

How to Tell Advice From a Sales Pitch

Five questions worth asking. Including us.

Financial advice and financial sales can sound remarkably similar. Both may involve smart people, good intentions, impressive presentations and plenty of language about putting you first. The difference is often easier to see when you stop listening to the promises and start asking a few questions.

1.

Who's the conversation about?

Good advice starts with understanding what you're trying to accomplish. Your goals. Your concerns. Your circumstances. Your trade-offs.

If the conversation gets to a product, fund, policy or mortgage before anyone has properly understood the problem, pay attention. It doesn't automatically mean the recommendation is bad. It does mean you should ask why you're already discussing the answer.

Ask: "What are you trying to understand about me before you make a recommendation?"

That question can tell you quite a bit.

2.

What happens if I say no?

Useful advice shouldn't disappear because you decide not to buy something.

Ask what they'd recommend if you:

- kept your existing investments;
- renewed your current mortgage;
- bought no additional insurance;
- waited six months;
- or simply decided not to become a client.

Sometimes doing nothing is a perfectly legitimate recommendation. If every road somehow leads to a transaction, that's worth noticing.

Ask: "What would you recommend if I didn't buy anything from you?"

3.

How are you paid?

Don't stop at, "There's no direct cost to you." That may be true. It may also be only part of the answer. Ask how the individual gets paid and how the firm gets paid.

- Are there commissions?
- Referral fees?
- Vendor payments?
- Sales targets?
- Different compensation depending on which product you choose?
- None of those things automatically proves the advice is bad.

But incentives matter, and you deserve to know which ones are in the room.

Ask: "Who gets paid if I say yes, and does the amount change depending on what I choose?"

A good advisor should be able to answer without performing interpretive dance.

4.

What are the downsides?

Every financial decision involves trade-offs. Cost. Risk. Flexibility. Tax. Liquidity. Opportunity. Something.

If a recommendation appears to contain nothing but upside, you're probably hearing the brochure version. Good advice should help you understand what might go wrong, what you're giving up and what assumptions have to be true for the recommendation to make sense.

Ask: *"What's the strongest argument against doing this?"*

The answer is usually more useful than another page of benefits.

5.

Can the advice survive a comparison?

You should be able to take advice away, think about it, ask someone else and come back with harder questions. Pressure is information. So is defensiveness.

A recommendation that makes sense should still make sense tomorrow.

Ask: *"What should I compare this against before I decide?"*

Now use these questions on us.

Seriously. Don't give Verecan a pass because we wrote the guide.

- Ask us how we get paid.
- Ask what conflicts remain.
- Ask what we'd recommend if you stayed exactly where you are.
- Ask what's wrong with our recommendation.
- Ask what would make us change our minds.

Verecan was deliberately built to reduce several of the sales incentives common in financial services. Verecan Capital Management Portfolio Managers aren't paid commissions and don't receive payments from vendors. We don't claim that makes every potential conflict disappear. It doesn't.

The point is to reduce the conflicts we can, disclose and manage the ones that remain, and make sure the advice can stand up to scrutiny.

Don't trust us. Judge us.

Bring us what you have. Ask difficult questions. Compare the answers. You don't have to decide we're better before you talk to us. Give us the chance to prove whether we're better for you.

START WITH A CONVERSATION

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