Chapter 28

Identify and Avoid Slick Marketing Tactics Used by Financial Advisors

Let's say you've decided the time is right to enlist the expertise of a financial advisor. You're considering your options and just beginning to dive into your research. Any piece of news, or radio ad, or flyer related to financial guidance will inevitably snag your attention. You're trying to learn as much as you can before making a decision.

So, when you receive a mailer offering an evening of "free financial advice" *and* a complimentary steak dinner, you're immediately interested. "How serendipitous!" you think. "Why not attend the dinner and see what these financial advisors have to say?"

What you don't realize is that you're essentially a little fish stepping into a pool of savvy, often ruthless sharks.

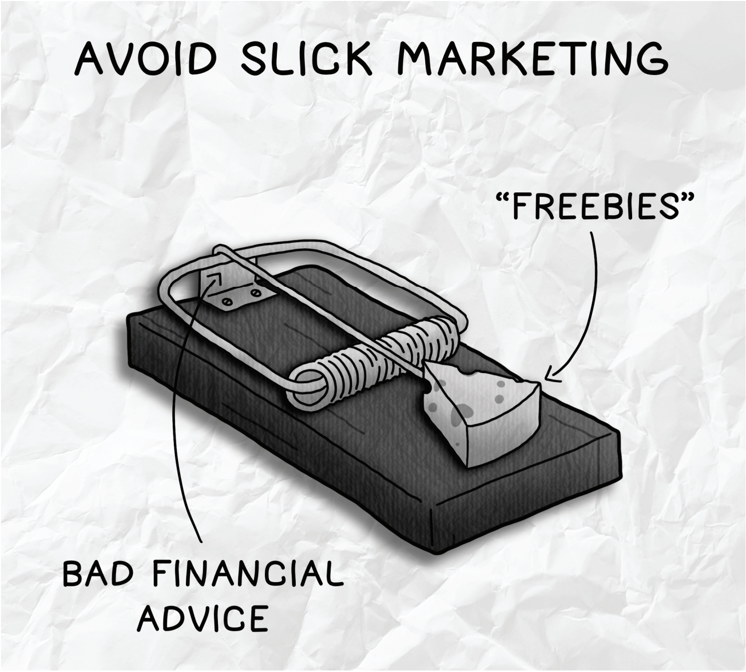
As a financial planner, I'm highly cognizant of the slick marketing tactics many so-called financial advisors use to reel in clients. While some strategies may be more ethical (like offering a free financial review to those with minimal assets), other tactics are simply meant to lure in unsuspecting clients to sign up for services they may or may not need.

Let's talk about the different types of sales tactics you might encounter and how to identify and avoid them. Among the many questionable marketing approaches I've come across are the following four types:

1. Sales presentations with freebies

Who doesn't like getting something for free? The problem is many financial advisors use freebies to incentivize sales. This could mean offering a free gourmet dinner or tickets to a sporting event. Sure, these freebies can be nice, but remember it's ultimately a sales pitch, presented by an experienced salesperson. The presenter may start off their pitch with purely educational material but shift over to a high-pressure sales ask or a "limited-time offer." This is a classic setup that has proven to be effective time and again (the same types of high-pressure sales are used to pitch time-shares or sell used cars).

And don't be fooled by the presenter's credentials. Just because someone is a Registered Investment Adviser doesn't mean they aren't dually registered as a broker.



2. Sales disguised as educational classes

You may come across an offering for a course titled "The Fundamentals of Investing," or "Maximizing Your Social Security," or "Retirement Planning 101." In my experience, many of these course offerings will land right in your mailbox in the form of an attractive pamphlet or flyer.

An educational course seems harmless enough (and *some* may be legitimate), but far too often they devolve into little more than a sales pitch. Be wary of courses that have any sort of tangible reward involved, like a free lunch, a goodie bag, or a free one-hundred-page book. If a pamphlet or mailer conveys a sense of urgency or seems to be pressuring you into attending, chances are this isn't purely an education course but a wolf in sheep's clothing (a salesperson masquerading as an educator). For example, I've received invitations to educational courses in the mail that say, "Seating is limited! Reserve your spot today!" and "You cannot afford to miss this educational workshop!"

The best way to distinguish a legitimate course from an outright sales pitch is to ask for details about the instructor, the specific topics that will be discussed, and the types of materials that will be provided. You could also look online for testimonials about the class or ask around to see if any friends or family members have attended. When in doubt, steer clear.

3. Sales embedded in the media

Have you ever watched a news segment or listened to a radio program where the host invites an "expert" guest speaker to discuss a financial topic? Some of these experts are legitimate and provide bias-free information, but others are only on the program to gain name recognition for themselves or their company. The advice is secondary to advertising their brand.

Some financial advisors even pay to appear on some of these programs. They might choose to "sponsor" a segment, in which they give a few words of advice and establish themselves as an expert. As a comprehensive article by Thinkbox says, "Many TV programmes are themselves powerful brands. Their prestige, popularity and perceived values can rub off on those brands that associate with them through successful sponsorship."* In short, the financial advisors build up their credibility simply by being associated with a trustworthy TV program.

The same tactic—sometimes referred to as native advertising—can be used on the radio, in magazines, or even in newspapers. Pay attention and be on the lookout for anything called "sponsored content." Sponsored content can be well disguised as information, but if the news segment or program seems to be promoting a specific product or

* Thinkbox, "Introduction to TV Sponsorship."

name-dropping a certain brand, be wary. Some segments may even include a disclaimer at the beginning or end (often rushed through or written in fine print).

4. Bogus awards

You may look up a financial advisor and see that he or she has a "five-star rating." On the surface, that might sound impressive, but what does it *actually* mean, and how does one obtain this perfect rating?

Unfortunately, several companies are known for giving out bogus awards to financial advisors. In my experience, a company might contact the financial advisor and say something along the lines of, "Congrats! We've determined you're a five-star financial advisor. You now can purchase a quarter-page, half-page, or full-page advertisement in our upcoming top wealth advisor issue of our monthly magazine. To advertise this prestigious award, pay us the low price of $______, and we'll make sure to put it in front of potential clients."

Essentially, the award is useless for the consumer to differentiate financial advisors. Everyone earns five stars, and everyone can advertise their "accolades" online. If you see an award next to a financial advisor's name, take it with a grain of salt and do a little digging to find out if the award is legitimate. To me, it's better to look at an advisor's experience (their background, credentials, and any customer testimonials you can find) than to trust third-party awards.

Tips for Avoiding Slick Marketing Tactics

Though some marketing tactics can be tricky to identify, others are relatively straightforward. To avoid being taken in by a sales-based financial advisor, I recommend taking a few basic precautions:

1. Read the fine print.

Many marketing materials or offers will contain a disclaimer at the bottom of the page. Take the time to read it, since this may reveal whether (or not) the offer is actually a sales pitch. For example, I received a mailer recently advertising a "complimentary lunch presentation" that centers on financial planning for retirement. On the surface, it seemed like a decent opportunity, but at the bottom of the mailer the small print read, "By contacting [name of financial advisor], you may be offered information regarding the purchase of insurance products, including fixed index annuities and life." A clear sign that this program is really about sales!

2. Look out for pressure.

Financial advisors should never pressure you into signing up for anything. If you feel rushed or pushed in any way, it's a red flag. As I mentioned before, you should be extremely cautious if an advisor is offering "special deals" or claims to have access to "limited-time-only" investments.

3. Do your homework.

Read reviews and testimonials, look for customer complaints, and contact the state securities department or use FINRA's BrokerCheck tool to check an advisor's credentials. Learning about a financial advisor's background will help you understand if they are commission-driven and, thus, using "educational courses" or presentations as a vehicle to make a sale.

4. Follow your gut.

If an offer or a class seems too good to be true, there's a good chance it is. Be wary of offers that come with large rewards attached, like a free dinner, complimentary concert tickets, or free seats at sporting events. It's always best to trust your instincts.

It's important to be aware of marketing tactics used by financial advisors. By understanding the strategies that advisors may use to try to influence you, you'll be better equipped to distinguish between legitimate advice and slick sales tactics. Don't be taken in by offers that sound too good to be true. By exercising caution and doing your due diligence, you'll be able to avoid charlatans who are far more interested in their bottom line than doing right by the customer.