

# IN MY OPINION

BY PAUL C. BENNETT, CFP

## Earning Your Stripes

*Be a personal financial coach to your clients.*

Paul C. Bennett, CFP®

President & Founder

800.582.6768

pbennett@pwallc.com

www.PrivateWealthAdvisers.com

If you're like me, you've been glued to your TV set every evening since the horrific events of Sept. 11. CNN, MSNBC, CSPAN and other networks have been saturated with news of investigations and war. And most of your clients have probably been doing the same thing.

I will venture to guess, however, that many of your clients are watching TV during the day while you are at the office or working on appointments. But they're most likely tuned to CNBC, CNNfn and Bloomberg because, quite frankly, that is where the money is. More specifically, that is where their money is—their retirement, their future and their legacy. Pundits tell your clients that the sky is falling and Armageddon is approaching.

Your clients are watching their own personal financial horror stories unfold. What should you do about it?

**Answer: Be the personal financial coach to your clients—the one they hired in the first place.**

In the HBO miniseries, "Band of Brothers," paratroopers from Easy Company are dropped from the sky during the D-Day invasion. As events unfold, many of the soldiers mature before our eyes. Some noncommissioned officers receive battlefield promotions, literally earning their stripes doing what they are paid to do.

If you watch the show in a certain frame of mind, you can learn how to handle a skittish client. For example, in one episode, Sgt. Lipton approaches a foxhole in the Ardennes Forrest near the French city of Foy. He asks the men in the foxhole, "How are your guys holding up?" (The message: Communicate with your clients regularly.)

One of the privates answers, "OK, but Lip, the new lieutenant is going to get us

all killed. He's unpredictable, and we don't think that he can lead us into battle." (The message: The stock market is also unpredictable and, at times, it is human nature for your clients to doubt the investment process and want to sell out.)

Now comes the best part. Sgt. Lipton, realizing that his soldiers are filled with fear and doubt, says, "You know, most of you guys have been together for more than two years. You went through basic training together, became paratroopers, fought at Normandy and Bastogne, and now you're here ready to take the city of

**All of us need to do our jobs, especially in such arduous times.**

Foy. The point is, you've been through a lot and you are some of the toughest men ever to wear a U.S. Army uniform. The lieutenant is here for a reason—to lead you." (The message: Realize that your clients are scared and your counsel is what makes the difference. Now more than ever, it is time to earn your stripes on the financial battlefield.)

**Over the years, I have found that what clients want most is to know you are there for them in times of need. It's not all about handholding, though. The content of your conversations with your clients has to be rich, and your advice must be based on who the client is and his short- and long-term goals and objectives.**

### The investment policy statement

**At the beginning of the relationship, you must develop an investment process that is driven by an investment policy statement (IPS). An IPS lays out ground rules for how your client's money will be invested, the investing timeframe, risk tolerance, rebalancing procedures, asset**

**class weightings and any other information necessary to the investment process.**

In difficult times, you can simply refer to the IPS and explain your recommendations for holding a particular mutual fund and not selling out or for rebalancing the portfolio because the risk factors have increased due to an over-weighting of a particular asset class. All the investment counsel you provide should relate to the IPS, just as every maneuver of the men of Easy Company related to the strategy developed by the commanding officer. You are, after all, the financial officer fulfilling your duty to win the battle against your client's fears and emotions.

If you haven't used an IPS in the past, use it now. You can incorporate the IPS into your next client review meeting as a valued-added service. The process of building the IPS around your clients' needs and objectives allows you to differentiate yourself from 90 percent of your competition and lets you show your professionalism and due diligence.

You can use an IPS for mutual fund portfolios, individual equities, variable annuities and variable cash values. You can buy portfolio-optimization software packages that provide IPS templates. You can create an IPS that is unique to each client and relates directly to your recommendations. This makes the IPS a standard part of your investment process.

Are there other ways to calm the fears of nervous clients? Certainly, but how much time and effort are you willing to put into individual handholding? Using an IPS will help keep your practice more manageable and will not allow it to spiral out of control.

Like the soldiers and officers of Easy Company, all of us need to do our jobs, especially in such arduous times.