

Many financial pros better at sales than advice



**MERRICK
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By
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Most of the wealth management advice in this country is given by people who have not been accredited by recognized self-regulating bodies. Thus, these people are ill-trained academically, ethically and professionally.

Over the last few years I developed several educational courses for the brokerage, banking and insurance industries. I was asked by one of the largest educational providers in this market to create

the first course offered on a new topic in the benefit and pension industry that had been gaining popularity among successful business owners.

Soon after this course was released one of the largest bank-owned investment brokerage firms, with a sales force of over 1,500 brokers, purchased several hundred copies of it. The one condition was that they would customize it to suit their objectives and structure.

To my great surprise, disbelief and disappointment their edited version had gutted the most important and valuable information. It was material I believed that anyone offering these tax and benefit solutions needed to know.

I can only surmise that it was done because the organization's objective was to educate its brokers just enough to sell this concept.

In Canada, clients of large bank-owned brokerage firms mistakenly think they are getting a standard of care akin to clients of doctors, lawyers and chartered accountants.

But the typical broker at a bank, insurance company or brokerage firm is hired through an ad placed by an employer who requires the broker to have a high school education. The broker's primary skill is his or her ability to sell products, which is where most of the "training" he or she gets from the employer is directed.

If your planner works for a brokerage firm, you should know in advance that the financial plan he prepares will conclude with a recommendation that you get rid of your current investments and buy some new ones at the brokerage firm.

If your planner works for an insurance company, the plan will conclude that your best investment strategies are the insurance and mutual fund products offered by the insurance company. This is not

merely a cynical observation; it is how financial sales courses are taught in the real world.

I once read a popular financial sales textbook that actually closes a chapter on presenting results to a client with the instruction: "... and then explain why your insurance policy/annuity/mutual fund/managed account program will best serve the client's future needs."

Just keep in mind that financial plans are generally written by people who want to sell you a product, not provide you with an enduring service.

I believe structures create outcomes, thus bad structures create bad outcomes. Good people working in bad structures have the deck stacked against them however well-intentioned they are. The bad structures always create less than favourable results for all involved. This is why it is absolutely imperative to work within a good structure.

The best advice that I can give to a public accountant acting as a fiduciary protecting the interests of his clients is to have a list of certified financial planners who are both technically and emotionally equipped to know what to do if things get tough. This is tremendous value added for you and will not only be great help to your clientele, but will move them on toward being highly satisfied with your service and recommend your services to friends and family when their time comes.

There is a huge economic difference between merely satisfied clients and highly satisfied clients, as demonstrated in a study by Russ Alan Prince and put forward in his book, *The Private Client Lawyer*. You may think you have little in common with a private client lawyer, but you are both in the professional services business and many of the same dynamics affect

you both.

In this study it was found that highly satisfied clients add significantly to the bottom line through additional personal business and referrals to their family, friends and other associates while, amazingly, it appears satisfied clients could actually detract from earnings by informing others to avoid their lawyer.

What really makes the difference between the two? The lawyers who are client-centered, rather than task-centered, have greater success creating highly satisfied clients.

You can have that success too. Do you really think in terms of the needs of you clients? Focus on the people and you will have a much greater chance of producing highly satisfied clients.

As a safeguard to protecting your practice and your clients' best interests, consider working with an accredited fee-for-service financial advisor who has a financial incentive to take as much time as necessary – but no incentive to steer you or your clients towards any particular product. Some investors balk at paying an hourly fee for something they think they can get for free. But in the case of advice, doing that can be considered penny wise and pound foolish.

Remember these wise words of Mohandas Gandhi: "You must be the change you want to see in the world."

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Weir says state is in a 'jam'

Continued from page 8

"Connecticut is in a bit of a jam in terms of having a deficit. The question is, how do you get out of it?" asked Michael Weir, an Ottawa chartered accountant who teaches financial and performance reporting in the CMA/CPFA dual designation program.

Bill 7338 was apparently not the way. Indeed, said Stephen Wiseman, a partner with Taylor Leibow LLP, accountants and advisors in Hamilton, Ont., such an approach is "very much the Wild West."

That's one reason similar initiatives are unlikely to materialize north of the U.S. border. "In Canada, there are generally accepted accounting principles set out for the public sector that are very specific," noted Wiseman.

Those principles, however, are

not adopted across the board. Manitoba, for example, had until recently departed from GAAP in five areas. That is now down to one, said Weir.

These variances in GAAP compliance, he added, reflect two realities. First, it takes time to get everyone's reporting up to the same standard. Second, disclosure is a better way to deal with exceptions than everybody having a different standard.

Of course, deviations at the provincial and state level, noted Gobeil, are not viewed as "standards" in the true sense of the word in that they would only apply to the jurisdiction that enacted them. "Others would be under no obligation to follow."

The fear is though that the floodgates might be opened. If Connecticut's comptroller had won the day, there was concern that

other states would have followed suit. Part of this fear stems from a recent incident in Texas, which recently enacted legislation giving state bodies the legal authority to turn a blind eye to a GAAP rule that requires the future value of total retiree health benefit assets or liabilities to be included on the balance statement, where investors can easily and quickly spot them.

The Texas situation is distinct from what happened in Connecticut, DeSantis said. "We believe they were not connected, (but) they were extremely coincidental. Texas was focused on a very specific GAAP standard. That is completely different than giving to the state comptroller the ability to change all standards."

Governor Rell agreed. Which is why, as she informed the state secretary, she returned Bill 7338 without her signature.