Industry **Insights**

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Protect yourself from litigation

Minimize the risk that Clients will take you to court over poor performance

COVID-19 has affected Clients in many ways, but market volatility and investment performance are likely front and centre at recent Client meetings. For advisors, Clients' needs are always vitally important; however, it is also important to protect yourself. In a June 2020 article, Investment Executive reviewed common Client claims during a period of poor performance. It also outlined three ways advisors can protect themselves from litigation:

Establish financial plans
that account for foreseeable risk, such as income loss.

Clearly document warnings
about downside risk using a signed form or follow-up email.

Frequently contact Clients
to revisit their plan and provide advice and comfort candidates throughout the process.

Source: Investment Executive

TAKEAWAY

Protect yourself from litigation claims by planning for foreseeable risk, putting warnings in writing, and staying in close touch with Clients.

Successful decision-making during a global pandemic

TAKEAWAY

During a pandemic, each decision you make can feel monumental. By considering these three criteria, you can make successful decisions during uncertain times.

Three key considerations when making decisions for your business

Gartner has identified three criteria for executives to consider when making strategic decision amid COVID-19. Advisors can apply all of them to their practices:

- **Traditional business value.**
  Your mission may be to help Clients achieve financial security. However, to achieve that mission your business must continue to generate revenue. Consider traditional business criteria (revenue, cost, risk) when making decisions during a pandemic. Also remember the key is to drive business value while minimizing risk.

- **Crisis and disruption.**
  Safety, continuity and resilience should play heavily into pandemic era decision-making. Revisit your core competencies and figure out how to leverage them to continue to attract new Clients or engage with existing Clients.

- **Social and emotional.**
  COVID-19 has negatively affected communities and organizations around the world. Consider how to use your expertise to benefit others. In addition, embrace decisions that feel good and adjust your values to align with the current environment.

Source: Gartner

Grow in our new normal

Adapting your business to today's reality

Even in severe economic downturns and recessions, businesses can gain an advantage by:

- **Reassessing growth opportunities.** First, map the potential impact of behavioural trends to identify products or business opportunities likely to grow or contract. For example, consider how the pandemic has caused people to stay at home more. Advisors need to be aware of new habits and their cascading indirect effects.

- **Reconfigure your business model.** With an understanding of where your opportunities lie, shape your business model to capture them. Can you shift to an online model of providing service? Through which platforms? Can you expand your customer niche?

- **Reallocate your capital.** It's an ideal time to carve out a new competitive position and take well-considered risks. Devote 90% of net spending to segments with higher growth and returns.

Source: Harvard Business Review

TAKEAWAY

Thrive in the post-crisis world by challenging your mental models, revamping your business model, and investing dynamically.

Aging at home

Because of the pandemic, more people want to stay in the comfort of their homes as they age

The National Institute on Ageing at Toronto's Ryerson University recently conducted an online survey of 1,517 Canadians. The researchers discovered that 60% of respondents said the pandemic changed their opinion about living in a nursing or retirement home. Overall, 91% of respondents want to live safely and independently in their own home for as long as possible. As advisors know, a shift towards homecare requires planning and funds.

Source: Investment Executive

TAKEAWAY

Talk to Clients about their long-term living arrangement plans so you can recommend appropriate financial solutions.

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Present with confidence

Eight strategies to deliver a great presentation

A Harvard Business Review article recommends these eight strategies to help manage anxiety, build an engaging presentation and convey it with confidence:

1. **It's not about you. It's about your point.** Shifting the spotlight from yourself to your ideas can make you less anxious. It keeps you focused on your real job of effectively communicating your message.
2. **Know your point.** Your point is an argument that a specific idea will lead to a successful outcome.
3. **Let your notes support you.** Use notes as shorthand reminders of what you need to cover. Don't use complete sentences in your notes.
4. **Get loud.** Increased volume makes you more audible, of course. It also demonstrates confidence, leadership and competence.
5. **Be yourself.** Audiences respond best to authentic human behaviour, even when it's flawed. On the other hand, coming across as artificial breaks that connection and reduces audience engagement.
6. **Practise meaningfully.** Say it aloud and in real time. This is the only way to know precisely how long your presentation will run.
7. **Turn nervous energy into excitement.** Try saying "I'm excited! I'm excited!" in the minutes before your presentation. This helps to convert anxious energy into a performance filled with excitement.
8. **Kill Roy.** Roy is the voice in your head that constantly diminishes your confidence. Confidence is Roy's Kryptonite. Let faith in your abilities and points diminish Roy's impact until no one can hear him.

Source: Harvard Business Review

TAKEAWAY

Advisors don't need to be born great speakers.
To present successfully, know your point,
your job and what matters most.

Could improving Clients' financial literacy benefit their cognitive health?

Research examines links between financial knowledge, confidence, cognitive health and decision-making

The investor education arm of the U.S. Financial Industry Regulatory Authority (FINRA) has shared a pair of studies that look at links between financial knowledge, confidence, cognitive health and decision-making.

The first study found that increased confidence in financial knowledge correlated with a decreased risk of Alzheimer's disease. It suggests that proactive education to improve financial literacy can help preserve cognitive health among older adults.

The second study revealed a link between financial and health literacy and well-being. Declines in literacy led to poorer decision-making, high susceptibility to scams and lower psychological well-being.

Source: Advisor's Edge

TAKEAWAY

Advisors who proactively reach out to aging Clients can promote cognitive and financial health, as well as psychological well-being.

Talking about risk tolerance

It's easy to take risks when times are good, but what about during a pandemic?

The fear of missing out can push investors beyond their true risk tolerance and comfort level. Discussing risk tolerance in tough times can give advisors a realistic view of how Clients feel. An advisor can learn about changes in Clients' lives and help them prepare for the future. In addition to experiencing market volatility, Clients may have lost income or fallen ill during the pandemic. Either may influence Clients' retirement goals and timelines, if there's an immediate need for cash.

However, keep in mind that there is a downside to reassessing risk tolerance during a vulnerable time. Clients could fall into a scarcity mindset, prioritizing short-term needs over potential gains. In this mindset, Clients are less capable of rational decision-making and more risk-averse.

Source: Investment Executive

TAKEAWAY

The pandemic presents an opportunity to talk about risk tolerance and explore Clients' mindset in the downturn.

Give advice that sticks

How to get into a Client's mindset to get better uptake on your recommendations

How do advisors get Clients to follow their advice? Moira Somers, a neuropsychologist and executive coach, believes they should tailor their advice to each Client's mindset.

According to Somers, advisors should focus on two primary mindsets: prevention and promotion. Clients with a prevention mindset want to avoid negative outcomes. In this mindset, Clients minimize the risk of potential threats. For Clients with a promotion mindset, positive opportunities motivate their goals.

Although Clients expect advisors to provide technical knowledge, they also expect advisors to become trusted partners. Once an advisor taps into the Client's primary mindset, that Client is more likely to follow the advisor's advice. The personal aspect of the interaction drives the Client's decision-making process.

Source: Investment Executive

TAKEAWAY

Advisors should develop expertise on the personal side to build stronger relationships with Clients.

Focus on Expertise, Not Experience

How young advisors can instill confidence during a crisis

In a global pandemic, young advisors face further challenges to building their business and marketing themselves – including managing Clients' emotional reactions through COVID-19 volatility. Once young advisors prove their expertise, however, Clients will gain confidence in their abilities.

To earn Clients' trust, advisors can prepare them for inevitable downtowns in the market. Through ongoing communication, they can reassure Clients and grow their business. They can calm Clients' anxieties by explaining how investors can survive a downturn.

With consistent messaging and a regular presence in Clients' lives, advisors can take biases about age out of the equation. After a few years proving their value to Clients, young advisors will develop their veteran voice.

Source: [Wealth Professional]

TAKEAWAY

Young advisors can overcome age biases and start speaking with a veteran voice by focusing on consistent communication with Clients.

Prospecting for affluent Clients

Adapt marketing channels to the age range of the Clients you want to attract

The Oechsli Institute studied 403 investors with a minimum of $500K in investable assets. They asked, "How do you search for an advisor?"

Affluent investors over age 65 start by asking personal or professional connections for recommendations. This is the typical referral strategy. Only 10% of this age group search online.

The middle age cohort, aged 45 to 65, also start with referrals: 46% start by asking friends and family, and 21% ask professionals in their network.

However, within the cohort of affluent investors under 45 years old, a different story emerges: 43% start their search online. Google is their most important source of information, followed by LinkedIn, then Facebook.

Source: [Oechsli Institute]

TAKEAWAY

The younger generations will continue to work and grow their wealth. Connecting with this segment can be a key tool for future growth. Advisors cannot do that without a strong online presence.