What Happens When Clients Don't Take Your Advice?

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In a post on LinkedIn, researcher and speaker Dr Katherine Hunt said that while financial advisers have a duty to provide advice that is in their clients' best interests, there is also an ethical duty to allow a client to make their own decisions.

According to Dr Hunt, advisers report that somewhere between the broad range of 1 per cent and 20 per cent of clients will either push back on advice, fail to follow through after saying they will, or resist structural changes that protect family assets.

"From what I can see, this is through no fault of the adviser, it's just that some clients, at some points of time, would be happy to pay for financial advice, and don't necessarily want to put it into place," she wrote.

The Code of Ethics for advisers, Dr Hunt said, is generally trying to ensure that clients consent to the advice and fees, rather than how to deal with clients ignoring advice.

"Consent is the least of our worries in the topic at hand," she said.

"It might help to put it in the context of our closest professional cousins: medical practitioners.

"Other than in very extreme circumstances (life and death scenarios for children, or assisted dying, for example), doctors must follow a patients' wishes. If the patient requests no treatment (i.e. no implementation of advice), the doctor must do as is requested. Individual autonomy and all that."

According to Dr Hunt, individual autonomy is "the most important ethical principle there is".

"Individuals have a right to make decisions about themselves," she said.

"Which means as professionals, we have the obligation to let them. Clients can choose to pay for advice they ignore. Clients can choose to pay for advice they don't need. Clients can choose to pay for advice they delay implementing."

None of this, Dr Hunt pointed out, is in conflict with an adviser's obligation to improve their knowledge, provide appropriate advice, and communicate effectively to clients.

However, advisers must also document the discussions around not taking the advice and continue to “communicate with clients regarding their decisions in a way which respects their individual autonomy”.

“The goal of every financial adviser for every client is naturally to give epic advice that the client actually implements. It can feel a bit rejecting when our professional advice isn’t taken,” Dr Hunt said.

“Particularly when we go to so much trouble of getting it right.

“So how can we increase the ratio of clients who seamlessly implement the advice they have paid for?”

The first step is to vet clients before onboarding to ensure they are a fit for your practice, followed by providing them with a choice.

“For key parts of the advice, let the client choose,” Dr Hunt said.

“If there is no difference in client outcomes for strategies or particular product choices, explain the options clearly with reasoning, and ask the client to indicate their preference.”

The third step in the process should be communicating in a way that the client understands and using terms that they use.

While none of these steps are fool-proof solutions and the client has the final say on whether or not they implement the advice, it will help them understand why the advice is beneficial.

“It’s a challenging scenario for the ethical financial adviser. On the one hand, you can’t actually do anything – the client has ultimate authority,” Dr Hunt said.

“And on the other hand, you can do heaps to minimise the risk.”

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