Now’s the time to demonstrate your value

As markets wobble, you’ll be called upon to offer comfort and perspective — and that’s a great thing

By: Melissa Shin  |  March 13, 2020  |  15:36
Melissa Shin
Advisors: you’ve got this.

You’ve been explaining patiently to clients that markets can’t keep going up, and that an 11-year bull run was long in the tooth. At the end of each good year, you’ve reminded clients that not every year will be as strong (and that some years could be even better).

You’ve gotten to know your clients well, going beyond the normal know-your-client checkboxes. You understand what scares them, what their goals are, the causes that matter to them and what they hope to achieve with their legacy.

You’ve held their hands through smaller corrections, like the 2010 flash crash, the August 2015 selloff and the late 2018 downturn. With your counsel, clients have avoided irrational selling and have stuck to their carefully crafted financial plans. Some
of them practice goals-based investing and measure success not through market returns but through progress toward a meaningful objective.

Today might feel different. The fear is not just market-related. People are justifiably concerned when they see entire countries quarantined, when parents have to scramble to find childcare because schools are closed for the next three weeks, or when airlines and other affected industries start cutting jobs.

You’ll be called upon to offer comfort and perspective — and that’s a great thing.

“These are the moments when you can really prove your value and worth as an advisor,” says David O’Leary, founder of Toronto-based fee-only advisory practice Kind Wealth.

O’Leary has watched financial anxiety rising and has decided to change his practice in response: he is now offering free personal finance consulting on Fridays for anyone struggling with financial challenges related to Covid-19.

“There are moments when we’re all bound by a common threat and our backs are up against the wall,” he wrote in an email explaining the decision.

“During these times it’s important we come together and support one another.”

Speaking to Advisor’s Edge, O’Leary says his consulting role may be equal parts therapeutic and advisory. “Even just having somebody to be a sounding board is helpful,” he says.

He adds that he is keeping the current volatility in perspective. “I’m very confident in the long term,” he says.

Economists agree. In a commentary released today, Campbell Harvey, partner and senior advisor at California-based Research Affiliates, said, “Given the risk in the markets right now, future expected returns are higher. When markets are revaluing, it’s a painful process, but the expected returns going forward on a 10-year basis actually increase.”

As you weather the storm, we at Advisor’s Edge reiterate our commitment to balanced, objective and measured coverage. We will keep you informed and continue to provide practical ideas for you to implement with concerned (and unconcerned) clients.

Here are resources to help you get through the next period:
How advisors manage market volatility
Earlier this week, assistant editor Michelle Schriver spoke to advisors about how they and their clients are coping. She also highlighted potential investment opportunities.

How past experience impacts investing decisions
Clients may not be reacting the way you’d expect to market volatility. This article examines the connection between fear, memory and risk tolerance.

As markets drop, here’s how advisors are communicating
Markets were wobbly in early 2018, and Schriver found out what advisors were saying to clients at the time.

The hidden value of financial planning
Communicating the value of financial planning is even more important during challenging economic times.

Help your client prepare to write a will
When returns are nothing to brag about, it’s important to demonstrate your value in other areas. Fears over Covid-19 may lead clients to think about — or start — their estate plans. Assure them that’s a good idea no matter what else is happening in the world.

Save clients from emotional mistakes
Some could be too embarrassed to admit how scared they are. Worried clients need to know that honesty matters more than keeping calm during rocky markets. Back in 2015, Katie Keir looked at how to comfort clients through the lens of behavioural biases.

CE Course: 34 ways to be a better advisor
This course from 2016 continues to be one of our most popular, and its lessons are valuable regardless of market conditions. Bonus: earn one CE hour from FP Canada if you pass the quiz after reading.

There’s reason for optimism in the next wave of economic growth
Research has shown that productivity is set to increase dramatically over the next five years. Notwithstanding recent events, there’s a lot of knowledge and research out there waiting to be commercialized.