

Copley Takes The Unusual Step of Disclosing His Financial Picture to Clients

by

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For over 30 years, prospective clients have brought into my office a full slate of documents reflecting their complete financial picture in order to get organized and headed in the right direction. When reviewing these data, I pledge to protect the client's privacy as a matter of law and ethics. Surprisingly, not once has anyone ever asked to see my financial data. After all, I'm seeing his/her info, why not the other way round? Isn't trust a two-way street?

A way of looking at this issue is that I am analyzing the client's finances, he/she is not analyzing mine. Any changes I suggest affect the client, not me. Interjecting my financial data into the conversation may be an unnecessary distraction. The whole point of the exercise is to focus on the client's needs, not mine. These are all good reasons for not disclosing my financial data. On the other hand, disclosing my financial data has the potential of creating huge value for both parties.

My disclosure would allow the client to see the level of relative success (or failure) I have achieved over my career. I would surely think a client would not want to work with an advisor who did not have a good looking balance sheet. Would anyone in their right mind want to work with an advisor heavily indebted from buying a boatload of toys he/she could not afford? Such an advisor would have an agenda to generate high fees as quickly as possible resulting in the client working for the advisor as opposed to the advisor working for the client. Unfortunately, this happens more often than many people realize.

Advisors who show a solid balance sheet (positive net worth) would create confidence and trust in the client that the advisor practices what he/she preaches. Disclosure would also present an opportunity for the client to ask a few important questions such as, how did the advisor accumulate their net worth? The client may further ask whether the advisor's personal investment strategy is also appropriate for him/her. Why or why not? These types of questions would uncover a treasure trove of information regarding the advisor's risk preferences and any particular philosophies the advisor brings to the relationship. Such philosophies are present; the client just needs to uncover them for self-protection.

When selecting an advisor, a client wants to feel a certain level of chemistry with the advisor. I can't think of a better, deeper way of creating that level of comfort than by disclosing my financial data upfront. I believe such financial disclosure makes a lot

of sense in that the benefits exceed the risk. For this reason, I am giving any client or prospective client the option of viewing my full financial picture. This pledge includes the provision that the client will protect my privacy the same as I protect his/her privacy.

Even with this provision, the table is not level. As a trained professional, I have a legal and ethical responsibility to protect my client's privacy. The client has no such responsibility, which means I have to rely on his/her honor. Without an enforcement mechanism, I have no way of holding the client accountable. This lack of accountability is something I just have to accept. If I can't trust the client, I don't want him/her as a client. In short, I believe my full disclosure has more benefits than costs. Yes, I can see some risks, but I also see great benefits. The risk is acceptable.

So, from this point forward, I will offer my clients, whether current or potential, the opportunity to review my full financial picture and to ask any relevant questions regarding how I attained whatever measure of success I have achieved. In the bigger picture, I believe my disclosure has the potential of deemphasizing the flash and dash marketing aspect of the financial advisory business so prevalent in the industry today by squarely placing financial competency at the center of the conversation. As a consequence, the initial meeting takes on greater importance and sets the stage for a deeper relationship between me and my client going forward.

I am excited to make this offer to the investing public and am anxious to see where it goes. Perhaps no client ever takes me up on the offer. If so, that's ok. Whether someone takes me up on the proposal or not, it's now on the table.

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