Voices Bracing for an advisor's worst nightmare

By Mark Elzweig
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It's every financial advisor's worst nightmare and yet it happens all the time.

One day you come into the office and find your firm's corporate misdeeds are splashed across the media far and wide. Once a firm's reputation has been trashed, advisors at that firm often lose referrals that they didn't even know about, from prospects who don't want their account at a suspect organization.

If you've worked for major brokerage firms, it's likely that at some point in your career, your company has been the subject of negative press and you've had to deal with concerned clients and the inevitable fall out.

For the past two years, Wells Fargo's fake account scandal has made international headlines. Brokers working in bank branches opened up opened up millions of credit and debit account accounts without customer consent so the brokers could qualify for bonuses. The Fed just rebuked the bank in an unprecedented manner, limiting its growth and requiring the replacement of some board members.

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But many other brokerage firms have also faced reputational challenges. In 2016, Morgan Stanley was fined $1 million when an employee swiped data from more than 730,000 customer accounts. Some of that information was later posted online. Many advisors remember explaining to clients that their firm had schemed to manipulate LIBOR. After the 2008 crash, thousands of advisors had to inform clients that their firms had borrowed billions from the government's Troubled Asset Relief Program.

UBS strengthens non-solicitation language for some brokers

LPL rebuked over OSJ manager's firing after settling $20M claim

In bitter dispute, Credit Suisse fights class-action suit by former brokers

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So how have advisors at these firm’s continued to retain the loyalty of clients and even managed to thrive during these troubled times?

I once worked with a team that joined a firm with a long-term pristine reputation. Just a few weeks after they joined, their new firm became the subject of some seriously negative press. Yet, within a few months, they brought over almost all of their business.

What made their transition so successful? Simply put, their clients viewed them as being at the center of their financial lives. As they worked with clients, they constantly showcased their value and retained control of their investor relationships. On an ongoing basis, they demonstrate their indispensability to their client’s financial well-being. They control their client relationships. Successful advisors are viewed by their clients as the maestros or conductors of the orchestra, while everyone else at their firm — including product specialists and support staff — are viewed as merely the musicians in the orchestra pit.

The advisor constructs the investment program for clients and choreographs all of the right choices. They keep clients away from investments that are not right for them. This is an essential part of their value proposition that they hammer home to clients day in and day out. Advisors who have set up their businesses in this manner are much better

Moving is easier when an advisor's firm is troubled because clients feel reassured that their advisor has acted decisively to extricate them from a disconcerting circumstance.

The fortunes of firms wax and wane and advisors need to be prepared for any eventuality. Those advisors who have set up their practices properly will find that they will surmount turbulent times in good shape.

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