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Alison MacAlpine / October 01, 2010

About 247 billion e-mails crackle across global Internet networks every day, according to The Radicati Group, Inc. That works out to more than 2.8 million e-mails sent every second from 2.9 billion accounts. About one in four of those accounts is a corporate account, and corporate users receive an average of 74 e-mails and send an average of 36 out into cyberspace every day.

E-mail is part of our daily lives in a way few could have imagined a little more than a decade ago. It travels with us nearly everywhere we go on our laptops and smartphones, zipping through the air on WiFi and cellular networks. It's inescapable and sometimes intrusive – but also tremendously convenient and efficient. And there's no question it's changed the way financial advisors interact with clients.

Sterling Rempel, a CFP professional with Future Values Estate & Financial Planning in Calgary, surveyed his clients to find out how they prefer to receive written communication from his team and 67% replied "by e-mail," compared to 18% who would still opt for regular mail. "It really is an essential part of my client communication and service strategy to communicate with them through e-mail," he says.

There are still holdouts, however. Laurie Stephenson, a CFP with Stephenson Daigle Financial in Halifax, says about 5% of her clients aren't computer-savvy and haven't moved into the e-mail age. And David Phipps, a CFP with Assante Capital Management Ltd. in Ottawa, estimates a similar number of his clients are comfortable online, but don't want to receive e-mails that discuss their personal financial planning.

Whether someone turns out to be an e-mail lover or resister isn't necessarily determined by age. As Frank Wiginton, a CFP with TriDelta Financial in Toronto, points out, "We use e-mail extensively with every single client, regardless of age – we have clients who are in their 80s who are on e-mail."

What matters is whether clients and their advisors believe the pros of e-mail outweigh the cons.

Let's look at the positives first. For advisors, time management and efficiency generally top the list.

"It allows me to structure my time more effectively, and I find that I tend to respond faster to e-mail communications rather than voicemail messages, simply because if I'm standing on the corner waiting for a light to change and the message hits my BlackBerry, I can reply to it instantly," observes Wiginton. "Or you're out having a beer, watching a hockey game with some of your friends – you're not going to start talking to a client, but you can definitely punch out an e-mail and fire it back."

Jeanette Brox, a CFP and senior financial consultant with Investors Group Financial Services in Toronto, describes herself as a night owl and says she regularly e-mails clients at the end of the day, when it wouldn't be appropriate to call them. Her clients like being able to pick up her messages when they choose to. For example, one client, a massage therapist, works evenings and has specifically asked Brox for e-mail appointment reminders rather than 8:30 a.m. phone calls from her assistant.

Teresa Black Hughes, a CFP with Solguard Financial Ltd./PEAK Securities Inc. in Vancouver, likes sending investment recommendations to her clients by e-mail because it's so easy to include a link or attach a file to provide in-depth information. Often, she'll discuss the recommendation by phone, so the e-mail serves as a follow-up a day or two later.

That said, she emphasizes it isn't a substitute for meetings and phone calls. "E-mail is part of an information process," she says. "It's not necessarily part of the decision process."

One of its best features is that, unlike telephone or face-to-face conversations, you can get electronic correspondence ready in advance and bottle it. Rempel has prepared a number of e-mail templates covering topics ranging from pensions, income tax credits and Old Age Security clawbacks to a list of lawyers to whom he refers clients and a round-up of services for business owners and executives. When a client or prospect inquires about one of these subjects, he just copies and pastes the information he needs.

Beyond convenience, e-mail provides a legacy of discussions with clients. Rempel says he regularly attaches threads of past conversations if he's bringing up the same topic with a client again.

"It's a great way to remind both them and me about what our previous discussions have been," he says, adding, "I have a fairly good filing system for my e-mails, filed by product and topic, and tagged to our CRM."

Past correspondence can also be valuable when clients question decisions, though you may need backup from other record-keeping too. Black Hughes recalls one situation in which a client questioned a decision that had been made to renew a term deposit a couple of years earlier. The actual decision had been made during a phone conversation, so she had e-mails leading up to and following the decision. Fortunately, she also had careful notes documenting that critical phone call and outlining the precise reasons why the term deposit was renewed. Walking the client through her reasoning, and providing supporting correspondence and notes, resolved the issue.

"Clients aren't in the same mindset as the advisor is," she says. "Clients aren't thinking about liability and protection of why they made [the] decisions they made. But the advisor needs to document that – and it might not be in the body of the e-mail."

For his part, Phipps makes sure critical decisions do end up in the body of a time-stamped e-mail. He regularly uses the tool to recap client meetings, so both he and his clients have a record of what they've discussed.

"It's just such a powerful tool," he says. "I met with a person this morning at 8:00. They left the office at 8:45. By 9:30, they had a summary of our meeting in their inbox, which also went to my staff, so now they know what we just talked about ...and if the client sees something they're not in complete agreement with, there's an easy mechanism to reply back."

One challenge is documentation works both ways: You're not the only one who can track down historical records to support your position.

"You have to be careful what you put in an e-mail because it's permanent," advises David Lister, chief compliance officer at Octagon Capital Corporation in Toronto. He points out firms are required to archive e-mails so they can be accessed at a later date. That means it's possible someone within the industry could dig up your words years down the road. Or clients could forward your e-mails to their friends or to a regulator.

“You just don’t control what happens once it’s out there,” Lister stresses. “Basically, if you don’t want it published in the paper, don’t put it in an e-mail.”

Many advisors rely on e-mail as a significantly less expensive marketing tool.

Brox recently sent e-vites to a seminar about long-term care insurance and was pleasantly surprised at the formatting and image options she had to make the invitations attractive. Her environmentally focused clients appreciated that she wasn’t consuming paper, and she didn’t incur the labour, printing and postage expenses associated with traditional snail-mailed invitations.

Wiginton sends an e-newsletter out to a subscription list that tops 3,000 people; something that would be prohibitively expensive if it were printed and mailed. There’s another benefit, too. When you mail out a printed piece, you have no idea who’s reading what. But with electronic correspondence tracking tools, click-through statistics give you a window into your clients’ interests and what’s grabbing their attention.

“Depending on the e-mail marketing system you use, you have the ability to see which e-mail address clicked on what [article],” he says. “It really helps to direct the conversation.”

Wiginton says he recently featured an article about the pros and cons of mortgage insurance in his newsletter. Based on click-through rates, he could quickly identify which clients might respond warmly if he brought up the topic with them. He adds it’s important to take a casual approach, so clients don’t feel you know more than they’d like you to know about what they’re reading.

One risk with e-marketing is your correspondence may be perceived as spam or get tangled up in clients’ junk-mail filters and never be seen. It’s a best practice to ask for permission before sending e-mails to either clients or prospects. Black Hughes also advocates keeping messages short and sweet so there’s a greater likelihood busy clients will read them. As much as possible, she customizes marketing messages so they address each client’s needs directly.

“Particularly with business people, time is of the essence. They hardly have time to get through their e-mail. Something that looks like it has a personal connection to them…is going to get far more attention,” she says.

That said, Black Hughes finds clients remember more from her hard-copy, mailed-out quarterly newsletters than from her electronic marketing missives, so she’s not ready to give up on snail mail just yet. Wiginton, too, expects many clients glance at his e-newsletter for 10 or 20 seconds, but he still sees it as a valuable point of contact when combined with other forms of communication.

Lister emphasizes electronic marketing is generally governed by the same rules as print. In fact, the Investment Industry Regulatory Organization of Canada specifically includes “electronic communication” in its rules for “sales literature” (bylaw 29.7). As a result, your compliance team will likely need to review any campaigns before they go out.

And e-mail is not without its pitfalls. Despite all of its perceived efficiency, it can sometimes take more time to communicate electronically than picking up the phone and calling a client.

“The problem with e-mail,” says Phipps, “is that it takes a client a millisecond to fire off an open-ended question, and it can take a financial advisor half an hour to compose a thoughtful response. So sometimes I find myself responding to e-mails with a phone call.”

And on those days when dozens of pings are hitting your inbox every hour, it can be hard to manage the flood. As Black Hughes, who aims to send an acknowledgement of every e-mail within 24 hours, puts it, “From a practice standpoint, as an advisor, there’s a huge amount of pressure to keep up with correspondence.”

In addition, the medium can actually be a barrier to building strong relationships. “It’s a lot less personalized,” says Wiginton. “You don’t get a chance to explore . . . so it prevents you from forming as intimate a connection as you would over the phone.”

It can also be difficult to convey the right tone through electronic communication – which falls somewhere between the informality of a face-to-face conversation and the formality of a business letter – so clients may misinterpret your intentions. Emoticons or smileys only go so far.

“I treat an e-mail the same way as I would a letter,” offers Black Hughes. “We need to have proper grammar and spelling and not be too chatty or too casual in our communication. It’s an extension of the professional aspect that I believe we should try to exhibit.”

To achieve that level of formality, advisors have to resist the temptations of a lightning-fast medium that encourages sentence fragments and short forms, and overcome the limitations of error-prone smartphone keypads.

Other than showcasing and preserving for posterity all your unintentional grammar and spelling mistakes, there’s another way electronic correspondence can dilute your branding. As Stephenson points out, whereas a printed letter always reflects her brand through unchangeable letterhead, the font and colour choices you make for your e-signature file may not come through on every client’s computer system. In fact, after a few back-and-forths, an e-signature file may be lost altogether.

Different firms have different rules when it comes to accepting trading instructions electronically. If a dealer does accept them, Richard E. Austin, counsel at Borden Ladner Gervais LLP in Toronto, says one critical challenge is determining when the instruction was received and when it should be entered into the dealer’s trading system.

“If a client said in an e-mail, ‘I want you to place an order to sell tomorrow morning at market my position in GM,’ there’d be no question about the timing because the broker would have all day today to get that order in for tomorrow,” he says. “The problem with e-mail or in writing is, when did you get it? If the client says, ‘sell at market’ and the market moves, or the client says, ‘if it hits $95, please sell’ . . . what’s the timeline for that? The client instruction must be complete and specific.”

That’s why Austin says it’s so important to have terms and conditions that specify when you will act on transaction requests received by e-mail, and that if you’re unclear as to your clients’ instructions, you have no liability if you don’t act on them.

He adds that he would be very careful about accepting a change received electronically that would affect investment suitability, such as risk profile or time horizon.

“There’s a difference between quantitative and qualitative instructions,” he says. “I think the qualitative ones require a conversation or correspondence with a client to ensure the client is truly aware of the effect of the change he’s asked for. In many cases, KYC obligations can’t be met by simply acting on a client’s instructions regarding a qualitative matter.”

If there’s any lack of clarity in her clients’ e-mail transaction requests, Brox immediately picks up the phone. And she has had situations where a message hits her inbox at 3:55 p.m. and the client doesn’t answer the phone when she calls them to confirm the details.

“If a client orders you to do something and you don’t do it on a timely basis and the market goes down, you could be in trouble,” she says. But, she adds, “Most people are reasonable. They know I have their best interests at heart and I want to do the right thing. Most of them are grateful and say, ‘Thank you. I’m so glad we cleared this up.’”

Phipps reminds his clients that if they don't receive an acknowledgement from his team saying their e-mail was received and will be acted on, they should assume it didn't make it through. It may be rare that messages are delayed or lost, but it does happen, and Phipps feels it's important to put the onus on his clients to watch for a confirmation.

Stephenson does accept trading instructions by e-mail, but it's definitely not her first choice.

"There's just too much room for error or misunderstanding," she says. But even after a phone call, she'll send an electronic confirmation, asking her client to confirm they're in agreement. There's the virtual paper trail advantage again.

Some security experts say it's a good idea to avoid putting anything in an e-mail that you wouldn't want displayed on a billboard in your neighbourhood. Files roaming the Internet can be intercepted and their content viewed, particularly once they leave the relatively secure boundaries of a firm's e-mail security systems and head out into the wild west of the Web.

There are software programs to protect the integrity and privacy of e-mails through encryption, but the fact that one of the dominant players was until recently called Pretty Good Privacy (now PGP) says something about the challenges of protecting this communication tool.

"If you want to keep something confidential, don't put it in electronic form," says Austin. "Everybody does their best to maintain the integrity of correspondence, whether it's electronic or not, but the reality is, as good as any system can be, it seems there are people out there who know how to beat it."

As a result, all advisors face a balancing act between security and convenience – but most would agree the risks are worth the reward. As Black Hughes put it, "I love what e-mail can do to enable you to get information out. It's a very, very efficient tool."

Identifying spam

Phishers collecting personal information online can create e-mails that look very similar to authentic correspondence from financial institutions, often using images pulled directly from the firms' Web sites. In case they decide to lurk behind your company's name and logo, arm your clients to recognize spam when they see it.

Spam often:

- Won't address your client by name;
- Won't be bilingual;
- Comes from an e-mail address with a domain name that's slightly different from yours;
- Has link addresses that look right, but when you hover over the links with your mouse you can see they'll take you to a different site;
- Has spelling and grammar mistakes; or
- Asks for information your company already has, such as names, addresses and account numbers.

Remind clients to call you if they're ever in doubt about an e-mail that appears to come from you or your team.

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