Chosen or Frozen: Lessons from Post 9/11 Volatility

VALUE-ABILITY

Well, we had another hard week in the market, and I have heard from many financial advisors. I can empathize with your feelings of anxiety and fear. I pulled up an old "Chosen or Frozen" presentation (based on a Merrill Lynch Survey) I gave to over 900+ advisors after 9/11. I believe many of the points are still relevant today. The critical message again is during this time of chaos and fear is that we as advisors must rise to the occasion and hold our clients' hands. It is during these times when you genuinely earn your keep. I have included some tools to use below, along with highlights from this presentation.

Bottomline: do not become one of those frozen advisors because of fear but, one of the chosen ones who will act on their courage and do the right things, even when it is hard.

SURVEY INFORMATION

Two groups were surveyed:

- 1,952 retail investors ($100,000 to $1,000,000 Net Worth)
- 417 affluent investors (Over $1,000,000 Net Worth)
- 2,369 total investors surveyed

QUESTION: "Were you contacted by your advisor within two weeks following 9/11?"

- 16.9% of retail investors responded "yes"
- 24.9% of affluent investors responded "yes"

On average, only 1 in 5 clients was contacted!

QUESTION: "What did you want to talk about with your advisor?"

- How they were doing emotionally: 93.5%
- How families reacted to the attack: 86.6% (vs the virus today)
- What the government should do; 40.9%
- Short-term stock market; 8.1%
- Long-term stock market; 7.4%

Besides the topic of the second bullet point, these needs are the same!

QUESTION: "Will you be investing over the next 12 months?"

- 74.2% of retail investors responded "yes"
- 78.8% of affluent investors responded "yes"

QUESTION: "Will you be investing with the advisor who did not contact you?"

Less than 1% of all investors responded "yes"

Provide them with historical perspective:

- From 1950 to 2019 the Dow went from 200 points to 28,538 points
- Historically the markets bounce back within 18 to 24 months
    - The only exception was was during the Great Depression

Remind them of "time in the market" vs "timing the market":

$10,000 initial investment based on S&P 500 (12.31.04 to 12.31.19)

TIME FRAME	ANNUALIZED RETURN	ENDING VALUE
Fully invested	9.00%	$36,418
Missed 10 best days	4.13%	$18,358
Missed 20 best days	1.17%	$11,908
Missed 30 best days	-1.35%	$ 8,150
Missed 40 best days	-3.51%	$ 5,847

SUMMARY

- Contact your top 20% clients first, then your next 30%

    a. Be prepared for a live 3 to 5 minute discussion (Use the 4R questions and some of the key information to put things in perspective)
    b. Be prepared to leave a 30 second VM, e.g., thinking of you during this chaotic time. Let them know you are sending them some information to help put this all in perspective and to call you if they have any concerns.

- Let your clients know that "You will not know where the bottom ends up being, but it's best for them to pursue their goals with diversified portfolios that approach the long-term return of equities."