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Marc Vorchheimer

A No-Pressure Approach for Hesitant Client

By Niki Reading

An overwhelmed client shows his adviser a messy and risky portfolio

The adviser's first step: sit down and understand the client

A no-pressure approach relieves a skeptical client

The client visited his adviser earlier this year with a fairly simple question about finding the right long-term care insurance. Instead, the adviser found something that was potentially more dangerous to his long-term financial health: His money was all over the place.

"He had a tremendous amount of positions," said Marc Vorchheimer, a fee-only adviser at Integrated Financial Consulting in Spring Valley, N.Y. The client, who didn't have an adviser before Vorchheimer, had roughly
$1 million spread among 10 accounts and about 150 different investment positions. Just keeping track of each account left the client overwhelmed. On top of that, the man, in his early 60s, had nearly 80% of those assets invested in stocks.

Some advisers might have shaken their heads at the portfolio and wagged a finger at the client. But Mr. Vorchheimer, whose firm manages $20 million in assets for around 50 clients, wanted to take the time to understand how the client let his portfolio get so scattered. He also was careful to not criticize the client for the state of his portfolio. After all, Mr. Vorchheimer's goal was to fix the client's portfolio, to educate him and help him make better financial decisions in the future.

Mr. Vorchheimer said what ensued was "quite a conversation" about how the client could consolidate accounts and positions to create a simplified portfolio with an age-appropriate mix of investments. Mr. Vorchheimer said he kept the conversation low-key by staying focused: First, he talked about the importance of sound investment practices. For instance, Mr. Vorchheimer learned that the client had so many positions because his goal was to diversify across fund managers in case one manager was a bad apple. With his money in so many funds, the client reasoned, his assets would be safer.

"I explained to him that up to a point he's right. You don't want to have just one manager," Mr. Vorchheimer said. "But as long as you don't have one fund family for everything and one manager for everything, you are diversified among managers."

He also talked to the client about the theory behind allocating assets based on age and how holding such a high percentage of stocks at the client's age meant he was carrying a considerable amount of risk in his portfolio.

Then he gave the client time to reflect on whether his finances lived up to those practices. Finally, he listened to the client's objections. Sure, it was difficult having his money in so many places, but the diversity gave him a sense of security. And making big changes to his portfolio would take a lot of time.

Mr. Vorchheimer validated his client's feelings: Rebuilding the portfolio would certainly take time and it would represent a big change. But he also reiterated his own perspective that the big change toward a more age-appropriate investment allocation would give the client actual stability, instead of just the perception of it. Plus, consolidating accounts would make managing his finances that much easier.

Mr. Vorchheimer let his client know that his decisions were not an emergency, and that fixing his portfolio didn't have to happen overnight. "If they take six months rather than one month, that's okay," he said. "I'd rather have them learn how to walk and get from Point A to point B than have them run and fall down."

The result? The client followed up the meeting with an email to Mr. Vorchheimer thanking him for his no-pressure approach. The meeting, he said, left him and his wife feeling relieved.

Meanwhile, the client still hasn't decided whether he's ready to simplify his finances, which is just fine by his adviser.

"I think it's important to give clients space," Mr. Vorchheimer said.