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Advisors Help Clients Remain Calm in Market Rout

Many advisors have lived through bear market turmoil before. They say their role now is to keep clients from panicking, and in many cases help those with longer time horizons recognize opportunity in the chaos.

WealthManagement.com Staff | Mar 17, 2020

Financial advisors across the country are reacting to the growing coronavirus pandemic and the market fallout.

Many say the best role they can play for their clients now is to keep them from panicking and helping them understand the broader market dynamics while keeping their long-term financial plans intact—and in some cases helping them recognize that market dips are a good time to put money to work.

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That doesn't mean they aren't making some adjustments to their clients' portfolio: Many say they already moved to more conservative allocations toward the end of the fourth quarter as the stock market was rallying toward all-time highs.

But most planners are not making bold moves and instead are focusing on helping their clients not panic.

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“What I've found in 20 years as an advisor is that it helps if you can fill the void. Provide information where you can. You can connect with clients even while social distancing, in fact it may be more important now. I'm doing this through emails and blog posts,” said Michelle Fait, a financial planner at Satori Financial in Seattle.

“I'm working to give clients context for what's going on, using my economics and finance background to help translate what they are seeing in the news to what it might mean for them, and for us, and acknowledging that we're all human and doing our best to cope,” she said.

“As frustrating as it may be to hear the advice ‘Don't just do something, stand there,’ this is what I suggest now regarding your investments,” Fait recently wrote in a note to clients. “The recent declines in the financial markets are based partly on fundamentals, and partly on fear.”

Fait told clients she would take advantage of a prolonged bear market to rebalance their portfolios and look for opportunities to invest new money.

Fait is helping clients with tax-loss harvesting, she said, and there are good opportunities for making Roth IRA conversions on assets with diminished value where taxes owed on conversion might be lower.

“All of these provide advantages for investors in the future, though none make it any easier to watch the news in current time,” she said.

For clients who are actively using their investment portfolio for income, Jay Spector, a partner with Barton Spector Wealth Strategies in Scottsdale, Ariz., said his firm was taking the opportunity to help them confirm their retirement income needs and budgets, and adjust accordingly.

“Yes, clients are worried,” he said. “However, we design portfolios for clients that let them live off their portfolios and not on their portfolios. That’s an important distinction. Our clients can weather this market storm.”

For clients in the accumulation phase of their plan, he said, “this can be a good time to opportunistically invest in high-quality names for growth and income.”

Sean Williams, an advisor with Sojourn Wealth Advisory outside of Baltimore, said they are advising some clients to postpone withdrawals for income when they can, or be very selective about where they pull income from.

“For clients with a longer horizon who have additional savings beyond an emergency reserve, we’re considering this a time to buy,” he said. “It may not be the lowest point, but it could be an attractive point overall.”

Catherine Valega, a longtime financial advisor who just started her own registered investment advisory firm, Green Bee Advisory, in Boston in November, said she was advising clients who are still in the workforce to up their 401(k) contributions to the maximum amount possible.

“Once we get through this, and we will, there will be plenty of pent-up demand waiting to be released and get to work,” she said.

“Typical questions I’m getting are ‘What is going on’ and ‘When is it going to stop,’” said Thomas Rindahl, a wealth manager with TruWest Wealth Management Services in Scottsdale. “But my favorite question so far is ‘I have some cash. What can I buy?’ I love the opportunistic attitude.”

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