When to Fire Clients and Referral Sources

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A photo of one of the firm's employees ends up on a major website. The article reports on a political rally in town. The CEO of one of your major advisory firms has called and complained. He does not share the employee's political views and wants him removed from the account.

After reviewing the database and talking to the employee, it appears that more than half of the advisory firm's clients are time-consuming and minimally profitable. The firm's advisors ask for – and get – discounts on fees. The TPA sales person went to college with the CEO and their plans represent 40% of his book of business.
The Smith Co. sponsors a non-top heavy non-SH 401(k) plan with a three year cliff vesting schedule. The plan does not exclude any compensation.

There are currently three salespeople with the firm, all of whom have made over $150,000 this year and in the three previous years they have worked at the company. However, the census reporting shows that none of the sales people worked over 1000 hours in a plan year since they became eligible for the plan. You also notice a pattern of highly paid sales people leaving the firm before they enter the plan.

The CPA contacts you to tell you he is resigning because the owner has not been honest with him about his business. He declines to say any more about the nature of the dishonesty.

A co-worker confides in you that one of the firm’s largest referral sources yells at her “constantly”. She says he does it only on the phone and not via email so no one is aware of it.

When you go to the manager with this information, the manager tells you that the co-worker has said the same thing about all the referral sources she works with, and that there is no evidence that she is being verbally harassed. The manager also points out that the referral source is critical to the firm’s success.

You have a prominent local company as a new client, and they were referred by your #2 advisor. You are good friends with the previous TPA, so at the next local meeting, you ask how they were as a client. She says they were terrible. She goes on to explain how they provided census information very late with lots of errors. They didn’t transmit deferrals on time and didn’t timely respond to her inquiries. She also believes that one of the partners owns another entity in the county, but they could never get any information from the client.