

No profit in talking politics with clients

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But with the November elections fast approaching — not to mention the year-end deadline for the expiration of the Bush-era tax cuts — avoiding talk of politics won't be easy. In fact, many advisers are likely to find themselves in the uncomfortable position of trying to talk about the current political climate without conveying their own beliefs or affiliations.

“You just don't want to go there at all with politics,” said Scott Slater, a managing director of business consulting at The Charles Schwab Corp. “You don't want to put a stake in the ground because you'll just drive clients away.”

Of course, sidestepping an in-depth conversation on politics can be easier said than done. With the economy in the dumps and just over two months to go before the Nov. 2 elections, the whole nation, it seems, is obsessed with what's going on in Washington.

OBAMA'S APPROVAL RATING

President Barack Obama's name is likely to come up in conversation: For the first time since he took office 20 months ago, more Americans now disapprove of his performance than approve, according to a Reuters/Ipsos poll released last week. In the survey of 1,063 adults, 52% disapproved, compared with 45% who approved.

Other results of the poll show how nervous clients are about the national climate. Seventy-two percent of the respondents said they are worried about joblessness and 67% are worried about government spending.

“I've detected a fair amount of disdain for Washington politics that comes from investors,” said David Tittsworth, executive director of the Investment Advisers Association. “I think a lot of people are upset with Washington, D.C., now more than ever.”

While it's a good bet that many advisers share that disdain, it's still best to resist the temptation to espouse one's personal political views when meeting with clients, experts say. That's especially true in instances where the adviser isn't sure where the client's political loyalties lie.

“As soon as you open your mouth about politics, you’re going to offend at least half the people immediately,” said Walter Romatowski, an adviser who does fee-only planning for Castellan Financial Advisors.

So how can an adviser raise such important planning issues as taxes and estate planning without blundering into the minefield of politics?

For starters, it’s always a good idea to learn as much as possible about a client’s political leanings before meeting with him or her. Doing so will help the adviser to come up with a list of neutral — or at least inoffensive — talking points around a specific planning issue.

“You need to know if you’re diametrically opposed to your client’s views,” said George Tamer, director of strategic relationships at TD Ameritrade Institutional.

One way of doing that is to utilize websites with searchable databases that can identify whether a client, or a potential client, has made a recent campaign contribution, and to whom.

KEEPING COOL

After that, it’s all about staying in control and keeping the conversation with a client focused on specific issues and avoiding talk of partisan politics.

“When the issue is spending, I don’t make it about Obama. I just focus on the fact that the debt will have to be paid back,” said Lynn Garrison, an adviser at Legacy Wealth Partners, which manages \$20 million in assets.

Joni Youngwirth, managing principal of practice management at Commonwealth Financial Network, agrees with that approach. In fact, she tells advisers that they should avoid mentioning politicians’ names whenever possible.

“You don’t need to talk about Obama’s taxes or Bush’s tax cuts,” she said. “That can potentially hurt you.”

That said, advisers shouldn’t be surprised to find themselves listening to a fair amount of politically charged ranting and raving in the weeks and months ahead.

Again, the key is to let clients vent without offering an opinion.

“You just politely decline to give your political opinions and clients will understand that,” Ms. Youngwirth said.

Of course, there are times when an adviser simply can’t ignore the elephant or donkey in the room.

Consider Diane Young’s predicament. For years, Ms. Young, president of The Athena Group Ltd., went to great lengths to hide from her largely Republican client base the fact that she is a

Democrat. But that became more difficult when her husband, Randy, announced plans to run as a Democratic candidate for state representative in Michigan in 2008.

Imagine her conundrum when he asked whether it was OK to erect a campaign sign outside her office in Rochester, Mich.

“I was really worried about what clients would think at first,” said Ms. Young, whose firm manages about \$25 million in assets. “But I was pleasantly surprised by how supportive people were — even my Republican clients.”

Despite the support, Mr. Young lost his bid for state office.

Wealth manager David J. Marotta, whose firm manages about \$175 million in assets, doesn’t even try to hide his political views. In fact, he writes a conservative political column in The Charlottesville (Va.) Business Journal. A recent column ran with the headline: “ObamaCare Is the Worst Legislation in 75 Years.”

Even though he puts his conservative views on display, his client base is evenly split between Democrats and Republicans. He said his liberal clients are often torn when he suggests they take advantage of tax credits.

“They feel they should pay lots of money because they’re rich, but they also want to save money on taxes,” he said. “It’s a quandary for them.”

Regardless of whether an adviser chooses to reveal or conceal his or her political views, it should be made clear to clients that their advice is non-partisan.

For example, adviser Paul Baumbach of Mallard Advisors LLC, which manages \$80 million in assets, often finds himself recommending funds to clients that he, as a liberal, wouldn’t necessarily invest in because of the nature of the some of their holdings.

“Your advice can’t have anything to do with politics,” he said. “I’ve had clients who held BP [PLC] and Halliburton [Co.]. If the investment merits of a company are good, then I’ll recommend it.”