



Clients as Friends

Mixing business with pleasure can be risky, especially when money is on the table.

Evan Thompson explains how finances change everything

Combining business and friendship is not without its faults, but the two things can blend perfectly in certain circumstances. Let's say a restaurant owner becomes close friends with a patron after years of providing first-class hospitality service. The reason why friendship can work in this case is because neither the

owner nor the patron has much financially invested in their respective success, other than an occasional night out.

Now let's look at an advisor and client who become friends. When business and friendship are connected, it's suddenly about the money, as well as the friendship. In this case, business decisions or events that may negatively affect one side are often taken personally and the friendship may abruptly end.

Business relationships (versus friendships) between advisors and clients rely first on the advisor satisfying the investment needs of the client under well-defined agreements that ensure the advisor is fairly compensated for his or her efforts. If either side wishes to discuss the relationship and what they are getting from it financially, they largely do so without fear of hurting the feelings of the other side. If they cannot agree, the business relationship is over. (True friends would try to avoid such a conversation or come to an amicable solution — often at great cost.)

Still, many are able to overcome any issues and maintain healthy friendships and business relationships. One advisor once told me she realized she had an excellent client–friend relationship when the client said, “Dawn, if anything bad ever happens to me, I want you to be the first person my partner calls.”

What's the secret? Let's look at two scenarios that are equally common but require different approaches to ensure a positive outcome for client and advisor.

1. Your largest client becomes a friend. Here's how (and why) to set clear boundaries.

When a client–advisor relationship starts to shift toward friendship, keep in mind the need to satisfy the client's financial and emotional requirements while setting boundaries that allow you to nurture relationships with other clients.

As the friendship develops, it is important to go slowly as in the growth of any friendship. For example, you may feel comfortable entertaining the client in your home and introducing them to your family. For some advisors who are extroverted and socially confident, this is intuitive. For others who are less outgoing and don't like mixing business with pleasure, it can be stressful. Do what is comfortable for you.

Remember to establish boundaries as you have other clients and a personal life to maintain and nurture. For example, if you find you are golfing weekly with a client, try to keep it at that. He or she may suggest more golf or other socializing opportunities and you need to be careful to avoid becoming a companion when you are his or her trusted advisor first. By making yourself too available and not placing a premium on your time, you may unwittingly dilute your professional value in your client's eyes.

Your common sense will tell you when the friendship is too expansive, and your client will respect you if you decline the occasional invitation supported by a good reason. You can always have a frank conversation with your client about the need to strike a balance between business and friendship *only* if your initial

messages aren't resonating and you have effectively lost control of the relationship.

2. A close friend becomes a client. Here's how to protect your time and charitable commitments when asked to support their charities.

Many people are deeply devoted to charitable causes that add to their lives. So, once a friend becomes a client, they may feel it is appropriate to introduce you to their favourite charities with the goal of getting you involved. They might say, “I've invested with you and support our future shared success. As you know, I actively support a number of charities and I'd like to determine your interest in becoming a donor or volunteer — or both. It will be a great chance for you to make more contacts, and I can introduce you to other people like myself.”

You could agree to consider becoming involved with the charity if it interests you. If not, you may wonder how you can maintain your new client's (and friend's) respect if you don't accept their invitation to become involved. You might run the risk of casting yourself as being a non-supportive versus a collaborative advisor by saying “no” outright. But if you give in, you may feel you have been pressured and will also have more demands on your time, which is not good for your client relationship.

You are not necessarily in a no-win situation. If you don't want to get involved, consider saying, “I am grateful for your suggestion and I will look into the charity you've mentioned. I want to be honest and tell you that I have a current list of charities that I support both financially and as an active volunteer. I am quite busy with them for the balance of the year.” Or, make a one-time donation within your means to the charity as a show of good faith and accept your client's thanks.

Honest policy

Every situation is different. There is no doubt that you can hurt your business by refusing to take on certain friends as clients. You can also damage your business and encroach on your energy by taking on inappropriate clients. If you sense they are better friends than clients, show courage and tell them so in the most respectful way you can. Consider saying, “I value our friendship and honestly feel that it would threaten that friendship if I managed your wealth. We are different people and while that makes our friendship so unique, I sense those differences would not be helpful to either of us in a business relationship.”

You could also refer them to another advisor — but only if they ask. Referring them without being asked could make them feel you are foisting them on someone else in a last-ditch attempt to be free of them. Then, the friendship could be truly damaged.

If you are stuck and can't decide, one alternative is to roll the dice, manage his or her assets to the best of your ability, and hope for the best. But if they pressure you to take them on, they probably aren't the friend you thought they were.

You can't afford the stress on you or your business that can result from working with any client (friend or not) who is not a good fit for you or your team. **■**

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