

In the Game: Talking to Clients About Volatility

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Financial Planning

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A month ago, things were looking up.

Housing prices were rising, unemployment was beginning to recede, and even retail sale numbers, an economic factor that had lagged since the recession began, were beating expectations.

Finally, “recovery” was becoming an easier word to swallow.

In the blink of an eye, though, everything changed.

Greece's debt crisis spread through Europe, endangering the Euro and every market it touched. So much so, that China, whose governing body rarely speaks about the country's fiscal policy, announced it was reviewing its Euro-zone bond holdings.

All of this culminated in violent swings in markets globally, bringing the volatility to U.S. markets that many Americans had been fearing since the so-called recovery began.

With this next round of volatility will undoubtedly come the fear and panic that your clients have become all too familiar with over the past few years. But while clients may not have learned much from the 2007 to 2008 market meltdown, advisors should have: Clients who feel that their advisor isn't communicating with them will find another who will. The time to be proactive is now.

But what does being proactive mean exactly? How often should you be contacting your clients—and in what way? What can you say them to both calm and inform them, all the while concealing that you, too, are concerned about the future. For this, I spoke with **Richard Weylman**, founder of *The Weylman Center for Excellence in Practice Management™* in Boca Grande, Fla.

The first step is making that initial contact with your clients, whether through email or a phone call. Keep things brief and avoid technicalities and industry lingo. Instead, give clients a macro overview of what has happened—and how it could affect them.

“If you read *The Wall Street Journal*, it's almost always in technical terms,” Weylman said. “Well that's all wonderful language, but it doesn't tell us anything, and it creates more angst than understanding.”

Instead of saying that the interbank offered a certain rate against the benchmark, for instance, Weylman suggests telling clients that credit is tight because the governments that use the Euro are trying to bail out governments that are in trouble. Continue, then, by saying that these countries are linked together by a common currency and explaining the risks associated with that.

Most importantly, be sure to tell clients how the current volatility can affect them—and what you are doing about it. Explain that a drop in the Euro could actually help the dollar, and ways in which it can also hurt it, Weylman said. Describe the effects the European crisis could have on earnings and travel in the U.S., should the volatility continue into the summer months.

Next, tell them what you're doing to mitigate the risk. If you've moved money into cash to seize a potential opportunity, let them know. If you're looking to move a portion of their equity holdings into Treasuries, explain your reasoning and how that can shelter them from the storm. If you're staying put, let clients know that—despite your lack of action—you are keeping a very close eye on the situation.

“Clients are paying a fee to the advisor not to store their money, but to watch and manage it,” Weylman said. “Proactively reaching out shows that you're not only earning your fee but you're building comfort into your client base. It tells your clients that they're getting their return on investment.”

The key here is to keep emotions out of it. Given your profession—as well as your own personal investments—you are certain to be nearly as frightened about where the market headed in as much as your clients are—or maybe even worse. But you must be the calm in the storm. Your clients are looking to you for information and reassurance, and if you don't give it to them, they will search for it elsewhere.

“You have to separate your emotions from the facts of what's occurring in the market,” Weylman said. “The facts are the market is down right now; the emotion is that it might go down further. But the real facts are to look at total exposure.”

Lastly, be sure to ask clients what questions they have. Posing the sentence this way, Weylman said, as opposed to saying “do you have any questions?” gives clients permission to ask about something they don't understand or are further concerned about. It provides them with a safe place to talk about what they are sure to be feeling: fear, uncertainty and doubt.

Study after study has proven that clients with at least \$1 million dollars invested in the market want to hear from their advisor monthly. But that's in good times. In this volatile market, advisors should be reaching out to their clients at least twice a month, depending on how long the volatility continues. Top clients should be receiving phone calls, while emails may be sufficient for smaller B and C clients. Just be sure to remember: keep it short, simple and always save time for questions.

“You don't have to have all the answers, you just need to recognize that people have questions,” Weylman said. “There is a psychological need for emotional security in times like these. People want to talk about their fears, and you must be there to let them.”