



We don't
just talk
about
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Communicating with Clients During Volatile Times

By Advisors, for Advisors

As a wealth advisor, your client communications skills are constantly put to the test given the unpredictable nature of the market. Just as one news cycle affecting the markets winds down, another whips up like a cyclone... Debt ceiling, failed banks, Big Tech layoffs, Fed interest rate hikes and inflation, the housing market and recession... While you can't control the headwinds, you can navigate your clients' concerns, steering them away from a hopeless horizon.

Now, more than ever, is the time to not only reassure your clients, but also to stay out in front of them. The importance of thoughtful, frequent communication—even when you're not discussing their investments—cannot be overstated.

In this Q&A series, Dynamic-affiliate advisors weigh in on how they're communicating with clients during these uncertain times.

Jennifer Valdes, CFP®
Principal, Financial Designs Wealth, Miami



Key Takeaways from Jennifer:

- Don't allow clients to let their emotions affect their decision making; do explain the buying opportunities provided by volatility.
- Stay in constant communication with clients.
- Establish a monthly contribution plan.
- Review financial plans and make the appropriate adjustments.
- Make the complicated simple, i.e., educate clients by simplifying complex financial language.

Dynamic: What would you say is the most important "Do" and the most important "Don't" when talking to clients about market volatility?

Jennifer Valdes: The most important don't when talking to a nervous client is allowing them to let their emotions affect any decision making. We know this is easier said than done so we always emphasize and reiterate to our clients that in our view, the biggest mistake an investor can make is selling during a loss.

By attempting to time the markets, the two most important decisions that are nearly impossible to predict are: when to get in and when to get out. In contrast, the most important do is reversing their mindset by explaining the potential buying opportunities provided by volatility.

D: What are some of the primary ways you're alleviating uncertainty and fears among your clients during this time?

JV: Providing regular market updates and constantly communicating with our clients is crucial, not only when the market is in turmoil, but also on an ongoing basis. Aside from this, during this time, we are scheduling additional reviews to address any concerns. We continue to emphasize our focus on diversification and a long-term strategy.

Even amidst recessionary times, markets and individual companies can appreciate due to companies cutting costs and improving bottom line profits. The S&P 500 chart that shows the historical intra-year drawdowns in positive years is a document we refer to often when discussing concerns about short term volatility.

D: What types of strategies are you providing clients to better cope with or take advantage of market volatility?

JV: A big focus with market volatility is establishing a monthly contribution plan so clients can continue to dollar cost average

If you walk into a store and there is a 20% discount, would you wait for the sale to be over to buy the item at full price? It could go on clearance and drop to 30% the following week, but are you willing to take the risk of losing the discount to begin with? It will eventually go back to full price! The same can be applied to the market. Downturns can present buying opportunities.

into the markets at attractive valuations. We have also looked to accelerate implementation schedules for clients who wanted to invest in the markets overtime. In contrast, we have left a larger cash balance for those in the withdrawal phase to avoid liquidating at a discount. We are also looking at alternative investments for those clients that don't need liquidity and meet net worth and suitability requirements.

D: Has financial planning taken on a greater role in your practice during this time of market volatility?

JV: Financial planning has always been a first priority at Financial Designs Wealth with or without market volatility. Our holistic approach ensures all pieces of one's financial puzzle are always working together cohesively. However, where appropriate, we have made adjustments to their plan such as the dollar cost averaging mentioned above, super funding 529s and Roth conversions.

D: How does a bear or volatile market provide an opportunity for you and your firm to demonstrate your value to prospective clients?

JV: The power of rebalancing coupled with our tilts has provided alpha to client portfolios in the last year. During these times, we reiterate all the moving parts within our clients' plans to ensure they understand each piece and its purpose. We know that the financial world can feel overwhelming, so we pride ourselves on educating clients by simplifying complex financial language to ensure they understand each part of their financial plan.

Jennifer Valdes, CFP® is a principal at Financial Designs Wealth. All investment advisory services are offered through Financial Designs Wealth Management, LLC (FD Wealth), an independently owned registered investment advisor.

Brian Bucell, CFP®
Managing Partner, Crestview Capital Management
Agoura Hills, Calif.



Key Takeaways from Brian:

- Stick to the plan—it's the most important piece of the client's financial puzzle.
- Don't panic.
- Pull up historical data.
- Look at market volatility as an opportunity to take advantage of both the upside and downside moves.
- A planning-driven (not an investment-driven) approach can go a long way in helping prepare clients for a bear market.

Dynamic: What would you say is the most important "Do" and the most important "Don't" when talking to clients about market volatility?

Brian Bucell: The "Do" would be to always going back to the plan. The plan is the client's individual road map, and this is what guides them through the bumpy times and keeps them on track. Think of it this way...

The "Don't" would be to panic. Emotions run very high during market volatility and making emotional decisions can cause disasters to clients' individual plans.

D: What are some of the primary ways you're alleviating uncertainty and fears among your clients during this time?

BB: During times of market turmoil, we always focus on the client's plan. I know I sound like a broken record, but the plan is the most important piece of the client's financial puzzle. Coaching them through this

time is extremely important and revisiting the plan and their asset allocation. We will also pull up historical data that will show them what they could be facing and what happens following that event.

D: What types of strategies are you providing clients to better cope with or take advantage of market volatility?

BB: We look at market volatility as an opportunity to take advantage of both the upside and downside moves. We do this by finding high quality companies that may be mispriced during these times of market stress. If we feel that things have gotten a bit too hot in the market, we may take a near-term hedge. We will use products such as index ETFs that take a negative position on the market; we also use market neutral strategies and managed futures. We will overlay this with high quality bonds and cash like vehicles.

If you were cruising down the highway and then all of a sudden hit traffic, do you get off the freeway and take side streets just to save two minutes? No, you navigate through and eventually make it out of the jam.

D: Has financial planning taken on a greater role in your practice during this time of market volatility?

BB: Absolutely. We are a planning first firm. We construct a financial plan for our clients then create the investment vehicle around that plan. As stated earlier, the plan is the roadmap, and the investments are the vehicle that will drive the client's goals.

D: How does this bear market provide an opportunity for you and your firm to demonstrate your value to prospective clients?

BB: This bear market has provided us with a tremendous opportunity to grow our firm. As mentioned previously, we are a planning-driven firm, not an investment driven firm. Because of this approach, our clients were well prepared for this bear market. Our six-step planning process has provided us with a solid foundation for our clients and prospective clients.

Brian Bucell, CFP® is a managing partner at Crestview Capital Management. He is | an Investment Advisor Representative with Dynamic Wealth Advisors dba Crestview Capital Management. All investment advisory services are offered through Dynamic Wealth Advisors.

Shannon Larson, Financial Advisor
STF Wealth Management, Phoenix



Key Takeaways from Shannon:

- Don't invalidate a client's concern about market volatility.
- Frequent check-ins and maintaining open lines of communication are priorities during tumultuous times.
- This is truly the time to show your dedication to clients as a trusted resource.
- Show clients the power of dollar cost averaging and the benefits of investing monies that are sitting on the sideline during a down market.
- Focus on the big picture and remind clients that as volatile as things can be, it is temporary.

Dynamic: What would you say is the most important "Do" and the most important "Don't" when talking to clients about market volatility?

Shannon Larson: Do: Market volatility can be a daunting factor of investment accounts. When talking to clients about the downturn, it is important to remind clients to focus on the facts—the hard numbers—and remind them of the elasticity for these types of accounts. Another important point we stress is the value of removing emotions from the equation. We can find comfort and build confidence in making these decisions by focusing on their time horizon and future goals. We also remind them about our recently successful bull market as that helps to offset the bear market we are currently seeing. It's important to look at averages.

Don't: Invalidating a client's concern about market volatility would be at the top of the list of the most important things we will not do. We have clients ranging from new inves-

tors to long-term investors who have successfully built a portfolio that allows them to live comfortably in retirement. Market volatility can be intimidating no matter where you are in your investment journey. It is essential that every concern is analyzed thoroughly to give them peace of mind.

D: What are some of the primary ways you're alleviating uncertainty and fears among your clients during this time?

SL: Frequently checking in and maintaining open lines of communication are our priorities during these tumultuous times. We have reached out to our clients to talk about the market and answer any questions or address any concerns they might have. For clients that are more concerned than others, we have been calling more frequently. Clients that aren't up for review for months are being contacted sooner to give them the option to review earlier.

This is truly our time to show our clients our dedication to them as their trusted resource for the market and easing their worries as we get through this together.

D: What types of strategies are you providing clients to better cope with or take advantage of market volatility?

SL: A strategy we have used to help clients better cope with the market volatility is to make sure they know they can call us at any time with any questions or concerns they might have. Clients need to hear from a professional they trust and know is diligently watching over their accounts; they need to know a plan is in place for the good times as well as the tough times. Simultaneously, we are helping clients take advantage of the market volatility by showing them the power of dollar cost averaging and the benefits of investing monies that are sitting on the sideline during this down market.

D: Has financial planning taken on a greater role in your practice during this time of market volatility?

SL: At the beginning of our relationship with clients, we focus on a thorough financial plan. We make sure to take every twist and turn of the market and life into consideration and continuously update their plan. Times like this are no different. It's important to use this opportunity to show the impact a down market can have on retirement. Clients also love seeing that even during a down market, they are still tracking as

planned. It is helpful to look at the big picture and know as volatile as things can be, it is temporary.

D: How does this bear market provide an opportunity for you and your firm to demonstrate your value to prospective clients?

SL: It's easy to get caught up in the headlines and see the red of a down day. People will become concerned and make quick emotional decisions that can have a long-lasting impact on their financial goals. By working with us, they know they have a level-headed professional they can call on to help calm their nerves and help them build their confidence as we make the best financial decisions for them. When we walk through a client's investment journey, they know they have a plan in place and are properly prepared for the volatility.

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If you're an IAR or RIA, looking to spend more time
with your clients and grow your practice,
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