



CLIENT MEETINGS IN A BEAR MARKET

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Help your client help you right now—and reap the benefits.

The drop in stock prices is very unsettling to even the most experienced investors. No one knows what will happen with the coronavirus pandemic—or when. And you sure can't wait to be sure. Clients don't need you when everything is going well—they need you when the wheels come off the bus. And we now have a head on crash between the bull market train and the healthcare bus. And though no one could have predicted the violence and speed, these two forces of health and wealth have been on a collision course since the first Baby Boomer was born. Bear markets have a tendency to accelerate trends, and we already had a huge and rapidly aging clientele across the advice industry that is suddenly now in more acute need. And the bull market has had a historic run from March 6, 2009 when the Dow Jones was 6,469. We knew that market had to breathe at some point. Bear markets are created by bull markets, after all.

So what now? Don't wait for clarity—lean in. The history of bear markets confirms this is the very best time to solidify your best client relationships, consolidate assets of your more tentative clients, and outright earn brand new clients from advisors too timid to connect. And just like bear markets, these opportunities are not common, so the rewards go to the advisors willing to step up—and step in. Now.

Since we have no idea where and when the pandemic abates or when the market stabilizes, we have to engage clients about topics not dependent on either issue. The #1 reason advisors give for not contacting clients in a bear market is they don't know what will happen so they don't know what to say. Top advisors—especially those that have lived through a bear market—know that the contact itself is critical and often the contact and listening is all some clients wanted. Acknowledgement, empathy, concern.

And you can do more. Bear markets scream at clients and the clients hear, “I might not be able to do...” So the opportunity for top advisors is to walk toward the issue and engage. This is the best opportunity you will ever have to get clients focused on planning. Real planning. Even if it is a single problem you solve, it is a step in the right direction. We know most clients have all kinds of plans, but most are incomplete. I’m not saying everyone needs a full blown in-depth plan but nearly everyone could do better. With care, I would contrast our collective view of medical health. Just like bear markets can reveal the instability of your financial plan, a pandemic shines a harsh light on “healthy” and redefines both your actual condition and your ability to protect yourself. Crash courses about life taking place simultaneously right now. Give clients the gift of some control over their future.

Here are some important questions you should prepare to answer. Since many times clients don’t know the right questions, you may have to prompt them to engage in proactive work to ensure a more solid future.

1) Have recent drops in the market affected my plan?

“First take stock in what exactly IS your plan? Do you have a formal financial plan that includes specific dates you are saving for, or when you will taking investment income? Do you have a budget for “retirement”? Do you know how much you will receive in Social Security? Any pension income from a job? Plan to stay in your home? For how long? How much will medical care cost? Not sure?”

If you don’t have a formal plan, there has never been a better time to create one. Market corrections are like storms that hit your home. They are “stress tests” that can remind you to protect yourself. As unsettling as it is to see the stock market fall, the current level after a nearly 30% decline puts the market averages back to where they were just over a year ago. And not every investment has declined. Bond investors are pretty happy right now. Separate “investing” from

“planning” and work with your advisor on a plan built around your life, your specific objectives—like where you want to live and how you will pay for health care.

I find that most clients don’t have a complete plan. Kind of like when you ask someone if they are healthy, or if they play golf—“Yes, but it could be better”. Use the current environment as a cue that you should tighten up your plan. Your advisor can help.”

2) Will I still be able to generate enough income to maintain the lifestyle I want in retirement without outliving my money?

“This is your chance to review your priorities. Bull markets and strong economies like the conditions we’ve enjoyed over the past 11 years make everything sound possible. Look again. What’s really important? It’s way too early to tell any longer term impacts on the economy or the markets but you can give serious thought to YOUR world. Has anything changed in the past few years or since you last made a list of objectives? This should be a family discussion as well. Any changes in your responsibility for others, like aging parents or adult children?

Err on the side of specificity. What specific plans are critical and what is more optional? Make three lists—essential, nice to have, true luxuries. And compare those lists with your income and assets. A smaller home with lower taxes and less maintenance is a BIG decision. Compare smaller choices but also their cumulative effect—like eating in restaurants or taking vacations or supporting an adult child. Prepare and protect the essentials, budget for the “nice to haves” and save for the luxuries.

I need to know what’s most important to you, and about any changes that should be made. Then we can have a real conversation about funding those dreams—and avoiding the pitfalls of poor planning. Don’t be surprised if your plans change to be more realistic or just different. Let’s stay practical and make trades for what you really want. Just don’t rely on hope—hope is never a good strategy!”

3) Does my current plan provide enough protected income to meet my essential expenses?

“The two questions so far are really more about your preparation for the future and getting the right details for me, so more of the “what” of your financial life—what are you wanting to do and how important those objectives are relative to each other.

This question sets up a discussion of “how”—how are you going to pay for it. And it’s important to know that you have potential sources of “protected income” as well as sources of variable income.

(Adjust for your experience and for the situation of the client) I’ve lived through 12 bear markets and been an advice industry professional for all of them since Black Monday 1987. The most common answer I’ve heard from clients who see a market decline? “I will just work longer.” That’s one choice if you are healthy enough to do it—and you enjoy it—and you can get a job! Another choice is to invest your savings, and draw income dependent on how you invest. As we are seeing today, there are no guarantees with stock prices, and bond investors have been glad to see their bonds hold strong as interest rates fell. But many bond holders have also been surprised to see their bonds and even CDs “called” because of the low rates. So careful effort is required no matter where you invest.

Protected income is like the foundation of a house—it should be the first level of funding for your retirement plans. There are only three sources of protected lifetime income available today:: Social Security, pensions and annuities. Having a plan with enough protected income each month to help cover your most basic expenses can help you feel more secure, regardless of market downturns. Think of a “MUG”—a reminder of the basics: mortgage, utilities, groceries. Double check that calculation now. And if you haven’t yet aligned your expenses with that protected income, now is a great time to do that. First make sure your “MUG is full” and then utilization more

complex strategies like investment income to finance more ambitious goals. Simple works.”

4) Should we be looking at adjusting my goals for the future?

“This is your invitation push me harder to suggest other changes. The conversation so far and the questions you’ve asked have revealed how prepared you are and have likely identified some gaps in your plan. You may have covered a lot of this ground already, but it’s really important to now tap your my experience and perspective. What should you do differently? What have we not talked about yet?”

(Ed note: Test for the ability to move forward and perhaps make another appointment. Make this part easier for both you and your client. For even the most experienced and purposeful advisors, it can be difficult to disappoint or outright disagree with the client. And you might actually ruffle a few who can’t take the medicine and walk. As you know, they were never really clients. To get the best help from your professionals of any kind, you sometimes have to confront the clients that are wrong. “This is not the Four Seasons” a longtime advisor friend reminds me. While we have the planning “hood” open, here is the one more action step to take now.)

(Sort the planning issues by topic and refer specifically to each topic. Suggestions about possible changes or additions to a retirement investment portfolio should focus on keeping you on track to reach your goals. If you haven’t discussed rebalancing assets or changing the risk profile of your investment strategy, this is the time. If a truly diversified portfolio was solid before a market downturn, it should still be solid, in theory. Any adjustments you might make should be an effort to enhance the portfolio and actually improve the future financial position. This is also the opportunity to talk about new products, including protected lifetime income. Clients that took money off the investment table might not want to go back in, and many should not. But there are products

to leverage that cash to defray future expenses like health care and the risk of longevity.)

(Keep going. Other categories include your approach to planning—have you missed any subjects? List again the key life transitions—where they want to live, how they plan to pay for health care, how they will get around and who should be included in their financial decision making longer term. These are key life transitions that sneak up on you. And we're not talking markets, we're talking about their life.)

(Make sure these discussions focus on the most secure path to reach their goals, and not necessarily on the quickest path or the path with the most potential short-term gain. All investments carry risk, and with your help they can better weigh the potential risks and rewards of any investment opportunities or new product concepts. Or just more and better preparation.)

5) Should I be thinking about re-evaluating or adjusting my planned retirement date (or, for retirees, my post-career job status)? For some clients, there are the BIG retirement dates? When to leave my job, when do I start Social Security, how do I enroll for Medicare?

"All of these topics are critical and have big implications for your retirement plan. And they are all highly personal to YOU. No two people are alike and this entire dialogue is supposed to be part of process that continues on. The road to retirement is

a journey and the road goes on far past any arbitrary date. There are no perfect answers and your peace of mind is the ultimate goal. This is obviously a hard discussion, but it's one we need to have. If you are still working, in light of the new market reality, let's explore your financial position if you proceed with your planned retirement date versus if you push it back. Let's review the implications for Social Security, which is estimated to cover about 40% of your pre-retirement income at best. For example, many people don't realize that those who wait until 70 to file for Social Security receive close to double what those who file at 62 receive. Are there other options to bridge the years between 62 and 70 so that you maximize your Social Security payments? Consider your goals and the most secure path to reach them. And don't pressure yourself—take your time!"

"Who else should we include in this work? You have friends, family and colleagues who are experiencing many of the same issues. You are certainly not alone! Talk to other folks about what they are doing. If you have an estate attorney or accountant, let's get those perspectives as well. And always remember there is never a bad time to plan, it is never too late to adjust, and everything must make sense and be right for YOU."

"And by the way—congratulations. This stuff is never easy and the work you are doing now will pay dividends in the future for you and your family. It takes courage to do it now given the backdrop of a bull market and a global pandemic. I'm so glad you trust me to help you!"

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