

# YOUR MARKET VOLATILITY TUTOR

## ADVISOR PRACTICE MANAGEMENT

When it comes to market volatility and managing your clients' emotions, it is important to have an organized and consistent process that will be tailored to your clients' needs. Your goal is to open dialogue, provide space to educate, reinforce the plan and restore confidence for the short and long term. As with all areas of your business, having a process will be valuable in setting the course for action with a clear and focused plan.

Your **Market Volatility Tutor** will help you create a process that will help you and your clients navigate volatile markets while strengthening your client relationships. You will be able to:



Tailor your approach



Understand your clients' emotions at the deepest level



Train clients using all resources at your disposal



Outline your process for the immediate future



Restore client confidence

This whitepaper will outline strategies that can help you build an environment of trust and understanding with your clients.



## Tailor your approach

Obtain input from your clients to tailor your approach to their needs during volatile markets. Ask, listen, empathize, and then follow through. When you follow through you are building trust. You are also building predictability. Here's how to start:

### Initiate the discussion with current and potential clients through a short survey.

No two clients and prospects are alike. Understanding these differences will help you differentiate you from your competitors.

Here is a sample template:

- As we have discussed in our meetings/conversations, there will be times when the markets are relatively calm and times when there is more volatility, economic uncertainty or extraordinary events. As your advisory team, our primary goal is to keep you informed and provide strategies that help you through the current market conditions.
- To tailor our approach, in providing you with what you need during these events, please respond to this quick survey by (insert date). If we have not received a response by (insert date) we will send a follow up email on (insert date) as a friendly reminder. This information is valuable and will help us partner with you (and your family/business) for the best outcomes.

### Please respond to the following 3 questions:

During market volatility, economic uncertainty and extraordinary events...

- |  |   |
|--|---|
| <b>What is the most convenient way to contact you?</b> | <ul style="list-style-type: none"><li>• Email – list preferred email address(s)</li><li>• Phone – list preferred number(s) and time of day</li><li>• Text – list preferred mobile number(s)</li><li>• Face-to-face</li><li>• Skype (or list other technology)</li><li>• No change from existing arrangement</li></ul> |
| <b>Choose one:</b>                                     |   |

- |  |   |
|--|---|
| <b>How often would you like to be contacted?</b> | <ul style="list-style-type: none"><li>• Weekly</li><li>• Every two weeks</li><li>• Monthly</li><li>• Every two months</li><li>• Quarterly</li><li>• No change from current contact schedule</li></ul> |
| <b>Choose one:</b>                               |   |

- |  |  |
|--|--|
| <b>Check the information that is important to you. We will provide you with what you need.</b> | <ul style="list-style-type: none"><li>• Stock commentary</li><li>• Fixed Income commentary</li><li>• Investment product updates<ul style="list-style-type: none"><li>– List specifics here</li></ul></li><li>• Global economic commentary<ul style="list-style-type: none"><li>– List specifics here (i.e. U.S., China, Europe)</li></ul></li><li>• Industry and sector updates<ul style="list-style-type: none"><li>– List specifics here if required (i.e. manufacturing, healthcare, technology, natural resources)</li></ul></li><li>• Political commentary</li><li>• Tax strategies</li><li>• Other</li></ul> |
| <b>Choose all that apply:</b>  |  |

## In a Volatile Market, use a CRM strategy to strengthen Client relationships

Change is the only constant. Proactively managing change is important in all market cycles. A client relationship management strategy can help you mitigate client stress proactively not only when markets change, but as their financial journey changes as well.

Your CRM strategy should TARGET, ACT, and MONITOR.

TARGET	WHY TARGET?	CRM STRATEGY	TIPS
	<ul style="list-style-type: none"> <li>Certain client's portfolio risk is higher than others.</li> <li>A client's personality will guide how they react in stressful times.</li> <li>Your time is valuable.</li> </ul>	<p><b>Step 1 – CRM Reporting:</b> Customize, download and save your client "high-risk" report. Use a suitable name that is easy to tell what report this pertains to.</p> <p><b>Step 2 – CRM Campaigns:</b> Add your target list to a campaign to help track your progress in reaching out to your clients.</p> <p><b>Step 3 – Inform:</b> Update your team on your CRM strategy.</p>	<ul style="list-style-type: none"> <li>Free-up some admin time! Auto-schedule your custom report to be sent to you via email.</li> <li>Your client target lists need to have an anchor (i.e. high risk, med risk, low risk) and have consistency to be effective.</li> <li>Make sure to respect your clients' communication request. If "email-opt out" or "do not call" is listed, respect their wishes.</li> <li>Reinforce your strategy with your team. Client escalations should be directed to you.</li> </ul>
	<ul style="list-style-type: none"> <li>Advisors who proactively contact their clients during a market correction attract more assets than advisors who don't.</li> <li>It is commonly known that clients stay with their advisor because of: <ul style="list-style-type: none"> <li>Honesty and trustworthiness.</li> <li>Transparency and access to information.</li> </ul> </li> <li>The value of advice and comfort will not go unnoticed.</li> </ul>	<p><b>Step 1 – CRM Campaigns:</b> From Target to Act, you can now track the campaign progress. Use client campaign status benchmarks such as:</p> <ul style="list-style-type: none"> <li><b>Target</b> (to start)</li> <li><b>Pending</b> (left voice message or email but no response)</li> <li><b>Escalated</b> (if necessary)</li> <li><b>Completed</b> (to end)</li> </ul> <p><b>Step 2 – CRM Client Profiles:</b> Once you have had a conversation with your client, insert the meeting note on your client profile.</p> <p><b>Step 3 – Update KYC:</b> Update your client's KYC information if necessary.</p>	<ul style="list-style-type: none"> <li>Establish your <b>client campaign status benchmarks</b> before you start reaching out to your clients. Do not have too many as it becomes overwhelming to consistently update.</li> <li>Transparency and compliance are non-negotiable. Updating your CRM Client profiles with the details from the conversation, ensures you will not forget critical information.</li> </ul>

MONITOR	WHY MONITOR?	CRM STRATEGY	TIPS
	<ul style="list-style-type: none"> <li>• Advisors who monitor their client's activity will be more equipped to handle unforeseen issues.</li> <li>• Advisors who see that a client's portfolio has decreased in value based on market volatility and proactively reaches out will more likely build better relationships with them.</li> </ul>	<p><b>CRM Financial Reports:</b> Create a custom report that assesses a client's flight risk. This could be any filter based on redemptions of assets.</p> <p><b>CRM Client Profiles &amp; KYC:</b> Based on the financial reporting, use this opportunity to update client's KYC information or risk.</p>	<ul style="list-style-type: none"> <li>• Be proactive, auto-schedule your custom report to be sent to you via email at the end of each day.</li> <li>• Use social media to help educate your client database and prospects.</li> </ul>



## Understand your clients' emotions at the deepest level

When defining the word "**anxiety**" it simply means "**uncertainty**". You are now in the business of helping your clients with the unknown. Give clients the time and space to put their thoughts and emotions on the table. They may have anxieties, worries, fears, and other negative emotions. Never assume that you know what your client is thinking or feeling. This section will cover two ideas:

- Connect with clients at the core - Process and model conversation
- The commitments of investor behaviour ... as written by your clients

### Connect with clients at the core – Process and model conversation

#### Set the stage

This is a financial discussion, so frame it in that way. Get right to the point and be aware of your own avoidance behaviours of delaying the conversation with too much small talk.

#### Recognize that clients' thoughts and fears are self-reinforcing

Prospect Theory research by Nobel laureate Prize-winning psychologist Daniel Kahneman and the late Amos Tversky, shows that people are twice as sensitive to losses as they are motivated by gains. So it's entirely predictable that very difficult market periods make people over-adjust on the conservative side. The challenge is to engage clients so that they can articulate both their goals and their fears.

#### Ask

It is likely that your clients have not articulated their fears about their investments and their future, so give them the opportunity. Consider your own variations on the following questions, in this order:

- When you think about the current market environment, how does it make you feel?  
What emotions do you experience?
- What thoughts come to mind when you feel this way or experience this emotion?
- And if these thoughts came true, then what would that mean for you?

## Listen

Take notes. Avoid the urge to talk. By listening closely, you can tap into the thoughts that create negative emotions and lead to a cycle of “safety behaviours,” including worry or decisions that may have a negative impact on their long-term financial success.

Be an active listener. This is the foundation of being able to understand your clients. Here is a quick discussion about the **three levels of listening**. Most individuals find themselves listening only at **Level 1 “Internal Listening”**

LEVEL 1 INTERNAL LISTENING	LEVEL 2 LISTENING TO UNDERSTAND	LEVEL 3 GLOBAL LISTENING
<ul style="list-style-type: none"><li>Focus is on yourself and your own thoughts rather than your client's.</li><li>When client is talking, you interpret what you hear in terms of what it means to you.</li><li>You are already thinking about what you are going to say next before your client is finished speaking.</li></ul>	<ul style="list-style-type: none"><li>Your focus is totally on your client and every word they are saying.</li><li>You are listening to their words, tone of voice, and body language.</li><li>You are not distracted by your own thoughts and feelings.</li><li>Purpose is to gather as much information solely for the benefit of your client rather than you.</li></ul>	<ul style="list-style-type: none"><li>You are focusing on the client and picking up more than what is being said.</li><li>Listening to everything available by using intuition, picking up on emotion and sensing signals from body language and energy.</li><li>Inquiring about feelings you are sensing that your client is not expressing.</li></ul>
KEY TAKEAWAYS	KEY TAKEAWAYS	KEY TAKEAWAYS
<ul style="list-style-type: none"><li>Good advisors/listeners will not be listening at Level 1.</li><li>Clients will not be able to provide the information required for you to help</li><li>Clients do not feel understood.</li></ul>	<ul style="list-style-type: none"><li>You can get a real understanding of where your client is “coming from”</li><li>Your client will feel understood.</li><li>Your own thoughts will not interfere and influence the ability of your client to provide information that will be useful for you.</li></ul>	<ul style="list-style-type: none"><li>To be at level 3 you must already be at level 2 listening.</li><li>You will understand what your client is thinking and feeling.</li><li>Trusting your own senses can be extremely responsive to the needs of your client knowing what question to ask next.</li></ul>

## Acknowledge, validate and move forward

When you take the time to listen to your clients' concerns, you will be able to challenge the negative thoughts by creating what's known as “exposure”.

Here is a sample conversation that is meant to provide a model, rather than a script.

ADVISOR	CLIENT
<p><b>“When you think about the current market environment and your money, how does it make you feel?” What emotions do you experience?</b> (If your client begins talking about what they are thinking rather than talking about their emotions, ask the question again and clarify what you are looking for)</p>	<p>“Well, I’m feeling nervous and anxious about the news I am hearing daily. I’m worried about my money!”</p>

ADVISOR	CLIENT
<p>"Thank you for letting me know how you are feeling. It's important that I understand this. <b>What thoughts come to mind when you feel this way or experience these emotions?"</b></p>	<p>Well, quite often I think about:</p> <ul style="list-style-type: none"> <li>• What if I lose a lot of money?</li> <li>• What if I don't have enough money to retire?</li> <li>• What if there is a recession and I lose my job?</li> </ul>
<p><b>"And if these thoughts came true, then what would that mean for you?"</b></p>	<p>"Well, if these thoughts came true then:</p> <ul style="list-style-type: none"> <li>• I may have to work longer and delay my retirement</li> <li>• I might have to save more money</li> <li>• My cash flow would be affected if I lost my job and it would put me in a tight financial situation. I wouldn't be able to save money and my portfolio will be losing value at the same time. "</li> </ul>
<p>"I hear you when you tell me you are feeling (nervous, anxious, fearful) and that you are thinking about (losing money, recession, job loss, bills). I understand now why you are worried and why you would choose to remain on the sidelines right now. What would you say if I could provide you with some information that would provide you with an experience that would cause you to think differently and decrease your feelings of anxiety and nervousness about the market?"</p>	<p>"Thank you for asking, listening and understanding. I appreciate you spending the time to do that. What do you have in mind?"</p>
<p>"You are welcome, let me show you" (refer to the next section on training your clients)</p>	

### The Commitments of investor behaviour...as written by your clients

Sooner than later (during discovery or re-discovery) have your clients write a letter to themselves (with your templated input) that will be kept on file by you and the client. This letter will remind clients of what their commitment is to the investment process during volatile markets. Have the commitment letter on hand to discuss during client conversations. Consider the following commitments and impacts:

*"Being a successful investor means controlling my emotions and behaviours. It requires me to revisit certain guidelines that will make me a better-than-average investor in the long term. I will remind myself of the following commitments when markets become volatile."*

COMMITMENTS	IMPACT
I will be committed to the long-term plan especially when I experience emotions of anxiety, nervousness and fear.	It is better to make investment decisions when I am thinking rationally and not when I am emotional. It is better to change a financial plan when my life goals change.
I will pay attention to the education my financial advisor provides me. This is one part of the value that they provide for me.	An advisor is more than just a skilled technician. A key part of the service they provide is to educate me on how to manage my emotions throughout all market cycles.

COMMITMENTS	IMPACT
I will turn off the negative news and focus on the plan.	In the world we live in it is difficult to not be exposed to 24-hour news. Bad news sells. Being influenced by negative headlines can lead to investment behaviour that can negatively affect my long-term plan.
I will not do something just for the sake of doing something.	It is important to resist the urge to time the market. It is the time in the market that counts and not the timing. My advisor can show me research that can illustrate this point.
I will not "stock" my investments and look at my accounts daily.	By looking at my investments daily, I will be forced to focus only on the short term. It is important for me to focus on the long term. If there are any changes in the quality of investments I own, my advisor will be performing regular due diligence and advise me accordingly.
I will not pay attention to those that claim they can predict the future.	This is very difficult to do. My portfolio is well diversified, and I can take comfort knowing that I own quality.
I will not seek the path of absolute certainty.	When I was first interviewed by my advisor they asked me great questions about my tolerance for volatility and explained to me that the market can't be consistently forecasted in the short term. It is natural to want to seek comfort and security, however, accepting the natural ups and downs of the markets is what great investors do.



## Train clients using all resources at your disposal

Leverage your partners at Mackenzie Investments. Speak with your sales team to obtain resources you can use to train clients to help them stay the course:

- Bull and Bear charts
- Bear market decisions
- You can't afford to miss the best weeks
- Staying invested – Patience is rewarded
- Staying invested may improve returns
- When is the best time to invest?
- Recovery from the previous recession
- Always remember, it's only a cycle
- Real return of a GIC

If clients are reluctant to consider and act on the information you are providing, you may want to respond by asking:

***"If we were to sell everything now, what would have to happen to make you want to return to the markets."***

This focuses the discussion on the unknown future. Most individuals will have challenges aligning their emotions with the data that you are presenting to them. It's also your opportunity to offer multiple solutions and advice.



## Outline your process for the immediate future

Moving forward it is important to continue to build trust and predictability to help reduce emotions of anxiety, fear and nervousness. Your CRM system will help you promise the communication you plan to deliver. Follow these steps to outline your process for the immediate future:

### Provide your clients with a commitment letter/email that will outline the following:

Frequency of contact and by what method (include preferred data listed on market volatility survey)

Inventory of topics to update the client (based on their choice from the market volatility survey)

- **Scheduled educational conference calls and webinars**
- **The individual from your team that will be contacting client.** This will depend on areas of speciality and service responsibilities outlined in your process manual.
- **Office response time for spontaneous client calls.** This will help manage expectations. Your goal is to remain proactive in your communications. However, there will be times when you receive spontaneous client calls. To decrease wait times do the following:
  - **Organize the team** so there is a live person answering phone
  - **Establish a triage system for your team** that determines the level of priority/importance of each call. Leverage your CRM system KYC data to help determine their market volatility temperature.
  - **Time block your calendar** so there are periods during the day for call backs. Create an ideal time blocking week and share with your team. For more help on this topic see article titled "*The Email Trap...and much more*"



## Restore client confidence

First and foremost, advisors must do what they say they will do. Execution and follow through are key to building trust. You will want to restore confidence with your clients by implementing the following ideas:

### Reinforce the depth and history of your internal and external partners on your team.

You want your clients to know that they are not just working with you, but with everyone that you rely on for advice. Who do you turn to for advice? This is your expert network both internally and externally. Initiate the conversation in your communication process:

- "Mrs. Smith, I wanted to take some time to day to share with you the depth of the team we have working with us both internally and externally and what their history is..."
- "Here is a list of the top investment firms that we build partnerships with. This is so we can provide you with the best access to market, economic and investment advice."
- "Here is a list of professionals that we build relationships with (COIs, Specialists) to make sure that we can look at your plan in its entirety."
- "Our team of experts here at "ABC Financial Corp." have a proven record in helping clients withstand volatility. (list team members)"
- "It's important that you understand this so that you have a clear idea of how deep our team is and how many people are working on your behalf."

## Reinforce your clients' commitment with personalized note

It is important to acknowledge the hard work and diligence that investors are showing day to day when they are in fact taking your advice and are staying committed to the plan. The following is a soft touch process that you can perform quickly to acknowledge clients for their commitment to the process of staying invested:

- Visit a local artist or photographer that designs their own greeting cards with local or interesting scenery/images on the front. (show that you are supporting local talent).
- Alternatively, you may decide that you want a team photo on the card.
- Spend 5 minutes per day handwriting 5 cards per day (25 per week) to clients
- Acknowledge clients with the following message:  
"I am writing today to acknowledge you on your success in staying the course with your investment plan during the recent (insert time frame) of market uncertainty. As your financial advisor, I appreciate your commitment to the process and our ongoing partnership. Thank you for your trust and confidence in us. We look forward to our continued partnership over time."

## A word about the competition

Good business management is to be prudent in uncovering changes in client expectations not just in volatile markets but all the time. Client expectations do change as clients speak to competitors, pay attention to media, friends, family, and colleagues.

Here are two questions you can pose to your clients right away:

- "Mrs. Smith, you are one of my most valued clients. However, it would be naïve of me to think that my competitors are not trying to attract you as a client as well...Can I ask you.... are they?...and if so, what is it they are promising that they can do for you? It's important that we know this so that our team can give you everything that you need."
- "Mrs. Jones, we have been working together for (# years) and I don't want to take our relationship for granted. Can I ask you... What are your expectations of me?...Has anything changed? It's important that we know this so that our team can give you everything that you need."

## Closing thoughts

When clients partner with you, they expect three needs to be met. In the following pyramid of client needs, the foundation is the "**Relationship**".



RELATIONSHIP SATISFACTION	SERVICE SATISFACTION	WEALTH MANAGEMENT SATISFACTION
<p><b>Relationship Satisfaction</b> is at the base of the pyramid and requires strong, ongoing personal interactions and connections. The processes outlined in this whitepaper will help you form this foundation.</p>	<p><b>Service Satisfaction</b> is non-negotiable. Clients expect a high level of administrative and account service. During times of volatility and when problems occur, your team needs to have a responsive remediation process in place and keep communication flowing.</p>	<p><b>Wealth Management Satisfaction</b> is at the top of the pyramid. It can't float on its own. It must be supported by strong relationship and service satisfaction.</p>

Focusing on **Relationship Satisfaction** and **Service Satisfaction** allows your team to navigate with confidence during periods where investment performance is experiencing volatility.

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