



ANAHEIM
2009

The Annual Conference of the Financial Planning Community

TRACK:	<i>CLIENT TRUST AND COMMUNICATION</i>
SESSION: 979021	CALMING CLIENTS IN A VOLATILE MARKET
	SUNDAY, OCTOBER 11, 2009
	11:00 AM - 12:00 PM
PRESENTER:	U. Calvin Brown, MST, CFP®
	The Monitor Group, Inc.
	Suite 400
	1430 Spring Hill Rd
	Mc Lean, VA 22102

Cal has over 20 years' experience in the financial services field. He graduated cum laude from the University of Arkansas with a bachelor's degree in Business Administration and received his Masters of Science in Taxation at American University in Washington, D.C.

He is a member of the national Financial Planning Association and 2008 President of the Financial Planning Association of the National Capital Area (FPA-NCA).

Cal is a sought after expert on a variety of financial planning matters. He has appeared on CNBC, Fox5 News, the PBS "Morning Business Report," WAVA-FM (Washington, D.C.), and has been featured in the Wall Street Journal. He has been quoted in Kiplinger's Personal Finance magazine, U.S. News and World Report, CNNfn, Financial Planning magazine, Bloomberg Wealth Manager magazine, Mutual Funds magazine, and Investment News. Cal has three professional contributions published in the Journal of Financial Planning on estate planning for non-U.S. citizens, the alternative minimum tax, and IRA's as trust beneficiaries.

Cal is a relationship manager for many of the firm's clients, and is involved in all areas of integrated wealth management for them. He manages all planning efforts and special projects including conducting advanced financial analyses. He is a member of The Monitor Group's Investment Committee. Cal is responsible for the firm's operations in the President's absence.

Prior to joining the Monitor Group, Cal owned a financial planning practice in Northern Virginia, worked with a financial services firm in Atlanta, and was involved in the transportation and energy industries.

CALMING CLIENTS IN A VOLATILE MARKET

CAL BROWN, CFP®, MST
The Monitor Group, Inc.
McLean, VA

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WHERE WERE YOU?

- When the Dow dropped below 10,000?

- I know exactly where I was...

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WHAT'S YOUR MOVE?

- Financial advisors have been contemplating their own future...
 - 37% considered shifting to a new career field
 - 32% considered moving to a new firm
 - 31% considered going independent

On Wall Street magazine survey, 2008

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ARE YOU OKAY?

"At a recent national conference, I listened as advisors poured out their grief about the market collapse. Many were second-guessing themselves, shaken to the core at the loss of client confidence and of self-confidence.

"Most were questioning their assumptions about the market-place and their role in it. Many took their clients' anger personally, feeling beaten down and discouraged.

"Several said they were just plain tired; one advisor expressed great relief that she was retiring next year and could leave it all behind."

--Amy Florian, *Financial Planning Magazine*, July 2009

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BACK TO 1987

- I had been in the business 3 years
- I had recently obtained my securities license
- Put some clients into some equity mutual funds the summer of 1987
- **Down 25% in two days** ☹
- Call the client?
 - **Didn't really want to**
 - **Didn't know what to say!**

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STRESS TEST

- The bear market affected planner stress levels:
 - 33% "Moderately increased stress level"
 - 27% "Significantly increased stress level"
 - 4% "Maximized stress level"

Practice Management Solutions - January/February 2009

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BEFORE YOU CAN CALM CLIENTS—CALM YOURSELF!

- "The first and best victory is to conquer self."
— Plato, *Greek Philosopher*
- "I think the guys who are really controlling their emotions ... are going to win."
— Tiger Woods
- "Mental toughness is many things and rather difficult to explain. Its qualities are sacrifice and self-denial. Also, most importantly, it is combined with a perfectly disciplined will that refuses to give in. It's a state of mind-you could call it character in action."
— Vince Lombardi

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BEFORE YOU CAN CALM CLIENTS—CALM YOURSELF!

- 1. "KNOW THYSELF"
 - Personality profile
- 2. SPIRITUAL
 - Christian
 - The "peace that passes understanding"
 - The basics: prayer, Bible reading, worship
 - Eastern religions
 - Yoga, meditation, etc.
 - Don't have a religion?
 - You're on your own!

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BEFORE YOU CAN CALM CLIENTS—CALM YOURSELF!

- All is not well with our world
 - All is not well with our country
 - All is not well with our economy
 - All is not well with our businesses
 - All is not well with our clients
- But... "it is well with my soul"

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**BEFORE YOU CAN CALM
CLIENTS—CALM YOURSELF!**

- KNOW THYSELF
- SPIRITUAL

- KNOWLEDGE BASE
 - Arm yourself with data
 - Be prepared with talking points

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FPA 2008 Market Volatility Survey

- QUESTION:
 - “Are there any resources you wish were readily available at a time of market volatility like this?”
 - Historic Market Data
 - Clones of Themselves
 - Crystal Ball
 - Valium

FPA's 2008 Market Volatility Study of Financial Planners, October 2008

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**BEFORE YOU CAN CALM
CLIENTS—CALM YOURSELF!**

- KNOW THYSELF
- SPIRITUAL
- KNOWLEDGE BASE
- EMPLOYEES?
 - If you have employees, they will take their cues from you
 - As a leader, you set the thermostat in the office—lead by example!
 - Do not transmit your stress to them
 - “Panic is Contagious!!”

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HOW TO BALANCE TENSION AND MAKE IT THROUGH

1. Take care of yourself
-recreation, exercise, music, relaxing
2. Express your sorrow (non-destructive)
-talk with trusted friend, write in a journal
3. Remember clients' anger is normal grief
-be a trusted shoulder for them to express their grief;
then start talking about how to make the future better

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HOW TO BALANCE TENSION AND MAKE IT THROUGH

4. Learn from this experience
-objectively critique yourself and your business;
create a plan for improvement and prioritize the most important steps

Excerpted and modified from Amy Florian, *Financial Planning Magazine*, July 2009

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BEFORE THE BEAR TREMENDOUS NO. OF "TOUCHES"

- Newsletter
- Performance Reports & Letter
- Birthday Cards
- Thanksgiving Cards
- Get Well/Sympathy Cards (and flowers)
- Open House, Cruises
- Memos to Clients
- White Papers
- Reprints of Articles
- Seminars
- "Monitor Minute"
- Client Advisory Council
- Send books to Clients

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BEFORE THE BEAR
TREMENDOUS NO. OF "TOUCHES"

- Executive Assistant in Charge
- These mailings and communique's don't just happen
 - Tracked in a spreadsheet
 - Discussed in the weekly Marketing Meeting

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PHILOSOPHY

- You must have an investment philosophy!
- You must have something to say to the client
 - B.S. won't cut it
 - Pats on the back and "atta boys" will get you fired in a time of market crisis

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DURING THE BEAR
COMMUNICATION IS VITAL!!

- Increased communication
 - Frequency
 - Added new types
- "Before the Bear" was mostly snail mail
- "During the Bear" went high-tech
 - Perfect for most clients
 - Problematic for some

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**DURING THE BEAR
COMMUNICATION IS VITAL!!**

- Proactively called all clients
- New clients – discussed Dollar Cost Averaging
- New Communication strategies

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**DURING THE BEAR
COMMUNICATION IS VITAL!!**

- Proactively called all clients
 - Reiterated our investment philosophy
 - Modern Portfolio Theory
 - Asset Allocation – emphasized Fixed Income
 - Buy and Hold, not Market Timing
 - Recommended a Financial Independence Analysis
 - Use current asset values
 - New for some
 - Update for many

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**DURING THE BEAR
COMMUNICATION IS VITAL!!**

- Proactively called all clients
 - Added new asset classes
 - Non-correlation
- It works out much better if you call the client *BEFORE* the client calls you!
 - You know what you're going to say
 - You're not on the defensive

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**DURING THE BEAR
COMMUNICATION IS VITAL!!**

- **New Clients**
 - Generally, we sell all current holdings and buy our portfolio funds immediately
 - Try to stay fully invested, not out of the market
 - during September, we discussed Dollar Cost Averaging as an option
 - Discussed market volatility
 - Discussed pros and cons of DCA

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**DURING THE BEAR
COMMUNICATION IS VITAL!!**

- **New Clients**
 - New clients were most “endangered”
 - Not as familiar with our MPT philosophy
 - Had not experienced bear markets with our portfolios before, and the subsequent recovery
 - Very emotional to hire a new advisor and lose 25%-40% within a few months
 - We had been putting new clients with our newest and youngest advisor

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**DURING THE BEAR
COMMUNICATION IS VITAL!!**

- **New Communications – September 2008**
 - Conference Calls
 - Town Hall Meetings
 - Memos
 - Webinars

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New Communications Beginning September 2008

- Conference Calls
 - October 10 & 13
 - Live – Scripted – No Questions from listeners
 - 3 Live sessions each day
 - Discussed Credit Crisis and Market History
 - Market was up 10% on October 10!!!
 - (nice coincidence)

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New Communications Beginning September 2008

- Conference Calls
 - November 13 & 14
 - Recorded – Scripted – No Questions from listeners
 - Used voice mail feature on our phone system
 - It worked, but not as efficient as digital recording
 - 3 pre-recorded sessions each day
 - CRM's did not have to devote as much time & energy
 - Correcting mistakes was possible

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New Communications Beginning September 2008

- Town Hall Meeting – ZAG Firms & DFA
 - December 11
 - Weston Wellington, VP of DFA gave webinar presentation
 - ZAG clients had pre-submitted questions which were answered by ZAG firm principal and Weston

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**New Communications
Beginning September 2008**

- Town Hall Meeting – ZAG Firms & Vanguard
 - December 17
 - Vanguard CEO, Bill McNath and CIO, Gus Sauter spoke and answered pre-submitted questions

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**New Communications
Beginning September 2008**

- Memo to Clients – December 22
 - “Bernie Madoff, Securities Protection and Your Investments”
 - Bob Veres’ “Inside Information” newsletter had samples from 3 planners (the best from his subscribers’ submissions)
 - We borrowed from all 3 and edited, then added our own thoughts

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**New Communications
Beginning September 2008**

- Press Release – January 16
 - *Medical Economics* magazine named The Monitor Group as one of the top advisors in the country who work with doctors
 - *The Washingtonian* magazine named Glenn Kautt and Cal Brown as top advisors in the Washington, DC metro area
 - This helped clients’ emotions a bit...

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**New Communications
Beginning September 2008**

- Town Hall Meetings – ZAG Firms with Schwab and TD Ameritrade
 - February 5
 - “Is Your Money Safe”

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**New Communications
Beginning September 2008**

- Memo to Clients – February 11
 - No RMD's in 2009

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**New Communications
Beginning September 2008**

- Town Hall Meeting – TMG
 - March 24
 - Answered client questions submitted prior to this date in writing
 - Scripted and recorded
 - *We did not know at that time the market had already bottomed on March 9*

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**New Communications
Beginning September 2008**

- Webinar
 - March 31 & April 1
 - “Outlook for Stocks”
 - Compared previous Bear Markets and the Great Depression to the current Bear Market
 - Used Power Point and Digital Recorder
 - A national vendor synched the Power Point & digital recording (cost \$99)
 - Uploaded to our website

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**New Communications
Beginning September 2008**

- Webinar
 - April 20 & 21
 - “How to Participate in the Upcoming Market Recovery”
 - Specifically geared to clients who went to cash
 - Recommended dollar-cost-averaging back in
 - Used Power Point and Digital Recorder
 - Uploaded to our website

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**New Communications
Beginning September 2008**

- Memo to Clients – May 1
 - “Swine Flu”

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**New Communications
Beginning September 2008**

- Press Release – May 5
 - “Norma Severns Leadership Award” presented to Cal Brown by FPA-NCA chapter
 - Write-up in local paper

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**New Communications
Beginning September 2008**

- White Paper – May 30
 - “Capital Risk Reduction and New Portfolio Tools”

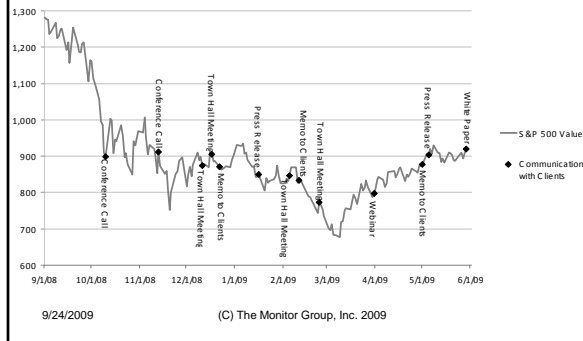
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**SUMMARY OF COMMUNICATIONS
DURING THE BEAR**

- Conference Call Oct. 10 & 13
- Conference Call Nov.13 & 14
- Town Hall Meeting Dec. 11
- Town Hall Meeting Dec. 17
- Memo to Clients Dec. 22
- Press Release Jan. 16
- Town Hall Meeting Feb. 5
- Memo to Clients Feb. 11
- Town Hall Meeting March 24
- Webinar March 31 & April 1
- Memo to Clients May 1
- Press Release May 5
- White Paper May 30
- Webinar April 20 & 21

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Communicating With Clients During The Bear Market



CONCLUSION

- A. You cannot calm clients unless you have first calmed yourself
- B. You must communicate effectively with clients
 1. Establish a culture of frequent but meaningful communication
 2. Communicate in a variety of ways
 3. During a crisis, increase the frequency and types of communication
 4. Be proactive—call them before they call you
 5. Have something to say
 - a. Be prepared
 - b. Have a philosophy you believe in and stick to it
- C. You will lose some clients anyway, because some emotions are out of your control
 - * But you will minimize the damage, to them and to your business

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