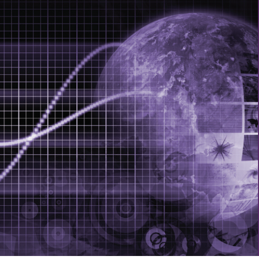


COMMITTEE REPORT:
THE MODERN PRACTICE

By **Craig R. Hersch**

The Quid Pro Quo Destroyer

Breaking free from transactional mindsets into mutually beneficial relationships

A frustration for most legal, tax and financial professionals comes from referrals. The general mindset seems to be that if I refer you a new prospect or client, then it's incumbent on you to refer me one in return. While hopefully no one expects a direct tit for tat, it's perceived that the relationship's balance depends on a roughly even exchange.

The greater the imbalance, the more likely it is that the party referring more and receiving less becomes disenchanted. Let's explore how those of us in the legal, tax and financial industries might instead evaluate and strengthen our professional relationships rather than expect a quid pro quo.

Origin of Quid Pro Quo

The Latin phrase "quid pro quo" initially meant that one thing was substituted for another or, as literally defined, "something for something."[1] In 1530, early English speakers used the Latin phrase referring to medicines, when one had either intentionally or unintentionally been substituted for another.

In Hamon L'Estrange's 1654 work, *The Reign of King Charles: An History Disposed into Annalls*, the phrase developed a considerably more positive connotation by referring to a religious expectation of reciprocity for doing something positive in the name of their deity.[2] It eventually evolved in English through legal and diplomatic circles as an exchange of something of equal value. This meaning is closest to what many English speakers intend today and is closely analogized to "one hand washes the other," or "you scratch my back and I'll scratch yours."

Vestige of Antiquity

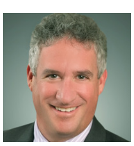
While professionals are in the business of serving clients, and naturally, we hope that our centers of influence (COIs) assist in our gaining referrals, I propose that quid pro quo is a vestige of an antiquated, transactional economy.[3] Consequently, there's a better way to develop and maintain professional relationships that adds value to each party building client bases.

With the vast amounts of services and information available on the Internet, local professionals are no longer the gatekeepers of knowledge within their respective communities. Despite the vast amounts of available information, however, our prospective clients feel overwhelmed, isolated and confused. These feelings are exacerbated when a client's CPA proposes one approach, his financial advisor charts another direction, all while his attorney suggests different strategies.

In today's experience economy, a mutually beneficial relationship helps our clients transcend their feelings of isolation and confusion, opening the door to collaborative relationships that overcome the idea of the 1:1 client referral exchange. Attorneys, CPAs, financial advisors, insurance professionals, banks and trust companies could seek to amalgamate their collective abilities to more fully and capably serve their respective client bases. Once that occurs, quid pro quo is no longer important.

Frequency of Client Interaction

Considering the differences in legal, tax and financial client relationships, it becomes evident why one might be positioned to refer more to another than what's reciprocally possible. Financial advisors and CPAs, for example, form a stable of clients that create an annual revenue stream supporting the practice. Consequently, adding just a few clients annually translates into a successful year.



Craig R. Hersch is a board certified estate-plannng attorney and national practice development expert at The Freedom Practice in Fort Myers, Fla.

Estate-planning attorneys, on the other hand, must engage a new stable of clients annually to make a living. Even those estate-planning attorneys who employ a client care or maintenance program can't usually rely on that program's revenue stream to support the practice. New client blood is almost always required.

Because I practice as an estate-planning attorney, I sympathize with college basketball coaches like Duke's Mike Krzyzewski[4] and Kentucky's John Calipari[5] who must recruit a new starting five virtually every year as they watch their current players "graduate" to the NBA at the end of each season.

Further, financial planners and CPAs typically have more of an ongoing and continuing relationship with their clients, meeting quarterly with some and at least annually with most. This affords them the opportunity (not always taken advantage of) to delve into issues that would necessitate a referral to a related professional.

Those professionals who have such an ongoing relationship are therefore more likely to refer out more than they receive. A lack of understanding on this issue often leads to frustration. "If I refer so much to him, why can't he reciprocate?"

Who's the Quarterback?

Another obstacle to professional relationships beyond quid pro quo arises from the very human element of personality. Which professional plays the lead role? Must there be a lead character in every client situation?

While we all have different personalities and desires (or lack thereof) to play the alpha role, each of us takes pride in our area of expertise. Expressed or not, we tend to bristle at perceived intrusions into our realm. Estate-planning attorneys don't like to be considered mere scriveners, financial professionals can contribute more than the sale of stocks, bonds, mutual funds and insurance, while a CPA's insight into the client's financial and tax history might make or break a strategy.

The key to overcoming these annoyances is to identify them in the first place. Once identified, assuming the professionals involved appreciate the expertise of the other, higher collaboration can lead to deepening relationships.

Experience and Reputation

When I was a young attorney, I developed relationships with experienced, qualified and respected CPAs, trust companies and financial planners in my community who became my main COI referral sources. Somehow, I convinced them to refer some of their best clients to an overly confident, ambitious young attorney without the prospect of a great deal of referrals coming back their way. I had to overcome the obstacle of my own lack of experience and developing reputation. Those COI relationships I originally nurtured as a young professional benefited me for decades, and some do to this day.

> How well a client interacts with our referral is a reflection on us.

As I enter my 30th year of practice, however, many of those same professionals are nearing or entering retirement, forcing me to develop new relationships, this time with those several years younger than myself. As a result, I find myself referring out a great deal more than I receive back. I consider this COI development, but then again, my firm requires the constant flow of new clients, and besides, as I describe below, the COI value creation is what's most important.

The difficulties posed by varying levels of experience and reputation, therefore, can cut both ways throughout one's career, leading to quid pro quo frustrations.[6]

Right Fit

Most of us have several COI relationships within each discipline to whom we send our referrals. Typically, I attempt to match a client's personality with a COI whose background, level of sophistication and demeanor is likely to be the most compatible, notwithstanding whether that COI has referred to me more business than another who's probably not a good fit. After all, our objective is to serve the client. How well he interacts with our referral is a reflection on us.

Overcoming the right fit objection will also be important when figuring out the alternative to quid pro quo.

Inner Circle

Some potential COIs won't consider us because we're already categorized as being a part of this network or that. They view us not necessarily unwilling to refer, but because we already have our COI inner circle in place, these outsiders believe that they won't make it onto our preferred list. Again, this is a transactional mindset on the part of the potential referral source, and it's a difficult one to overcome.

Personally, I helped form, am a founding shareholder and sit on the board of directors of a state-chartered trust company in my community. Prior to my involvement in the creation of that trust company, I had a vast COI network of trust companies and financial advisors. Afterwards, my referring COI list shrank considerably, as in their minds, I became a competitor. This injured my practice because my new trust company had almost no opportunity to refer clients. Moreover, my new company wanted to overcome the perception that I was its preferred estate-planning attorney, so it correspondingly referred developing business to my competitors.

I continued to refer business (very good referrals, I might add) to banks, trust companies and financial firms that competed with the new trust company to overcome this inner circle obstacle. But, there are other means that I employed that worked as or more effectively.

> What will overcome quid pro quo is how you provide value not only to potential clients, but also to your COIs.

Educating Isn't the Answer

What then, is the answer to these quid pro quo frustrations? What if you don't have the ability to refer as much out as you receive in? Or, what's the answer if you have good COI relationships, but the network doesn't seem to function well for one reason or another?

I've attended workshops and coaching programs where a proposed solution is to educate your COIs on the attributes of your A+ client,[7] on the services that you provide or even the unique way in which you deliver those services. While educating your COIs on these points is important, it's unlikely on its own to overcome a quid pro quo mindset. That's because we're still acting transactionally.

What will overcome quid pro quo is how you provide value not only to potential clients but also to your COIs.[8] When you relate to a COI in the ways that you provide value to potential clients, you're talking about why you personally benefit in the form of a referral. You're telling your COI, "This is why you should send your client referrals to me." Instead, your value proposition should be, "How can I make you look better to your clients?"

Value Creation

Our value to others, not only to our clients but also to our COIs, begins with how we help them achieve their goals. We might believe, for example, that our COIs are most interested in obtaining new clients. This may or may not be true. One must first ask to find out the answer. I usually begin a conversation with, "What do you consider the biggest challenge in your practice facing you today?"

Perhaps our COI wants to strengthen existing relationships. Maybe she's learned of a new planning technique she's not all that familiar with and sees an opportunity to better serve her clients. She may not know of the various ways you can make each other shine, not only to your own clients but also to related COIs.[9]

Transformation

Transforming your COI relationships away from their quid pro quo status and into a value creation proposition simply requires a little brainstorming. Recall the idea is to determine how you can add value and enhance or expand your COI's influence and relationships, which includes not only referred clients but also other COIs and leaders in your community. Here are several ideas that have worked for me over the years.

Become a key resource. Become the key, go-to resource for anything in your field. Whether or not it involves a direct referral, you can help your COIs with advice that showcases your expertise. I've offered my expertise to any COI I work with to discuss any problem with me that they might encounter in estate planning and administration. I frequently field calls on client matters that I'm not involved with. I make it a point during a casual business lunch with a COI to feel free to call me about any such situation, as I'm happy to bat around ideas.

Describe how COI fits into your processes. I created and use trademarked estate planning and administrative processes that include my COIs as well as my clients' trusted advisors as a part of the process itself.[10] Chances are you welcome your clients' other advisors to participate in your legal, tax or financial meetings. You may assume that your COIs know that you do this, but your COIs might not be fully aware. Take the time to discuss how your legal, tax or financial colleague fits into your systems and processes.

Podcasts and webinars. Many advisors are using podcasts and webinars to provide a unique educational experience for their clients and prospects.[11] Why not interview your COIs or co-brand a webinar that might be distributed to your clients and prospects through your online and social media channels? Consider the value you impart when you open a new content distribution channel to a COI. Beware, of course, of your profession's compliance and ethical requirements when so doing.

Author articles, white papers and/or books. Publishers of professional trade journals like *Trusts & Estates* and websites like *wealthmanagement.com* constantly look for content to provide to subscribers. This provides an opportunity for you to jointly author an article or white paper that would provide instant credibility not only to you but also to your co-author. Similarly, but more time and labor-intensive, is to co-author a book addressing your A+ client concerns or on an estate-planning topic that you would distribute to other COIs.

In-house workshops. COIs don't often realize their colleagues in related professions would appreciate learning more about how you could work together. As estate tax exemptions increase, for example, estate-planning attorneys spend more time creating income-tax efficient estate plans. Beneficiary deemed owner trusts, beneficiary deemed income trusts and optimal basis increase trusts are some of the latest estate-planning ideas that add value for our clients. We've created in-house workshops that we present (often over a catered lunch) to our COIs in the financial service and CPA firms, describing how these strategies can be used to benefit clients. We emphasize and tailor the in-house workshop to describe the role of the financial advisor/CPA and how their firms benefit when implementing these strategies. It's relatively easy to apply for and obtain continuing education credit for the firms you present to.

Joint continuing education workshops. As a companion to the firm in-house workshop, have you considered conducting a continuing education workshop for related professions, either alone or jointly with another professional? While this strategy might cause some attendees to ruminate on the inner circle problem mentioned above, I've found that doesn't inhibit our success with this strategy, especially if, for example, as attorneys, we conduct a joint professional workshop alongside a CPA colleague to a group of financial advisors.

> Thinking through a client's issues while creating a step-by-step multi-disciplinary process that can be marketed to prospects, where each firm adds uniquely valuable capabilities, creates a true partnership in client lead generation.

Nevertheless, conducting a continuing education workshop to related professionals is a fantastic way to not only to showcase your expertise but also open the door to value creation relationships, leading to referrals outside of the quid pro quo mindset.

Joint prospective client workshops. It's common for a financial advisor to conduct a workshop with an estate-planning attorney as a guest speaker. These and related ideas offer yet another effective means of solidifying professional relationships. Developing new clients in conjunction with a COI removes both from the "you scratch my back, and I'll scratch yours" mindset because the client didn't directly come from one or the other, rather it was a joint effort.

Collaborative unique processes. While your firm may have a unique process related directly to the services you provide, there are always opportunities to create a process that requires the capabilities not only of your firm but also of related professions. Consider, for example, business succession planning. While a law firm may have a process related to the family, legal and tax decisions and structures that must be made and created, a financial service firm may have financing, employee stock ownership plan creation, retirement planning and insurance capabilities enhancing the client choices. A CPA firm might add audit, valuation, financial reporting and industry compliance expertise. Thinking through a client's issues while creating a step-by-step multi-disciplinary process that can be marketed to prospects, where each firm adds uniquely valuable capabilities, creates a true partnership in client lead generation.

Charitable and civic events. Firms sponsoring and/or participating in charitable and civic events together form yet another bond outside of quid pro quo. A twist on this idea is to include your firm's client base along with another firm's in a jointly sponsored charitable event. Hosting a tent at a cancer walk, turkey trot or organizing a soup kitchen day with both client bases offers a feel-good way to mingle not only with your own clients but also with those of the co-sponsoring firm.

Quid Pro Quo Destroyer

As you might determine, there's any number of effective ways to destroy not only your own quid pro quo mindset but also that of your COIs. Realizing the root of that mindset—that it's a transaction-based mentality—puts you on the road to solving the problem. Understanding the common concerns and frustrations related to quid pro quo opens the door to constructive dialogue with your COIs. The best benefit to implementing solutions is that it builds solid relationships going forward, which will likely pay you and your COIs dividends for decades, distinguishing you as a community leader.

Endnotes

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