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Fear factor

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As recession and financial anxieties mount, communication is key for alleviating client concerns.
Paul Philpott with images from Shutterstock

October 24, 1929. A selling panic hits the New York Stock Exchange, with trading three times the normal rate. By day's end, it would lose 9% of its value, earning it the infamous nickname: Black Thursday.

Years later and with the proper context, historians would designate it as the unofficial start of the stock market crash of 1929 to 1932 and the beginning of the Great Depression, whose worldwide economic devastation would last well into the late 1930s.

A British journalist visiting New York documented the frenzied day, submitting a harrowing report of a stockbroker leaping to his death from a New York skyscraper. "Under my very window, a gentleman cast himself down 15 stories and was dashed to

pieces, causing a wild commotion and the arrival of the fire brigade,” wrote Winston Churchill in London’s *Daily Telegraph* on December 9, 1929. (Yes, that Winston Churchill).

The story underscores the anxieties that a sharp downturn in economic fortunes creates. And while the Great Depression was a singular event, unmatched in its global economic impact, more common are the dozens of recessions that cycle through world economies every decade or so, righting market imbalances while stoking investor (and financial service professional) fears. Which brings us to today.

The news has been replete in the past year with stories of imminent global recession, and economic fears are rising. According to the October 2019 MDRT Recessions Survey (see sidebar on page 20), 82% of respondents reported that they are “at least somewhat nervous they will personally be impacted by a recession in the next year or so.”

But such a reaction should be viewed as an opportunity for MDRT members, as 53% of respondents with a financial advisor expressed interest in talking with them about how a recession could impact their plans.

With that in mind, we spoke with some MDRT members to gauge their view of the financial landscape as well as solicit recommendations for alleviating client fears.

Remind them of the long game

“One thing to remind your clients: People have been talking about a recession for three to four years,” said **William J. Rossi, CFP, ChFC**, a 17-year MDRT member from Gainesville, Florida. Rossi frames economic data in terms of a marathon analogy. “The

economy is a long race. You don't sprint; you go slow and steady. That helps clients reassess their fears.”

Stay calm

The most important thing is for us not to panic. No matter how much we might try to hide it, clients can sense if we're worried, even over the phone. I often remind them that the media tends to use sensational and impactful expressions. I encourage them to look at the facts and the essence of the news.

— Tomonori Momose, TLC, 8-year MDRT member from Tokyo, Japan

Rossi said that diligent planning — proactively and strategically managing client investments — minimizes having to react to a recession. “When we plan for our clients, we know that there will be good times, flat times and bad times,” he said. “While we don't predict when a recession will come, we've built downturns into their planning. We make decisions based on their goals, not what will happen in six months or a year.”

To achieve a goals-based process, Rossi urges diversification, which minimizes collective losses. “During the 2008-09 recession, if you had a mix of stocks and bonds, you didn't do so poorly,” he said. “Having equity allocations in different classes and on the bond side makes sense.”

Investors speak

The 2019 MDRT Recession Survey sought to gain insight into how Americans perceive financial advisors and the predicted recession.

Key findings from respondents include:

- **32% work with a financial advisor**
- **84% feel somewhat or much more confident in their financial future after meeting with their financial advisor.**
- **82% are at least “somewhat nervous” that they will be impacted by a recession in the next year or so**
- **53% would like their advisor to reach out to them with advice tailored to their plan, considering the predicted recession**

Similarly, during the 2001-02 downturn, which was mostly tech-driven, “If you were in the NASDAQ, you lost a lot. But if you were diversified, your exposure was far less,” he said.

Rossi engages clients closely during the planning process, establishing a deliberate plan that instills confidence. He supplements that initial contact with ongoing communications “throughout the year, not just at an annual meeting,” including video emails that address current events or portfolio changes.

As to whether he gets anxious during market swings, Rossi said

experience has helped minimize fears. “Our company has been around for 50 years,” he said. “We’ve seen a lot of things going on over time.”

Understand risk tolerance

“First of all, let’s set up the expectation that we should all have a good flow of communication with our clients,” said **Thomas F. Levasseur, CLU, M.S. Ed.**, a 31-year MDRT member from Dover, New Hampshire.

Levasseur urges ongoing conversations that address three key areas: education, diversification and timing.

“First, our clients educate us about their relationship with money generally and their tolerance for risk, specifically,” he said, “which can help you help them make good financial decisions.”

Talk face-to-face

If the clients are worried as a result of negative information from the internet and news, I try to meet them in person, not just by phone or email, to go over why and how we designed the plan. I want to position myself and remind them that I am a reliable specialist and expert. I want to save them from drowning in the deluge of information flooding from the internet and social networks.

— Naoki Masuda, 9-year MDRT member from Tokyo, Japan

Like Rossi, Levasseur also recommends diversification. “Once we’ve educated ourselves about our clients’ risk tolerance and general attitudes about their money, we can educate them about the benefits of a well-balanced allocation that helps smooth out economic volatility,” he said. Such an approach helps them feel more confident, no matter the market conditions.

Finally, Levasseur aligns investments with client goals. “Making sure the client’s position in the life cycle of investing is aligned with their asset allocation can also reassure them that they have time to recover or that they may be earning less but are protected as they approach life cycle markers like retirement or paying for college.”

As a result of his three-part, deliberate strategy, Levasseur said he gets “very few phone calls from stressed-out clients.”

The only thing to fear is fear itself

As we go to print, the *Wall Street Journal* reported that the “global economy shows signs of regained footing.” The World Economic Forum said that a global recession is not inevitable if governments and businesses make some strategic moves now.

The worst-case scenario

When I design a financial plan, the plan is based on the assumption that the stock will go down and the public pension system may not be as good as it is now. Because I discuss such worst-case scenarios with my clients and they’re included in the assumptions, they usually don’t panic.

For example, during the Lehman Brothers

bankruptcy, we had already built in the prediction that the stock market could go down and we were prepared. As a result, when the stock price declined, we took advantage of it and most of my clients made huge profits. I would say none were afraid.

– Chikara Nozawa, CFP, 15-year MDRT member from Tokyo,
Japan

Regardless of which way the market swings, continue to communicate with your clients and provide them with the support they need.

“If you do a good job communicating with your clients and build a communication pipeline with them and reinforce their good decisions, you won’t get any phone calls,” Levasseur said. “And you won’t get people jumping off a ledge.”

Securing clients’ financial futures in Mexico

In an age of anxiety-inducing news, which can then be misrepresented and misinterpreted online, calming clients’ uncertainty and objectively assessing their circumstances is supremely important. **Erika Silva Velasco**, a five-year MDRT member from Mexico City, Mexico, shared how she handles these situations.

What kind of specific anxieties do you see from your clients?

A few months ago, I had the opportunity to listen to the journalist Gabriela Warkentin at MDRT Day Mexico and I found a lot of sense in her words: “Our country is full of uncertainty, but it is also fascinating because we are presented with new challenges in how we face this uncertainty. It is time to get out of our certainties to reinvent the world we are in.” My clients have told me their main concern is job uncertainty, caused by political and economic uncertainty. Indeed, the fascinating thing about the subject is to reinvent ourselves and find a way to keep standing and fighting for our goals and objectives.

How much of it comes from what they hear on the news or through social media?

I sadly note that Facebook and Twitter have become the main means of communicating the news. It's very easy for people to disseminate their political, economic and social opinions in these media. The information is often misrepresented according to their beliefs, and to some extent manipulated by their own circumstances. So panic invades society, and that is when worries are enhanced.

What are some of the things you say or do to assure them?

Through the years, I have learned everything that happens to us is a consequence of our actions. Of course there are external factors we can't control, but we have to learn to reinvent ourselves so that what we can control moves us to the place we want to be.

Therefore, when one of my clients expresses concern about their employment situation, I meet them, listen to them and help to dispel their concern. My main tool is the initial needs analysis, in which the client's goals and objectives, and the strategy to achieve them, are reflected. Reviewing this tool and modifying it to the current situation gives them peace of mind.

Do you have an example of this?

One of my clients lost her job at the beginning of 2019. She called me worried and wanting to cancel her policies. We sat down together and reviewed the analysis of needs we'd done together years ago. Upon reaching the breakdown of expenses, we began to analyze what expenses were indispensable and which ones she had to cut. We then made a new distribution of her expenses. At the end of the meeting, she concluded that today more than ever, being protected gave her financial tranquility.

What advice would you give to other MDRT members whose clients are worried by what they hear on the news/internet?

As advisors, we need to be aware of the news so we are prepared to give the best advice to our clients. When clients express any concern, sit with them, listen to them, be empathetic. Find articles that talk about various situations with a positive approach, so you can share them with clients and help them find some peace.

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