

## 10 TIPS FOR GROWING YOUR BUSINESS IN A RAMPAGING BEAR MARKET.

Without doubt, these are trying times. In fact, many advisers would say that being a Financial Adviser in today's economic climate is about as tough as it gets. For that reason, it is an opportune time to take a step back and make sure you are doing the right thing by your clients and your business. Most advisers around the country (if not the globe) are experiencing a decline in annual revenue, but there are things you can do to ensure that your business weathers the storm and is positioned for growth.

It can help to remind yourself in times like these that you currently have the greatest opportunity to deepen your client relationships and create clients for life. Even new advisers should see this as a great opportunity. Whilst it may not be your favourite way to start a career, the market in 2008 will teach you more about what makes a good adviser than you could have learnt in the five years just past.

### TIP ONE - BE PRO-ACTIVE IN COMMUNICATING WITH YOUR CLIENTS.

It used to be quite a widely held belief that if an adviser didn't hear from their clients in a bad market it was a good sign that they had educated them well. I refute this viewpoint. Just because a client doesn't call doesn't mean they're not worried. It may be quite some time since you had a discussion with them about the fundamentals of investing, and all your lessons about diversification, time in the market, long-term investing etc have been overshadowed by terms like 'tsunami', 'global economic crisis', 'recession', and worse, 'depression'.

Don't expect that your clients understand what is happening in the markets. Yes, we are in the information age, and your clients will be reading, listening to and watching information on the current state of economic affairs, but most clients only get to read the propaganda that sells newspapers and grabs attention. You as advisers get to see the full picture and the real views of the best minds in finance.

You should be in touch with your clients far more frequently now than you would under 'normal' circumstances. If your clients are hearing from you regularly and seeing that you're not 'hiding' from them, they will take comfort in the knowledge that you are on top of the issues. There are no excuses not to communicate well nowadays - using emails, SMS, webcasts, podcasts and yes - even the humble telephone. Two ideas you may consider if you haven't already:

- Make a list of your Top 50 clients who have not had a conversation or a review with you in the last three months. In and around your appointments for the next two weeks make five calls per day to personally talk with these clients.
- Many advisers are finding great success in holding special functions for their clients, to discuss the markets. Even those who have struggled to fill a seminar venue in more comfortable times are receiving high RSVP rates from grateful clients. Either talk to your closest fund managers (many are happy to provide a speaker and presentation content) or create your own presentation from the material you are reading.

These functions can be a great opportunity for you to achieve in one evening/lunchtime, what you could take weeks to do in individual meetings and phone calls. To maximise your success,

- Ensure that your clients still have their reviews to discuss their personal portfolios and objectives, but even those who have met with you recently should receive an invitation to the seminar. Hearing from another expert in the industry and seeing a visual representation of your message may give them extra confidence.
- Invite your "D" or Bronze clients along - most of your overheads in putting on a function are fixed, so there is no harm in reaching the clients who may not otherwise be able to afford your one-on-one time.
- Invite your clients to bring someone with them. Now more than ever, investors need the assistance of a good financial planner, and you may find that you will pick up a few new clients.

### TIP TWO - BE EFFECTIVE WHEN COMMUNICATING WITH YOUR CLIENTS.

Remember that it is *how* you portray information as much as *what* you portray that will determine the success of your communication. Fund managers are a great source of tools, graphs and visual information to provide you with supporting evidence of the messages you are giving your clients. The FPA has set up a member resource centre on their website which has some excellent tools and support on handling market volatility.

When talking to your clients, listen to their fears and empathise - don't make them feel stupid or wrong to be concerned but allow them to talk through their issues, and then calmly and confidently remind them of their original objectives and talk them through the alternatives they currently have.

You may be repeating yourself in multiple conversations throughout your day but remember that it is the first time that particular client has had this discussion with you so be as attentive and heartfelt in your tenth conversation as your first.

### TIP THREE - DON'T LOCK YOURSELF AWAY FROM THE REST OF THE INDUSTRY.

No doubt you are currently flat out fielding phone calls and meeting with your clients, but you should also make the time to attend fund manager briefings, take BDM appointments, dial into the tele-conferences, read the economist reports and the regular emails that come through from fund managers.

Do this and you will have a better understanding of what is happening in the market, why it's doing what it's doing and what the future may hold, so that you may pass on this education to your clients. You're not doing this because you can impact the outcome, or even so that you can make tactical decisions to make gutsy changes to your clients' portfolios. You should do this because:

- it is easy to get caught in the gravitational pull of fear and doubt if the only people you listen to are your clients, fellow advisers and mainstream journalists.
- your clients are paying you to be their voice of reason and provide them with rationality and confidence in a time when the headlines are subliminally inciting self-harm.
- you will pick up some excellent "sound-bites" and words of wisdom to share with your clients.
- you can stay up-to-date with major issues so that when a client tells you of their fears about stories they have heard, you can correct the inevitable inaccuracies and set their minds at ease. A perfect example is the mortgage trusts freezing redemptions and new investments. If one were to listen to the news, they would think that millions of hard-earned savings had completely gone up in smoke and investors had lost their capital. The reality is of course very different.
- If nothing else, to remind yourself that things will be okay.

Note that I have not said "watch the market on a daily basis". It is harder to see the forest when you're getting belted in the face with individual branches as they whip by!

#### TIP FOUR - GO BACK TO YOUR INVESTMENT CONCEPTS 101.

People pay you to be their adviser, so advise! Remember all of your training and focus on the fundamentals of investing:

- diversification - none of your clients should be over-exposed to any particular asset class or investment so even if they are invested in some assets that become complete casualties of the current market, it should not wipe out their entire investment portfolio.
- readjust your clients' focus on their long-term objectives. If their plan was not to need their money for a period of time then nothing has changed...look at the big picture.
- ensure that you continue to invest according to the clients risk profile.
- keep your portfolio management simple. When it comes to products you recommend to your clients, if you can't explain it, don't invest in it.
- if you don't have a systematic mechanism for rebalancing client portfolios, you will certainly need to rebalance their portfolios as their exposure to growth assets will have dipped below your intended asset allocation. Readjusting their exposure to growth assets will ensure that they achieve the appropriate gains when the market makes its inevitable recovery. Ensure you have appropriate demonstration tools to help you explain this to your clients. Be prepared for their initial resistance to reducing their exposure to 'safe' assets.
- Stick to your fundamentals of good advice - put the client first and structure everything towards their objectives - their investment portfolio, your discussions, your strategic recommendations.

Clients look to you for answers - they don't expect you to know when the market will turn but they are seeking guidance. Do everything you can to prevent them from making the classic investment mistakes. DON'T convert to cash at the bottom (or certainly at undervalued prices) DO continue their dollar cost averaged buy-in strategy whether that be salary sacrifice or a savings program.

#### TIP FIVE - NOW MORE THAN EVER, MAKE SURE YOU CONDUCT YOUR CLIENT REVIEWS

You may hold them more frequently than usual for your more highly-strung clients but ensure that the rest of your clients are not disadvantaged by this. Ensure that they too, are booked in as they are due for their review. It is likely that clients who may have told you for the last few years running that they were happy not to come in for their review will take you up on your offer now, so you will naturally be busy!

Make sure that you are well prepared for each meeting - have up-to-date portfolio reports ready and make sure you have read your file notes and refreshed your memory on each clients' original goals and objectives, and be prepared to remind the client themselves of what these were. Update their goals when you meet and review but don't necessarily revise their investment strategy.

Remind your clients who have SG contributions going to super; have dividend reinvestment plans; have a regular savings program or make salary sacrifice contributions, that they are all 'buying while the sale is on'. Their dollar is buying more. The long-term effect of a Transition to Retirement strategy can be even more powerful when the clients' salary sacrificed investments are purchasing assets at a discounted cost.

Revisit their risk profile. It is a fascinating demonstrator of behavioural finance to see that the average client may drop back a risk profile category after or during a bear market. Ensure that when you hold this discussion, you talk

in terms of the clients' emotional tolerance to risk – their thoughts and attitudes about the “journey” to reach their investment destination, as well as the destination itself - the outcome they require to fund their goals. Ensure that you conduct this part of the review after discussing the markets and reminding your clients of good investment fundamentals. (buy low, sell high, risk vs return, the long-term nature of growth assets etc)

### **TIP SIX - MAINTAIN YOUR OWN CONFIDENCE IN THESE TROUBLED TIMES.**

It is very difficult to reassure your clients when you are apprehensive and nervous yourself. Your clients are relying on you to provide rational advice and support to them, through good and bad times, so make sure that you follow your own advice. Just as you advise your clients, so I am advising you...don't get sucked in by the propaganda...

If you are finding it difficult to do this, go back to tips three and four, and speak with colleagues and other advisers that you hold in high regard. If you are feeling overwhelmed, don't be afraid to seek additional help from outside the industry. Talk to your Doctor, or research assistance at [www.beyondblue.org.au](http://www.beyondblue.org.au).

Practise little things, such as when people ask how your day was, don't tell them in negative terms; put a positive spin on it. "Speaking to many of my clients at the moment, people are worried, but not half as worried as those who didn't have an adviser to help them invest well initially, and don't have one to help them through these tough times now."

It is hard to maintain confidence when your whole day is filled with scared, worried clients but you have to. These are trying times and clients need your leadership and direction.

### **TIP SEVEN - DON'T FORGET ABOUT YOUR STAFF!**

Just as your clients get worried reading the 'propaganda' about markets, so do your staff. Advisory staff should be delivering a consistent message to your clients across the business, but it is also important for non-advisory staff to be educated on what is happening in the markets, and the likely effect they will have on your clients, your business and them personally.

In fact, this is an excellent way to 'practice' your client conversations. If you foster open and honest communication with your staff, you might find that they will voice thoughts and reactions that your clients are not telling you out loud, but are nonetheless thinking, and often discussing when they leave your office. You may discover that you are not articulating your comments as well as you might think, and this will give you the opportunity to change your conversations.

### **TIP EIGHT - IF YOU HAVEN'T ALREADY, GET SYSTEMS AND PROCESSES IN PLACE AND MAKE SURE YOU FOLLOW THEM REGARDLESS OF WHAT MARKETS ARE DOING.**

Now is as good a time as any to engage some external assistance to focus on your practice management issues, and ensure that you are running your practice like a business and running at peak operational efficiency.

You know that there are certain things that must be done in order to deliver effective advice to your clients:

- client information needs to be gathered and maintained effectively
- implementation of recommendations needs to be handled in a timely and accurate manner
- client portfolios must be invested according to their personal objectives and risk profile
- investment portfolios must be constructed using robust methodology and sound research
- clients must receive the ongoing service they have been promised in return for the ongoing revenue you receive

The only way to ensure that ALL of the right things happen for every client, regardless of the state of the market, is to have well-defined processes in place, and ensure that your staff follow them for every client.

### TIP NINE - DON'T STOP MARKETING FOR NEW CLIENTS.

Whether your marketing plan is as simple as asking your clients for referrals, or as active as advertising, remember that now more than ever, clients need good advice. They may have an adviser who is not following these ten steps, or they may have felt they could manage their affairs themselves until market reality hit.

Take the opportunity to obtain new clients, but do not be tempted to promise what you can't deliver. No adviser should be promoting a value proposition that they can get better returns for a client in today's market, but a promise of helping people make smart decisions in times of financial turmoil is attractive, and deliverable.

If you are being pro-active in the management of your existing clients, (see tips one and eight) you should have the time to spend with new clients without letting down your existing clients.

### TIP TEN - BE WISE WHEN REDUCING YOUR OVERHEADS

In a declining market, many planning businesses experience declining revenues, so it is prudent to reduce your costs where possible, HOWEVER ensure that you keep your eye on your long-term Business Plan when doing so.

The last area you should look to reduce costs is in your staff. Whilst wages are probably the largest liability in your business, the people and activities they represent should also be your largest asset. Advisory staff should be busier than ever, communicating with your existing clients to ensure they will remain clients of your firm, and potentially meeting with new clients, but they can only do this if effectively supported by admin staff who are critical in delivering a positive and consistent experience to the client.

Consider the risk of losing clients and compounding your revenue loss if a smaller team does not have the time to maintain your client service standards. Consider also, the costs and difficulties you will face in recruiting and training new staff when the market (and your revenue) recovers.

If you are looking at areas to reduce your overheads, ask your staff for their suggestions and assistance. You may be surprised at the overall impact of seemingly small things like managing wastage of client refreshments or printing in black and white where possible.

You may also find that your staff will actively seek more efficient ways to deliver your client services, and you will be able to increase your capacity for new client revenue without increasing your costs.

For the doomsayers who say we are experiencing occurrences in the market that the world has never seen before I say you're absolutely right. But also remember, that before 2001 we had never seen global terrorism at such an extreme as to use aeroplanes as weapons of mass destruction. If you look back at each recession and bear market in history, many of them were sparked by brand new issues that had not occurred previously in history.

What we do know is that recessions end. Bear markets morph into bulls. The world keeps turning and the markets will recover. Yes, they will look different to what they did prior to the lows, but the fact is, they will recover.

Above all else, remember that THIS is what clients pay you for. Financial advice is not about selecting a portfolio of investments - anyone can do that online - it's about educating clients, helping them identify and then work towards their goals. Keeping them steady and providing the voice of reason when markets go wild and helping them follow the well-proven fundamentals of prudent investment - boring but successful.

This is about as tough as it gets. I say to you what you should be saying to your clients - this too, shall pass.