

## **The Perfect RIA, Episode 93: How Do Advisors Deal With Concentrated Stock Positions?**

*“But why can't I put all my stock money in one account?”*

### **Action Items:**

1. **Set your deal breakers and scripts for handling those situations.** Be sure of what you can and cannot do. Set expectations with your prospects or clients so that they know where the limit is. It will help with communication between the two of you and your whole relationship will go smoother.
2. **NEVER sell your soul.** Don't make any exceptions. Once you do, you will keep doing them and that means the limits you were trying to set will never work properly. If you have to say no, say it. Stick to your guns to make sure you're always in taking care of the client.
3. **Rally hard.** Between this episode and the end of the year is still some time left. You need to make sure to solve some of the problems you might have. Get more prospects, that's always a solution to every problem. You can turn some of them down, but you are the one choosing.
4. **Set your expectations in advance with your clients.** Don't let your client go without knowing what your rules are. Micah's clients already know the process of him answering their questions because it's always the same. Always. He set his expectations at the very beginning and he sticks to them.

Today's episode will answer a question asked by a member of the Backstage Pass.

This is what he wrote on the forum: “Matt, Micah, I've got this situation. A client has five

million dollars of Amazon stock, and it's essentially their entire net worth. So, two million is in their IRA. Three million is non-qualified. They live in a high tax state. They're thinking about moving to a low tax state. And the client's used to getting 30% a year return. How can I possibly tell them to sell, getting killed in taxes, and then go to a diversified portfolio that might do 10% a year?"

Talking with clients about their stocks is never easy but before you even start anything, you have to be mentally set for what are your deal breakers. This sets the expectations with the client. If you haven't done that so far, go back and make sure that's in place because it's crucial. If Micah's client wants to do something that will jeopardize their financial future, Micah's out. He will not do it. Whatever the number, Micah first asks one important question, if that number goes to zero, will that jeopardize the financial future of his client. If the answer is no, there is no problem. Do whatever you want with the money, place it wherever you want to. But if the answer is yes, some changes have to be made. You cannot take any potentially catastrophic risks in retirement and bet your entire family's future on one position.

While talking to a client, you really need to pivot that conversation back to their lifestyle because there is a lot of things you don't know. How much cashflow does the client need in retirement? What are their goals? What are things they want to do? How much income do we need out of whatever amount of money they have in order to satisfy their lifestyle?

Depending on those questions, there are different approaches and strategies to follow.

It's also important to empathize with your client's situation. Whatever they want to do with their money, that's an emotional move, they're usually not thinking logically. They're thinking what to do to still have the amount of money they have right now but sometimes that is not possible. They are used to the fact of having money on their account and they just don't

want to let go. Give them different options of what they can do but don't decide instead of them. It needs to be their own decision, nobody likes to be told what to do even by the expert. That's one of many reasons why setting expectations with your clients is so important. Make sure you have the conversation with them and get to the same page where they're at. Micah explains his bucket strategy and how that will help them in the future. That shows the client why their stocks might not work well so Micah doesn't have to explain anything else because the reason is transparent, and the client understands. Then, he will recommend what to do but never force his client to follow his words.

If the client is not convinced, it probably means you didn't explain everything in detail or didn't go in the right order. Whenever Micah's client doesn't understand the bucket strategy, he will not move past that until it's clear. It's critical for the client to follow each step of the process so that they know what's going on. It's their money, they have the right to know.

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99 times out of 100, Micah doesn't have to force his clients to make the decision. By having all the options and knowing they can always get back to him for more information, they do it on their own. But sometimes he needs to push a bit, so he sets a deadline by saying: "Okay, by our next meeting, we need to make a decision on what we're going to do with this". Just so everything is done when it should be. That way he knows he is doing his job right and his

clients are happy because they see something good is happening and their money is safe and secured.