



## WHEN TROUBLE WALKS IN

Consider your options when red flags are waving.

By Ellen J. Bessner

**Ms. X** calls you at your office and says she knew you in high school. You don't remember her very well, but you know you had little to do with her (she wasn't a member of the "in crowd"). Now Ms. X is a successful executive and wants to meet with you. She says she cannot manage her investments and has heard you are a successful advisor. You're flattered. You arrange to meet her at your downtown office.

When the receptionist announces her arrival, you're shocked. You remember a wallflower, but Ms. X is now a well-dressed and attractive woman. She tells you she's in a rush and doesn't have more than 15 minutes to meet. She wants you to get her investments organized without delay.

She reveals she has saved \$750,000, because she's too busy to spend her income, and has inherited an additional \$1 million from her grandmother.

You begin by pitching your advisor acumen, both on the planning and insurance sides, and explain how you can manage her portfolio successfully. She says she doesn't have time for your sales pitch; she's in your office because she's already chosen you as her advisor. She insists she doesn't want to be bothered with details and wants you to take care of everything investment-related.

You ask her personal questions and

she tells you she doesn't have time. You explain your obligation to "know your client," to help you determine her appropriate investment and insurance mix. She responds: "Can't I just sign what's necessary and get going?"

Concerned you may lose the closing opportunity, you pull the account application and other documentation, complete them quickly and tell her to review the documents carefully before signing. But she doesn't read them at all, signs where indicated, and you sign as witness. You tell her that once you determine a suitable mix of investments, you'll call her to meet again to get her signature for each mutual fund investment. She suggests there must be a less intrusive and more efficient process. You explain she can sign a Limited Trading Authorization (LTA) which will allow you to invest without a signature for each trade. You pull out the LTA as she is getting ready to leave, and you tell her to carefully read the section marked "General Provisions." She grabs the form, signs it and hands it to you as she races out of your office waving and hollering, "Don't call me unless it's necessary!"

Clients put advisors in vulnerable positions almost every day. They refuse to review the necessary terms and conditions of documents before signing, only to complain later that nothing was explained.

The first thing I suggest you do after Ms. X leaves your office is document precisely what was said—your efforts to get to know this client and her insistence on rebuffing them. A bright red flag is waving and problems are clearly on the horizon.

First, consider whether you are actually prepared to work with her. You might make an effort to discuss these matters with her when she can spend more time with you, or you might send her a letter expressing your concerns that her lack of engagement in the process prevents you from fulfilling your professional obligations. You may lose her business. On the other hand, Ms. X may be impressed with your professionalism and reconsider your proposal.

If you do work with this client—be careful! She has the guts and the resources to do a number on your reputation and livelihood.

The process might seem like one long, slow dance. But make sure your dance partner is in step with you. Otherwise you might get your toes crushed. **AE**

---

*Ellen J. Bessner is a lawyer at Gowling, Lafleur, Henderson. She practises in the area of brokers' liability and offers compliance training to brokerage firms. The above is intended for a general audience and should not be considered legal advice. "Compliance Check" appears every other issue.*