

Talking a Jumper off the Ledge

By Doug Simmang

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Our clients expect – and appreciate – the planning services we as advisors provide. But in those rare instances when emotion, fear and stress combine to cloud a client's judgment, we have the opportunity to truly make a difference in their lives.

A recent story on NBC's Today Show illustrated the importance of the rational and reasoned logic an advisor can offer.

An emergency helicopter physician from University Hospital in Cincinnati was sent to help a cyclist who had been struck by a car.

When the flight team arrived, they discovered the cyclist had sustained critical head injuries. And something else: The injured cyclist was the physician's wife. After the initial shock, the flight nurse radioed for another crew to fly in and take over, since a physician is not allowed to treat his spouse.

The physician described his anguish. He arrived on scene as a physician treating a patient. As soon as he saw his wife, he was no longer a physician. He was a panic-stricken, distraught husband. He said his judgment and thinking were clouded because he was worried his wife was dying in front of him.

"In that state you're more prone to errors and given the real possibility that my wife could have died in the helicopter on the way back, I would have been a liability to try to continue caring for her."

The second air ambulance team arrived and took the doctor's wife back to the hospital. She was in a coma for a week but survived. Five months later, she rehabs at the gym seven days a week, exceeding her doctors' expectations, and the nightmare is almost behind them.

This emotional story resonated with me. I saw striking similarities between the physician's panicked state of mind and the mindsets of my clients when a crisis has hit the markets or their personal lives.



I met with a prospective client during the frightening days of December 2008, following the market's precipitous drop in October and November. He was 62 years old, 6 months from retirement, and frantic having lost 65% of what was originally a million dollar stock portfolio. Like the physician, he was panicked and distraught.

This client, however, didn't realize, as the physician did, that his stress, fear, and lack of perspective might be a liability in determining how to best deal with the situation. He was desperate to liquidate his stocks to stop the losses.

I discussed some very simple things with him: 1) He'd have to work at least 8-10 more years if he went to 100% cash ; 2) There was a decreasing probability that the market would drop much further than it already had (and the impossibility of everything going to zero., and 3) The fact that historically, stock markets recover from bottoms with astonishing velocity. By the time it's obvious the bottom's been reached, prices have already risen sharply. The ship has sailed.

He listened intently, asked questions and decided to stay invested. He stepped away from the ledge. It proved to be a very wise decision. He happily retired 18 months later, only a year behind schedule, not 10. His portfolio rebounded splendidly with the new bull market.

Helping people understand and deal with such financial turbulence is extremely valuable to them. This is especially true when emotions interfere with the ability to be objective.

In the midst of a personal crisis, market meltdowns or major life decisions, experiencing high levels of emotional or psychological stress can fundamentally impair judgment. A trusted advisor who knows a client and the situation can have a huge positive impact, advising objectively and dispassionately.

Good advisors do a lot of important things, beginning with basic "blocking and tackling" – sorting out cash management and debt issues, advising on insurance needs, planning for retirement or other accumulation goals, helping with estate planning, providing tax saving strategies, recommending an asset allocation mix, picking the most appropriate investments, monitoring progress toward goals and helping with course corrections to keep things on track.

Even more valuable are advisors' ability to help clients identify what's important in their lives, prioritizing goals, helping achieve seemingly impossible objectives, keeping focus on the long term, and working to balance choices and priorities to provide a sufficient level of confidence in their plan, without too much uncertainty or irrational sacrifice.

The greatest impact an advisor can have, however, is standing between a client and the dysfunctional emotional decisions that everybody makes in times of high stress and crisis, when there is so much at stake.



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