests. As the industry headlines of the last few years have demonstrated, this philosophy has been practiced in corporate corner offices to the point of their undoing. If Atlas is shrugging off anything these days, it is this blind and foolish philosophy that purports to help others while only helping oneself. Put another way, it would be like the pig saying his only motive for slurping at the trough is because he knows he will one day be man's breakfast. The pig overeats jealously only because it is his nature to behave in a hoggish fashion.

The breadth and permeation of this virus has been brought to the public consciousness from the business page to the front page and—as a grave indicator of its endemic state—to the comics page, with *Dilbert* strips satirizing the selfish advisor. Online brokerage houses joined in the satire with the “Let's put some lipstick on this pig” ads showing advisors acting like boiler room operators, and posterized human images lamenting how their brokers were ripping them off. These images and messages contributed as well to the heightened awareness by exploiting the techniques of exploitation. Some recent experiences have driven the point home even more.

A friend who is an executive for a mutual fund company called to tell me that his father, whose retirement assets have shrunk

considerably, can no longer sleep by night nor relax by day. He joined his father on a trip to talk to his advisor. The first thing my friend noted about his father's advisor was that he was unaware that his client had been retired for the last year and a half! Within 10 minutes he was trying to sell a new product to my friend's father. My friend told me he had to muster all his restraint to keep from reaching across the desk and choking this advisor. He told me, "I'm in this business and I understand the need to sell products but, my God, this guy had no interest in my father's life or dilemma whatsoever.

*Why doesn't this "advisor" know more or care more about his clients? Because the walls of the house are infected, and, as a result, so is he.*

My accountant e-mailed to tell me that a client of his had come to see him because she had stopped receiving checks from her annuity and had visited her advisor and was confused about his "advice." He had advised her to sell the annuity and buy into some bonds that would mature in 15 years. She wondered if that was a good idea given that she was 81 years old at present. The accountant told her he would look into it further. Upon review, he found that the recommended bond fund was almost identical to what she was allocated to within the annuity. The only advantage going was to the advisor, who would profit from the transaction.

*Why would an advisor offer exploitative self-interest as advice? Because the walls of the house are infected, and, as a result, so is he.*

Several years ago an advisor had recommended that I purchase sizeable stakes in two telecom stocks just before they began their precipitous fall. I wasn't blaming the advisor for the recommendations (after all, I had agreed with his idea at the time), but I was bothered by the fact that I had not heard from him in almost a year as these investments plummeted to 10 percent of their original value. Not a single phone call. I decided to make the call to him. When he answered, he said, "Oh, I'm so glad you called. My company doesn't allow us to call accounts anymore that have fallen below \$\_\_\_\_ in value." I remarked on the irony of the fact that it was his company's recommendations that caused my account to fall into their "not important" category. I transferred my account the next day.

*Why would an advisor not care? Because the walls of the house are infected, and, as a result, so is he.*

## **A New Campaign**

An advisor working for a bank came up to me after a speech with his eyes filling up and said, “I had decided before this meeting that I just couldn’t do this anymore. If you can show me a way to center what I do around the life and needs of my client, I will have hope. I have turned down the volume on my conscience for the last time.”

One can breathe toxic air only so long. At some point, self-preservation kicks in.

You may have noticed that there has been a concerted effort of late to change the image of the house by advertising to reflect themes of client-centeredness and client concern.

As with all paradigm shifts, there are some genuine parties and efforts at work and there are pretenders. The genuine parties are focused on bringing assimilation between their ads and their advisors. The disingenuous and half-hearted simply spend money on the ads.

Do some of these houses believe that the problem is only with the sign on the house? Does it escape their notice that the problem is with the air one must breathe once we’re inside? How long will it take before the perceptions of the advertisements become the reality of the client? Is there a process in place to bridge the promise of the advertisement with the practice of the advisor? Is there any line or strategic process that connects the two? The advertisements may be different, but until the theme of the Monday morning “sales meeting” is different, the death toll will continue to rise.

Until company culture issues are addressed, the inveterate mistakes that have made headlines will prove incurable. Nothing gives away the careless conscience like talking out of two sides of one’s mouth: telling advisors to do their best to serve their clients, but also making sure you do your best with them pushing XYZ fund this week. If the mistakes of the last decade have not brought the issue of self-centeredness to the surface, what will it take? Exploitation continues as long as the virus is allowed to grow.

The selling of financial advice can be a noble trade. But it cannot be noble if it is simply a masquerade for a financial carnival act. There is a better way.

Good advisors can and do play heroic roles in the lives of their clients. Let’s assume that every product designed intends to solve a problem or meet a need. The product is good if the intention of the product is good and the price affixed is competitive. This

product is designed to meet a real need, so where does the danger lie in bringing this solution to the public? There is really only one variable that opens the door to danger and keeps the selling of advice from being respectful and dignified. Every professional also knows appropriateness can be solved only through thorough and sincere discovery.

One size does not fit all. But pressure is applied by the landlords of the house to “move” that product, and as long as the message of moving products supersedes the message, this industry will be replete with advisors trying to cram size 11 feet into size 9 shoes.

Not too long ago, I witnessed a sales training session within the industry. The trainer commenced his training paradigm with this premise, “First, create a need.” I was dumbfounded. Create a need presupposes that there are no legitimate needs in the life of this client—therefore the advisor must manipulate his perceptions to act as a springboard for his sales presentation. I challenge any advisor to find any client conversation where, with enough effort to understand the client’s situation and goals, a real need would not appear that could be addressed with a product or process you now offer. It is a self-absorbed and lazy approach to think we must “create the need.”

## The Soul of the Matter

Appropriateness is ultimately a question of conscience and soul: Am I trying to create the perception that this is needed to meet my own agenda, or am I trying to find the client’s real needs by offering the most appropriate fix for those needs? The first sign of recovery from this virus is that the advisor begins to take a much keener interest in the lives of his clients and becomes much more intrigued in the discovery part of the conversation than in product pushing. A strange paradox begins playing out in the practices of those recovering from the virus: *the less time they spend pushing products and the more time they spend discovering the lives and hopes of their clients, the more products and services they end up distributing. But now all product sales are highly appropriate.* Doing the right thing pays off.

Though many campaigns reflect a sincere desire to form better relationships, until the house is rebuilt with a different material, the core of the virus will not go away. It is not a media campaign that is needed but a conversion of the very soul of the business. Self-interest must give way to what philosopher Viktor Frankl called

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“self-transcendence,” more commonly known as “seeing past your own nose.” The industry can no longer afford shortsightedness, opportunism, or superficial relationships.

When advisors come to work and are greeted with a Monday morning pep talk about building better relationships, when the motivation is about focusing on the long run and the big picture, when the focus is about discovering what’s going on in clients’ lives and about providing services that match the needs arising in those conversations, then and only then will behavior begin to change.

As is always the case, some chiefs will be slow to embrace this transformation because they have built their houses with mud from the river and don’t know any other way to build them (and their paychecks hinge on the behavior that results from this virus). They will continue to move market share to those tribes whose chiefs have already recognized the source of the trouble and are rebuilding their houses and to those tribes who never used mud from the river in the first place.

“So some advisors don’t last long,” these resistant chiefs will muse, “so some advisors are burnt out and some clients are going elsewhere. There will always be casualties. We just need to push harder on the tribe that remains. Our business is about meeting our bottom line.” As is the case with many untreated diseases, eventually it will kill these houses and the advisors within.

*And so we see that the virus of self-interest has the potential to infect every last brain cell.*

### Working in Infected Walls

I once consulted two days a week for a company that had serious mold problems in their walls. Being sensitive to molds because of asthma and allergies, I would begin wheezing and struggling for breath within an hour of arriving and constantly fought for breath the days I worked there. I noticed that others in the company were struggling as well, so I went to the CEO and told him the problem. He looked at me like I was a weakling and dismissed the complaint with a huff. He simply was not willing to acknowledge the negative impact of the toxic air in his office. His attitude was that a real man or woman could take it. Tired of getting sick at his office, I canceled my consulting contract and was amazed at how great it felt to be able to breathe clean air again.

In this discussion we must not overlook the damage this virus has done in the lives of the advisor forced to breathe the air within the walls of an infected house. Too many advisors are not feeling well these days because of pressure to produce on one side and numbness to clients on the other. How long can a good man or woman breathe this air without collapsing?

A few months ago, an advisor who told me he worked within infected walls came to a session where we were discussing how to conduct better dialogues with clients. He was full of enthusiasm as we practiced meaningful and productive conversations that had no manipulative undertones. I stopped the training and told him, "I don't think you realize that this day is going to make things worse for you, not better. You are charged up about having a real, life-centered financial dialogue, and when you go back another sort of conversation is going to be forced upon you so that you can force it upon your clients. When that happens, you will be more miserable than you are now because now you know how to take the client dialogue to a different level."

It is better to have never known the truth than to know and not be able to practice it.

Within a week I received a phone call from this advisor. He told me he had gone home and had some of the most meaningful and trust-building conversations he had ever had with his clients. Within two days, his "chief" was deriding him for not moving more of product X. This advisor informed me that, as predicted, his latter state was worse than the first. He just couldn't force himself to have that other sort of conversation anymore, and the daily pressure to do so was making him miserable.

He knew that he now had two choices: (1) have a heart-to-heart with his firm to see if they will allow him to operate in the fashion he needed to, or (2) move to an environment that matches his values completely.

## **Your Client's Bottom Line**

What better example can we find of the diseased walls on Wall Street than the auction-rate security debacle? To the consumer, this sloppily researched and imprudently designed instrument was sold as a "cash-equivalent." What does that term mean to you? It sounds a lot like something that operates the same as money, liquid and with no

risk of loss of principal, doesn't it? Of course it does. Try explaining this to clients who can't get their "cash equivalents" back.

There are stricken investors attempting to retrieve their monies who are being impeded, most notably by closed-end fund managers, some of whom gambled heavily in auction-rate notes.

Some experts have suggested that managers could, if they chose to, sell underlying securities and use the proceeds to buy back common shares. This would reduce the size of the funds and allow them to redeem some of the preferred shares they had issued to increase the fund's yield. This would at least calm shareholders' fears and repair the damage of a deceptively labeled investment. But such a remedy would result in reducing assets in the funds as well as managers' fees, which are based on the amount of assets managed.

Imagine a scenario where an investment firm takes unnecessary risks, falsifies the nature of those risks to the consumer, and, under the heat of scrutiny, is more interested in protecting their own stakes than those of the clients they supposedly serve?

This is not hard to imagine within infected walls.

The quickest and surest cure for the virus is to adopt the client's bottom line as your own. The client's bottom line is about their needs, comfort levels, hopes, and concerns. Where your products and services cross orbits with the client's bottom line is the point at which all prosperity occurs—materially, relationally, and internally.

For the company with infected walls, the quantitative bottom line will not improve until this qualitative bottom is established and pursued with vigor and sincerity.

When the bottom line becomes placing a higher importance on the client's goals than those of the individual advisor or the investment house, we will know that self-transcendence is being practiced. When the conversation is about uncovering real needs and applying tailored solutions, we will know the house has been rebuilt with materials that are safe both for the advisor *and* his clients.

This house will stand against any storm the markets can bring because human nature in adverse circumstances is to seek refuge—places and people in whose presence they feel safe. For the truly client-centered practice, storms are a time of expansion and reaching out to the wounded and confused, not a time of shrinkage. If this has not been the case for your house, it might be time to inspect the walls.



### ReSOULution

Check the toxicity level in the house within which you dwell. Are the walls infected? Is the culture sincere or sincerely misguided? Is duplicity present between the image and the behavior toward clients? Consider the impact of a toxic environment on your own well-being. Breathe toxic air long enough and you will feel your energy waning, your thoughts lacking sharpness and clarity, and maybe even the slow dissipation of your will and resolve to do better.

*Your clients are tenants in your house. You and they both deserve to breathe purified air.*

