



[March 10, 2008](#)

When your assets are rising along with the stock market, it's easy enough to ignore nagging unhappiness with a financial adviser. But in periods of financial stress—like now—simmering issues tend to come to the fore, whether they're tied to an adviser's performance or personality. Breaking up, however, can be hard to do.

Gripping about advisers inevitably rises when a market bubble bursts, as it did in 2000. Back then, complaints to the National Association of Securities Dealers, now the Financial Industry Regulatory Authority, peaked at 6,584 annual complaints. After calming down for a few years they've been trending up, with a 10.4% jump in 2006, the latest figures available. The number of advisers has also grown. The ranks of brokerage-affiliated advisers swelled 38% from 2005 to 2007, to 9,477. The number of registered investment advisers, who, unlike brokers, have a fiduciary duty to clients, rose 26%, to 10,801.

Now the turmoil in the market has more jittery clients checking in with these advisers and asking tough questions. Many wind up reassured, but sometimes a response—or lack thereof—shows it's time to move on. Some clients try to avoid confrontation by asking a new adviser to send the financial equivalent of a "Dear John" letter. Cutting ties can be tricky, though: Fear, manipulation, and legal hassles can make it difficult to break free.

**James Gottfurcht, a Los Angeles psychologist who specializes in clients with financial issues, can attest to that. He worked with one couple who stayed with their adviser for seven years even though they never received information quantifying their returns. During that time they were reassured by the fact that their investments increased enough for them to withdraw the cash they needed without falling below their original deposit. But only during couples therapy did they address the issue, which had caused the two to bicker about who should make the call to the adviser.**

**When the couple finally worked up the courage to ask about their account's performance—the husband called—they didn't get a good answer. The adviser made excuses, saying the returns were too difficult to compute because of all the withdrawals. Many investors would have yanked their money then and there. But the couple couldn't bring themselves to do it, and for six months they kept asking, until he finally produced a number. How'd they do? Far worse than the markets. Still, it took them three more months to actually work up the courage to call the adviser back and quit.**

**The experience of Gottfurcht's patients shows how fraught a relationship with an adviser can be. Entrusting someone with our money brings a unique sort of intimacy—often, they know as much about us as anyone does. While the majority of advisers are responsible and ethical, the way we choose them is often shockingly lax. A recent McKinsey & Co. study shows that 25% of people rely on a referral from friends or family. Often, people assume a friend or relative has checked out an adviser thoroughly, which may not be the case.**

Because of such personal connections, ending what should be a professional, arm's-length relationship can turn emotional. To Peggy Redding, her adviser's attempts to keep her onboard felt like emotional blackmail. A month after the 74-year-old Redding's husband died, she received a visit from his adviser to offer reassurance about her financial picture. Still, she worried. She was responsible for three different accounts—her own, the family's joint account, and her husband's. "I was afraid things were slipping away from me," she says. So she decided to consolidate the accounts with a new adviser. When she told her husband's old firm, they pressured her to stay. They said they "didn't like being fired." They reminded her about their visit after her husband's death. "They told me it wasn't what my husband would have wanted," Redding said, "not the kind of thing he would have done at all." After that, her new adviser made all the calls.

## **BLAME GAME**

How an adviser reacts to being challenged can be telling. For Sharon DeBlasio, 46, her queries touched off a blame game. She had noticed that the returns on the portfolios she had managed for her husband's Hamilton Square (N.J.) medical practice seemed much too low compared with the overall market. DeBlasio, afraid of confronting her adviser, had her accountant take a look. He pointed to one investment—a series of municipal bonds purchased on margin at interest rates higher than the bonds paid. What should have been a relatively safe, tax-free investment was costing her money.

When confronted, DeBlasio's adviser blamed the accountant for the situation, though DeBlasio says he had nothing to do with the investment. Then the adviser blamed DeBlasio for not looking closely enough at her own records and realizing the investment made no sense. DeBlasio decided it really didn't matter who created the problem. It just needed to be fixed. She hired a new money manager with whom she is far more comfortable. She only regrets that she and her husband didn't make the move sooner. DeBlasio's still angry, both with herself for not following her investments more closely, and with her adviser: "In medicine, we can't make mistakes or poor decisions," she says. "And you expect your adviser to be professional, too."

DeBlasio got out of her investments without too much pain. But that's not always the case, as Michael W., the 49-year-old owner of a small business in South Carolina, discovered. While going through a divorce, he had looked to protect his assets. His adviser recommended he create a Voluntary Employees' Beneficiary Assn., or VEBA, a trust that provides guaranteed life, sickness, or accident insurance benefits to employees. It would also have the advantage, the adviser promised, of protecting his assets and saving him money on taxes. The VEBA was funded with a high-commission insurance policy that required six-figure payments each year, something the adviser hadn't mentioned. When Michael W. tried to cancel the policy, he was told it couldn't be done—that it was impossible. He called and wrote letters, but his adviser was unrelenting. He finally sued. "I got most of my money back," he says. "Minus the lawyers' fees."

**Sometimes it is the client, and not the adviser, who's the problem. Gottfurcht, the financial psychologist, recalls one client who used four advisers in one year—a record in his book. The investor's unrealistic expectations ultimately proved self-defeating. "He left the first three," Gottfurcht says. "The last one fired him."**