Earning your star rating

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Elizabeth Lavercombe provides a few words of advice to advisers on what a client really wants

Key Points

What is the issue?

Advice given to clients can be late, expensive and miss the point, which is ultimately unsatisfying for both parties.

What does it mean for me?

This article suggests simple ways to improve advice and client relationships and remove some of the frustrations.

What can I take away?

It sounds incredibly simple, but too many advisers miss that clear communication (in both directions) is fundamental to a successful client/adviser relationship.

Having been on the client side of the fence for eighteen years, I think it is high time to turn the table and offer advisers some advice on what clients really want. Much of the following may well seem like stating the obvious, but it is surprising how often things can go wrong. As ever with life, a lot of it comes down to good communication, and much of the rest is a matter of balance.

It does not matter whether the advice is in relation to a complex international corporate restructuring, the impact of new legislation, or a more routine question on the deductibility of certain costs – the same message holds true for all.

What is good advice?

For me, good advice relies on three main principles:

- A thorough understanding of the facts and issues on which the advice is sought
- Knowledge of the relevant legislation/case law and correct application of this to the question
- Effective communication of the resulting advice back to the client

The seven habits of good advisers

In order to provide this good advice, I would like to suggest the following seven habits of good advisers:

1. Communication: listen hard to the client and keep in contact

Like a good doctor questioning a patient to discover the underlying cause of the ailment, it is vitally important to listen to what the client is saying, and to ask questions to elucidate where information is missing or unclear. The client may well have been mulling over the issue for weeks or months on their own before seeking third party input and therefore it may be necessary to ask them to take a step back and start from the beginning. Make sure you understand exactly what the question is, as well as the facts behind the issue. Never be afraid to ask for clarification – the best advisers I have ever worked with have asked lots of questions, some of which have been devastating in their simplicity, and indeed it is sometimes the queries that seem the most basic that in fact challenge the assumptions everyone has been buying into and help find the better route. Advice based on the wrong assumptions can be worse than useless.

However tax sophisticated a client is, they only know what they know and often exploring the ‘unknown unknowns’ can help find the root of the issue and the possible solution. At the very least, many clients are grateful for an opportunity to talk about their favourite topic to someone who speaks the same language.

It may seem obvious but do keep the client informed of progress via update emails or calls. Acknowledge emails even if you are already acting on them. The reason the client wants help is that whatever it is they need is not second nature to them, as it may be to you. Also don’t forget that it is a lonely world being in industry, with fewer people to bounce thoughts off, and the powers to which in-house tax people are answerable can be very scared by tax issues and may be putting pressure on the tax department to provide frequent updates.

2. Have an agreed plan

One of the reasons for going for external advice is that the adviser will have had more practical experience in whatever area they are asking for help. Letting the client know right from the beginning of all the documents, tax authority clearances, or meetings etc required in order to achieve the required result will mean fewer nasty surprises later, and highlight any potential snags or bottlenecks. The availability of legal departments and directors cannot be assumed, which may hold up paperwork at critical times, and tax authorities can take longer than anticipated to respond to even the most straightforward enquiry.

Agreeing the plan up front will also give the client the warm feeling that the adviser knows what they are doing, and importantly help minimise the risk of unexpectedly high fees. Also don’t forget to agree in advance who is maintaining the documentation requirements.

3. Be relevant and realistic

When talking to clients, be relevant and practical. It is no use talking about capital allowances to a company that has very few tangible assets. Such a lack of awareness of the client’s tax profile is likely to be a turn off and make it harder to get further meetings and sell other services. On the other hand, you don’t want to miss out on an opportunity so as with much of life, it’s a bit of a balancing act.

Even if an idea seems relevant to the client, tax departments in industry do not exist in a vacuum. The best tax idea in the world is a non-starter if it is not commercially possible or has adverse accounting impacts. For example, borrowing or repaying debt may require agreement with the banks, and some clients are focussed on total tax whereas others will only be concerned with cash tax.

Any advice also has to fit into the client’s risk profile and appetite as well as any published tax strategy or policies, and everything that might be considered big or complex is subject to ever increasing scrutiny by the board. The key mantra for many boards is ‘no surprises’ – even good ones may be surprisingly unwelcome.

Also do not forget to consider the future. Many corporate structures set up for excellent commercial reasons do not last forever. There may well be tax implications when these are unwound – if these have not been factored in already then there can be unpleasant surprises lurking.

4. Be timely

However great the advice is, it is useless if it is too late! Always make sure that you know when the client needs something, and if you are running late please do not forget to let the client know as soon as possible, and ideally have a good reason! Some deadlines are firmer than others but it is not the adviser’s job to guess which it is – there may be other factors determining the stated deadline which the client has been unable to share.

If the reason for the delay is a lack of a clear answer because the law is ambiguous, then it may well be worth arranging a discussion before the deadline, rather than sitting on the fence in a report that hits the deadline but is useless.

Even if there is an agreed deadline and the answer is clear, it is always better to be early than late in case the advice means that further work is required or the situation has moved on.

5. Make sure it is good value

Like the rest of the world, the in-house tax department is under pressure to keep costs down, and this includes the professional fee budget. Bringing unnecessary people to meetings, be they partner or trainee, never helps this. Of course, having an agreed up front plan will assist in maintaining value, but beware of mission creep, and always let clients know if the fees are going over what has been estimated, even if there are good reasons for this.

6. Make sure your advice is clear

Even if you have perfectly understood all the facts and correctly analysed the legislation, any advice you give is useless if it is unclear or buried in the middle of a rambling document. Don’t forget that clients often need to translate advice for internal consumption by people with limited tax knowledge, who are often too busy to read anything more than a sentence or two. I would always consider using or adapting the format of:

- Headline – one sentence – what is the advice in a nutshell?
- Speed read – no more than a page – set the scene, give the advice, include any urgent risk warnings
- Detail, to satisfy the inner tax geek, may not be needed to be read or appreciated by the wider audience so can be included in appendices.

7. Never assume your client is stupid

Just because we work in-house and don’t have access to the cutting edge thinking or practical experience of a firm of advisers, it does not (necessarily) mean that we are stupid. The world of tax is vast and nobody can know everything – which is why we are coming to you for help. If we have asked for advice on a particular point, it is not helpful to regurgitate basic analysis that is easily obtainable from the internet or background tax knowledge without adding insight. (Unless of course we have asked for this!) Similarly be careful of what helpful juniors may prepare.

Summary

In summary, think about what your client actually needs and why they are asking for advice. Make sure the advice meets their needs by being accurate, timely, clear and good value. Don’t be afraid to ask questions, and keep communicating.

All views are the author’s own.