



Volatile Waves

How to encourage clients in uncertain times

Prospects and clients get scared easily. When faced with an uncertain future, their first reaction is to do nothing. How can you encourage them to take action by using logic? Here are some of the issues prospects and clients worry about.

- **Political environment.** They don't like the people in office. Maybe they like the people in office but think they will be voted out at the next election.

- **World affairs.** They don't like the people leading other countries. They think there are too many dictators in the world. They are worried about who has nuclear weapons and what they are going to do with them. Years ago, I suggested to some clients they should have some international investments. They replied: "Don't you know they are having trouble over there?" Apparently everything beyond our shores was "over there."

- **National or global economy.** They are worried we will have another recession. They worry a major world crisis will teeter us on the edge of bankruptcy, similar to the financial crisis in 2008–2009.

- **Interest rates.** They feel rates will rise. When this happens, they will have an alternative to the stock market. Secretly, they want rates back up at eight per cent for short-term bonds.

- **Fear of the stock market.** They feel the good times can't last forever. The day they commit their money, the market will hit its high water mark and promptly decline.

If these aren't the reasons clients give for sitting tight, it might be currencies, oil prices, or another factor only they've thought about.

Let's look at eight ways you can help put your client at ease.

1. UNCERTAINTY HAS ALWAYS BEEN WITH US

Find one of those charts detailing historical stock market performance overlaid with various world events and crises over the

same period. At the time, each one looked like a huge problem. Somehow, we got through it. What did the stock market do? Past returns may be no guarantee of future performance, but it can show what has happened historically.

2. TOTAL RETURN STOCKS

You and your client believe in the stock market long term, but they are nervous short term. They still want their money to be earning a return. Talk to them about owning quality companies with a history of paying steady dividends, or better, increasing dividends.

3. ESTABLISHED, QUALITY COMPANIES

They are worried the market might decline. Perhaps the companies they buy might go out of business because they were over-leveraged. Show them some companies that have been around for 100+ years. Household names. Products they use. If the economy slows, people might put off buying a new car, but they will still buy food, toothpaste, and household necessities. The management has navigated the company through difficult times before.

These companies often pay dividends, too.

4. NEW TECHNOLOGY

Your client thinks solar power and electric cars are here to stay. They want to invest but hesitate because they don't know who the winners and losers will be. Suggest they start with a mutual fund that invests in this sector, which will own a bunch of companies, both here and abroad. The fund will have a management team plus analysts who are familiar with the industry.

5. MULTATIONALS

Clients are worried about the economy here at home. They worry about currency risk. Consider buying familiar names that sell their products around the world. If the

economy slows in one country, they have other sources of income. The management team usually understands currency hedging, too.

6. RISING INTEREST RATES

Your client is waiting for higher rates. They want to be paid while they are waiting. Consider a very basic strategy, the ladder bond portfolio.

Perhaps your client builds a five year ladder, with 20 per cent invested at one- to five-year maturities. They are getting a blended rate of return, yet can reinvest the first year's proceeds at a theoretically higher rate when they add on a new five year bond.

7. BENEFICIARIES OF HIGHER INTEREST RATES

If higher interest rates put the brakes on some parts of the economy, they must be a benefit to other parts. Do some research. Find those sectors and industries. What's the rationale? Suggest clients get on board.

8. WHAT'S THE BEST STOCK YOU EVER OWNED?

Clients often have a favourite. Some have bought and held it. Others trade in and out. They understand the industry and love the management. Ask them how it's doing now. Suggest they consider adding onto their position. If they really like it, they will probably sell themselves on the idea. (Just avoid creating or adding to a concentrated position.)

Many clients have good reasons for staying on the sidelines, but you can help them make decisions about committing some money to the market, even if there's a degree of uncertainty. 📌

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