

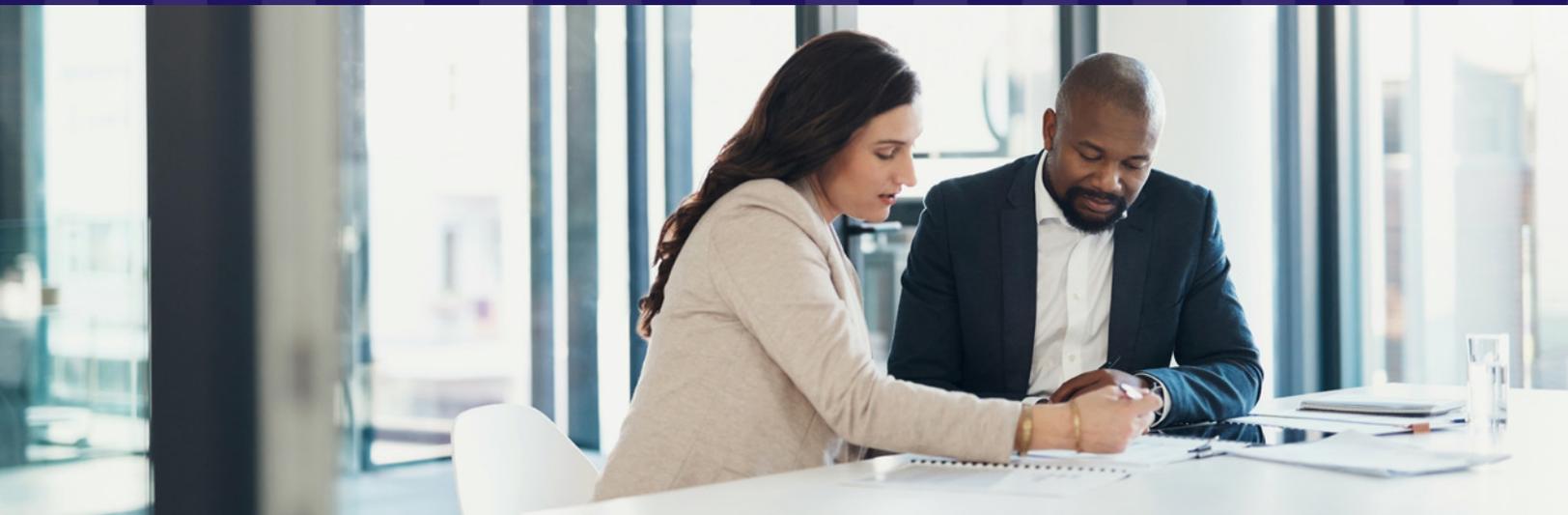


Market Volatility:

How to Guide Anxious Clients

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Navigate Market Volatility with Confidence to Safeguard Investments

Significant market swings can make investors cautious. When these market swings are amplified by media outlets and social media forecasting economic collapse, it's no surprise that investors may feel tempted to cut and run.

However, reacting emotionally can be counterintuitive and derail long-term goals. By helping your clients stay focused during periods of uncertainty, you can provide the reassurance and strategic insights they need to stay on course—highlighting the value you bring to their financial journey.

So, how can you help your clients navigate market volatility while staying true to their long-term goals?

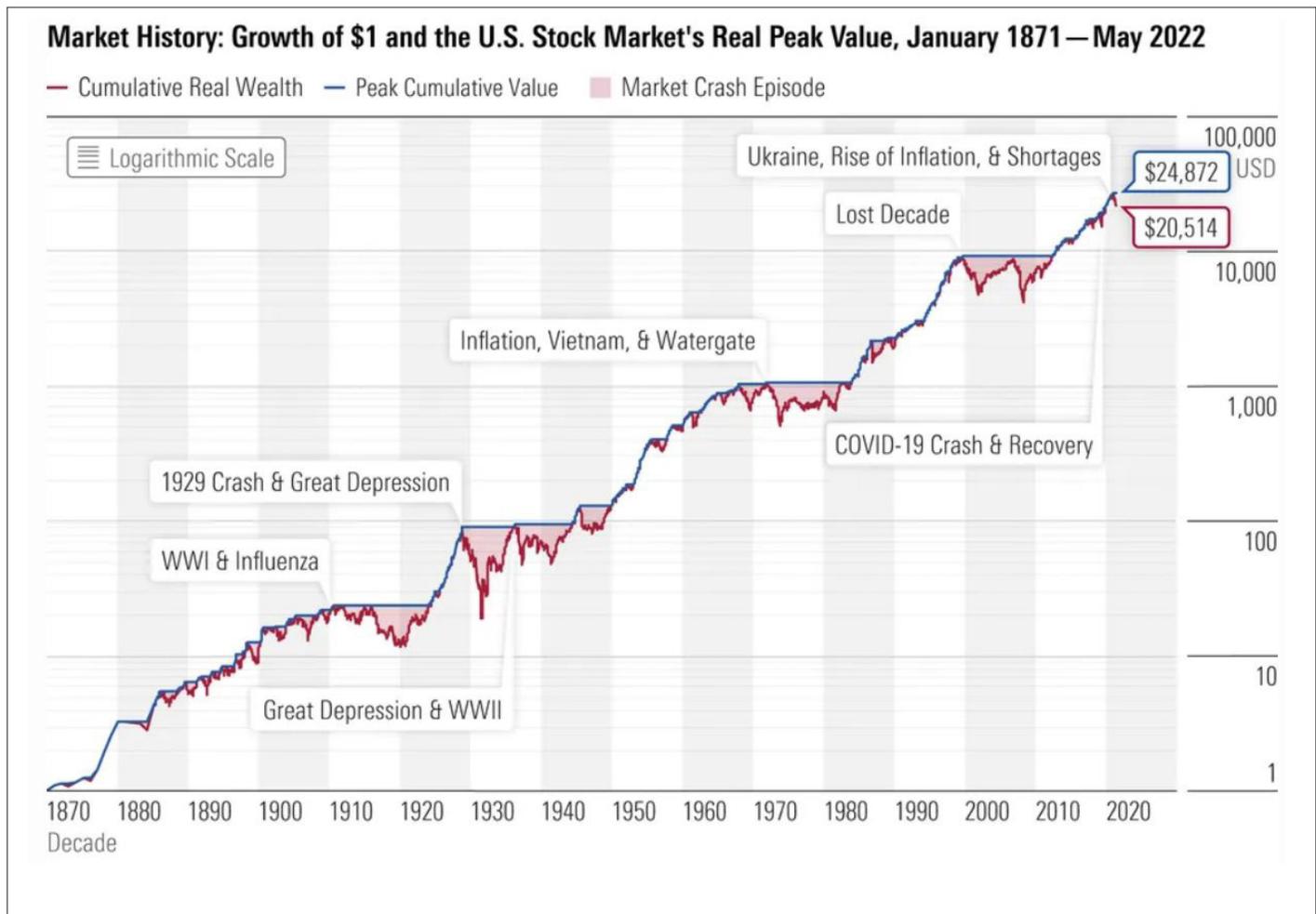
Stay Steady, Stay Invested

It's crucial to prevent your clients from letting emotions drive their investment decisions. Reacting impulsively to news headlines can lead to rushed decisions that may negatively impact long-term returns and financial goals.

Still not convinced? Consider this example, based on a simple compound interest calculation: a small shift from equities (such as common stocks) that reduces your client's long-term annualized return from 9% to 8% on a \$100,000 investment could result in a loss of nearly \$100,000 in returns over 20 years. The impact becomes even more significant if they exit equities altogether and move into cash.

Stay Focused on Long-Term Goals

Throughout history, the market has endured numerous major events—world wars, pandemics, recessions, and countless crises—yet has continued to rise over the long term.



Data as of May 31, 2022. Source: Morningstar, 6 Things to Know About Stock Market Crashes

Knee-jerk investment decisions can have lasting consequences, potentially delaying your clients' retirements, reducing their ability to support charitable causes, or leaving less to their heirs. In short, an emotional decision to stray from their established financial plan—even briefly—can make achieving their long-term goals far more challenging.

The key to success lies in staying focused on those long-term financial goals. Research shows that behavioral coaching from a financial professional can help clients avoid impulsive, emotion-driven investment decisions. A well-crafted financial plan is designed to endure decades, far outlasting any single quarter or period of market volatility.

Blake Schneider, CFP[®], CFS[®], AES[®] contributed to this article.

Recessions are a Natural Part of the Economic Cycle

As the saying goes, every boom has its bust. The reality is that all economic expansions eventually lead to a recession. However, the flip side is equally true: each recession is followed by a new expansion. It's important to note that not all recessions are the same—they vary in both magnitude and duration.

Between 1950 and 2019, there were 10 recessions. On average, each lasted 11 months, with the shortest lasting just six months and the longest extending to 18 months. During these periods, real GDP declined by an average of 2.2%, and the unemployment rate rose by an average of 3.3%. The stock market also experienced declines because of each recession, with an average drop in the S&P 500 of 30.5% from peak to trough.

Recession Start Date	Duration (Months)	Real GDP Decline	Unemployment Rate Increase	Peak Unemployment Rate
Jul-'53	10	-2.5%	3.6%	6.1%
Aug-'57	8	-3.6%	3.8%	7.5%
Apr-'60	10	-1.3%	2.3%	7.1%
Dec-'69	11	-1.1%	2.7%	6.1%
Nov-'73	16	-3.1%	4.4%	9.0%
Jan-'80	6	-2.2%	2.2%	7.8%
Jul-'81	16	-2.6%	3.6%	10.8%
Jul-'90	8	-1.4%	2.6%	7.8%
Mar-'01	8	-0.4%	2.5%	6.3%
Dec-'07	18	-4.0%	5.6%	10.0%
Average	11	-2.2%	3.3%	7.9%

Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, National Bureau of Economic Research (NBER), Bureau of Labor Statistics. The rise in the unemployment rate is the difference between the pre-recession low and the post-recession peak unemployment rate.

Your Toolkit

In times of uncertainty, the value of knowledgeable guidance is irreplaceable. **The support and expertise you provide during these challenging periods not only strengthens client loyalty but also increases the likelihood of recommendations and attracts new clients.** Seasoned advisors understand that periods of market upheaval often present prime opportunities to connect and attract new clients, many of whom may feel unsupported by their current advisors.

Use this toolkit to for outreach to:

- Current clients
- Prospective clients
- Centers of Influence – key individuals across your network

Feel free to adapt this content for your own use.

Help Clients Focus on What Matters

When fear and uncertainty dominate the headlines, your clients, prospective clients, and network turn to you for guidance. Help them stay grounded by reinforcing these core principles:

1. **Don't Panic**—Rash decisions driven by emotional stress often have long-term consequences. Encourage your clients to resist the urge to act impulsively, as it can undermine their financial goals.
2. **Separate Fact from Opinion**—With countless “expert” voices offering conflicting views, it’s essential to focus on facts and solid data when reading articles on the markets and economy.
3. **Remember the Long-Term “Why”**—Why are they investing for the future? What specific needs or goals are they saving for? Encourage them to reassess whether anything has changed about their long-term objectives.
4. **Discuss Fears and Concerns**— You’re there to help them navigate emotional fluctuations tied to personal finance. Open conversations about their fears allow you to tailor your professional guidance to their unique needs.
5. **Assess Needs**—Financial decisions should align with your clients immediate and future needs. If they plan to use some of their investments in the short term for major purchases or living expenses, it’s wise to reassess their asset allocation.
6. **Stay Diversified**—A well-diversified portfolio can ease concerns about market timing and position your clients to weather volatility. Your guidance on diversification is key to building a portfolio that supports their long-term goals while minimizing risk.



What to Say to Clients

Your clients are looking to you for reassurance, and proactive outreach can provide the support they need while reinforcing that you are prioritizing their best interests. By reaching out, you show that you are vigilant and deeply invested in their financial well-being. To help support these important conversations, we've provided email templates, a phone script, and a client discussion guide below.

Email

Subject Line: Here for Any Questions

Hi (First Name),

I wanted to take a moment to connect with you regarding the recent market shifts. Please know that my team and I have been closely monitoring the market fluctuations, specifically looking for any long-term trends that may impact your portfolio.

While we can't control the market, we can take comfort in the fact that we've built a strong, diversified financial plan that's designed to withstand the ups and downs of the market.

I'm here to help you navigate any uncertainty, so don't hesitate to reach out if you have any questions or concerns.

Best,

(Your Name)

Phone Script

Hello, this is (Your Name). Just calling to check in. Do you have a few minutes to catch up?

... Great! As you watch the news and see the sharp market fluctuations, remember I am here for you and continue to keep a close eye on your financial portfolio. Especially during times like these with so much market volatility, having a diversified portfolio and remaining focused on long-term goals is key.

... Don't hesitate to reach out to me anytime if you have any questions or concerns.



Current Clients who are Executives or who have Employee Retirement Plans

Use the below email template for outreach to clients who lead teams or who have employee retirement plans. Consider offering an in-person or virtual meeting for their employees to discuss current market conditions, long-term investment principles, and any questions regarding 401(k) reallocations.

Email

Subject Line: Employee Retirement Plan Discussion

Hi (First Name),

Given the recent market fluctuations, I wanted to extend an opportunity to meet with you and your team to discuss the current market, share key long-term investing principles, and answer any questions about 401(k) reallocations.

This time may help ease concerns, provide valuable insights, and give your team the confidence they need to stay focused rather than becoming overwhelmed by the noise of the news.

Please let me know if you're interested in offering this session to your team, and I'd be happy to arrange the details.

Thanks,

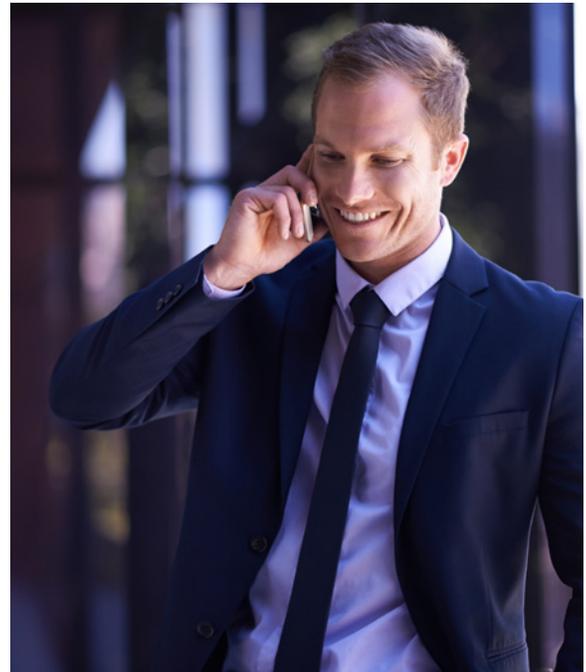
(Your Name)

Client Discussion Guide

The following guide can help you answer client questions and provide an effective way to introduce strategies, adjustments, or solutions to address their concerns.

Investing During Volatility

“Markets can be volatile, but history has shown us that the long-term trajectory is influenced by a multitude of factors. While staying informed is important, it’s crucial not to let short-term fluctuations determine our long-term financial strategies. Together, we can develop a plan that keeps you on course, regardless of market fluctuations.”



Timing the Market

“Timing the market is extremely challenging, if not impossible. Missing just a few key days or weeks in a 5- or 10-year cycle can significantly affect your returns. The path of the market is unpredictable, particularly in the short-term, so maintaining a consistent investment approach can improve your long-term results.”

Importance of Having a Financial Plan

“Let’s review your financial plan and ensure it still aligns with your goals. While we can’t control the markets, we can help you create a solid financial plan that is designed to withstand volatility.”

“Think of it like driving to visit a friend and encountering construction on the way. Do you turn back? Of course not; you’d wait for the traffic to clear and continue. Long-term investing works the same way. We’ll always face volatility, but with a solid plan in place, you’ll stay on track to reach your destination.”

NOTE - If they don't have a financial plan, take the time to establish one.

If a Client Calls and Wants to Sell Out

- “Predicting the market’s bottom is nearly impossible. During times of volatility, price swings can be larger than usual, and selling could mean missing out on the rebound that often follows market selloffs.”
- “If we sell now, what’s your plan for deciding when to re-enter the market?”

What to Say to Prospective Clients/Friends

Prospective clients, family, and friends may be looking to you as a trusted resource for guidance through market volatility. Use this opportunity to offer insights on the market and position yourself as the expert they need and can turn to in trying times. The below email template can aid in your outreach.

Email

Subject Line: Questions about the market? I can help.

Hi (First Name),

I hope you and your family are doing well. With recent market swings, it’s natural to feel a bit unsettled. I wanted to reach out and let you know that if you have any questions or concerns about your investments or financial plan, I’m here to help.

If you’re unsure about how to navigate the turbulent market or would like a second opinion, feel free to reach out. I’d be happy to offer guidance and share my insights.

All the best,

(Your Name)

What to Say to Centers of Influence

Your network may be larger than you realize, and proactive communications during uncertain times helps build trust and strengthen relationships. Centers of influence in your network—such as CPAs, business owners, attorneys, realtors, and more—may be facing similar conversations with their clients. Use this email template to support outreach to those key individuals in your network.

✉ Email

Subject: Helping clients together

Dear (First Name),

I wanted to reach out and check in. Hope you're doing well. With the recent market volatility, many of my clients have been asking a wide range of questions that touch on different aspects of their financial lives, such as:

- Should I refinance my mortgage?
- Do I need to adjust my savings plan?
- Should I increase or decrease my 401(k) contributions?

I immediately thought of you, knowing there's some overlap with your business. You may be hearing similar questions or concerns from your clients as well. If I can be a resource—whether to provide insights, answer questions, or simply catch up—I'd love to connect.

Best,

(Your Name)

