



HOW TOP ADVISORS HANDLE THE NEW NORMAL AFTER A 20% CORRECTION

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There is an old saying in the advice industry that advisors may make their money in bull markets but they earn their money in bear markets. Clients that don't worry about 20% corrections, political turmoil and global pandemics are rare but certainly aren't the priority for advisors right now.

The professional advisor is now in a position akin to the role of a family doctor thrown onto a battlefield. A remarkably calm and profitable rising tide of stock and bond prices since March 2009 has quickly unraveled with breathtaking speed, surprising experienced pros and novices alike. Which is pretty much how bear markets happen. (See the bursting of the technology stock bubble in 2000–2001 and the real estate securities implosion that triggered the global financial crisis in 2007–2009.) Great busts are created by great booms — and all parties end.

The professional advisor knew this moment would happen

Not when, and probably not why, but that it would. And no reasonable and worthwhile client would expect an advisor to catch the perfect top and get clients out of harm's way. Unrealistic. The party's over for now. But it was fun while it lasted. We've come a long way since the post-Crisis low on March 9, 2009 when the Dow Jones average was just 6,457. The recent hit is a 25% bull-to-bear sell off, but the Dow is still up more than 3 times from its low. Plus, 11 years of dividends.

Bonds have also had a historic run, with double digit total returns over the same period as interest rates have withered to nearly zero. So unless clients are brand new investors in this Bull Run, they have made money—and likely quite a lot. Save that data point.

The professional advisor is prepared

Potentially a little rusty after the Bull Years but ready for action like that family doctor on the battlefield. What are the priorities now?

Keep that battlefield context in mind:

- **Prepare yourself: physically, mentally, and emotionally.** You may not have direct experience like this situation. If you did survive the Tech Wreck or the Financial Crisis, that is valuable and calming perspective. Use it. If you did not, or if you have clients that did not, you may need to let this situation wash over you and them. Give it a little time to sink in. It is a powerless feeling to watch your account value fall. Getting your own emotions in check is Job #1 and bring your natural empathy to the surface. You're going to need it for the foreseeable future. This is a new era, no matter where the markets are headed. This is dawn of the Retirement Income Years, when the client demographic makes the long-awaited shift to funding retirement from saving for retirement. This stage will dominate the business for 15–20 years.
- **Take care of the neediest first.** Not everyone will process the current situation in the same way. For experienced investors, losing the final 20% is a lot easier when they remember the meltdowns of 2000–2001 and the crisis 11 years ago. They've lost, but it's relative. The most difficult situations are those of folks that may have already retired and for whom any loss is traumatic. And that's an important determination to assess with each client: what is different now than it was a month ago? Clients translate the abstraction of account losses into the more practical "what will I be unable to do now that I've suffered this loss?" The professional advisor has to get to this point right away and listen. Creating some certainty out of uncertainty is perhaps the most valuable added value. "You can still do..." is what clients want to hear. And they will need a safe place to express concerns, or to lament what they should have done. Or, let them do all of that. ***No matter what, do not preach or riff on some tired capital markets long-term view until they are ready.*** Remember the sequence of emotions encountered by someone in an accident: shock, denial, anger, and acceptance. Let the emotions flow.
- **Prepare for each client encounter with specifics.** Precise information is calming, so don't wing it. ***Make it very clear, very obvious that you have carefully considered their situation,*** reviewed all of their investments and plans and you have specific suggestions and alternatives. This is financial advice oncology. The professional advisor has seen it all, has prepared for this moment, knows exactly each client situation and is on top of the path forward. Any medical patient facing a difficult diagnosis knows the demeanor of the physician creates calm and hope.

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