How top advisors are easing clients' emotions during rocky markets

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A couple of top advisors say almost all their clients are ahead of where they were scheduled to be – meaning short-term volatility hasn't erased the gains of the past few years.

This year hasn't been an easy one for investors, with volatility hitting equities and bonds, interest rates and inflation on the rise, and growing fears of a potential recession and severe housing market correction. In turn, financial advisors have come face to face with increasing client anxiety in the past few months.

Globe Advisor spoke recently with three advisors recognized in The Globe and Mail and SHOOK Research's inaugural ranking of Canada's Top Wealth Advisors and asked them to share the various approaches they use to ease clients' concerns.

Louis Khalil, senior wealth advisor and portfolio manager, Groupe Conseil Khalil, National Bank Financial Wealth Management
"I've been in business for more than 25 years and this has been the toughest correction for our more conservative clients," says Mr. Khalil in Rimouski, Que. "At some points, we had almost the same downside in a conservative portfolio [as] in a growth portfolio, and what usually helps us manage the downside of stocks didn't do the job, [even with] a shorter duration in our portfolios. The movement was too fast or too violent [to] compensate."

Conservative investors aren't accustomed to losses. So, when Mr. Khalil met with these clients earlier this year, he emphasized that the bond market correction was temporary – indeed, there was a rally in July – and only on paper if they held their bonds to maturity.

To put volatility in perspective for all clients, Mr. Khalil continues to produce in-depth videos in which he walks investors through what's happening and why, supported by visuals such as charts and graphs.

He produces a video on a regular basis, every two to three months, so clients aren't alarmed when they receive them – as they might be if he only sent them out when something was amiss.

At the end of May, Mr. Khalil invited all his clients to an event during which they could ask questions and, most importantly, hear other investors' questions. Clients quickly realized they weren't the only ones worried about a specific aspect of the markets.

Mr. Khalil was also able to highlight a real asset private pool he introduced to portfolios in February specifically to help protect clients against inflation.

"Every time we meet our clients, ... we look at where we are and where we're supposed to be [and] since the market has been so good in the past three to five years, almost all the clients are in advance of where we were scheduled to be," he adds.

Clark Linton, senior wealth advisor and portfolio manager, Linton Wealth Management, Raymond James Ltd.
Mr. Linton in Vancouver has seen a similar pattern with his clients – short-term volatility hasn't erased past gains.

To encourage clients to take a longer-term outlook, he provides them with goals-based reporting featuring graphs that show a projected band of returns. It's easy to see when performance is within an acceptable and anticipated range, and that's often enough to soothe investors' nerves.

"After last quarter's decline," he says, "[we] could simply show [clients] they were still well ahead of long-term projections. The conversation quickly turned away from the market and recent performance and on to the importance of revisiting objectives and assumptions and updating our overall plan – the things that we should be talking with clients about."

In addition to goals-based reporting, Mr. Linton uses investment policy statements to remind clients that progress toward their goals will be measured over a three- to five-year period, and that short-term fluctuations shouldn't be much of a consideration.

In rare cases, he'll pull out illustrations of previous market corrections and recoveries, but he generally finds focusing on a client's specific experience works better.

Jeanette Power, senior wealth advisor, The Power Investment Team, CIBC Wood Gundy

"The foremost question that I get is, 'Am I still on track?'" says Ms. Power in Mississauga. "Basically, what clients are asking is, 'Will I be okay?'"

After listening closely to hear a client's specific concerns, she also generally finds it most effective to direct their attention toward their financial plan – something she updates with them every two to three years.

"The financial plan takes into account all the ups and downs in the markets, as well as adjustments to inflation. And it's not a short-term plan; a financial plan takes into account the life of the client," she says.

Ms. Power adds that client reviews always include a conversation about cash-flow requirements – for example, to make large purchases or gifts to the next generation – so shorter-term needs are considered as well.

She is proactive about reaching out to her clients. Beyond a "well-established rotation" of client meetings, based on client preferences, Ms. Power sends out market updates and articles of interest by e-mail or mail at least twice a month and hosts a minimum of six webinars every year.

When there's a big news story, such as a significant move in Bank of Canada interest rates, she's quick to send out e-mails and post on social media, inviting clients to call if they want to chat.

"This is a relationship industry. It's very, very important to keep in contact with clients and keep them informed," Ms. Power emphasizes.

"Money can be very emotional, and I consider it my role to remove the emotion to ensure that any decision that a client is making is right for them and for their own personal circumstance."