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3 Ways to Soothe Panicked Clients

Steve Rudolph, an advisor affiliated with Commonwealth Financial, hosts calls to discuss short-term market moves and long-term investing goals

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Steve Rudolph, a financial advisor affiliated with Commonwealth Financial, and his colleagues, along with his clients (of course), didn't want to see a repeat of 2008 this week.

"With the last crash, I was responding to everyone calling in and didn't get to reach out to all my clients as much I wanted to," said the Cleveland-based Rudolph in an interview.

This week, he set up two conference calls with clients, which each attracted about 50 jittery clients.

"Some clients are hoping to hear from us, and we thought that when panic was getting elevated, we could jump on a call like this. It makes more sense than saying the same thing over and over on a one-on-one basis," said Rudolph, who works with four other FAs as managing director of HW Financial Advisors, an independent RIA affiliated with Howard, Wershbale & Co., CPAs and Consultants, which trades through Commonwealth Financial.

To reach out to clients, Rudolph (left) sent an email a few days ago. "We understand that recent market events are raising questions and concerns for many of you. To help address some of these, we invite you to join us for a conference call discussion hosted by Steve Rudolph," the email said. "Steve will review recent events, share his thoughts on the implications of the Standard & Poor's credit downgrade of the U.S., and offer insights on the overall long-term outlook. A question-and-answer session will follow Steve's commentary."

Here, then, are Rudolph's **three tips for soothing panicked clients** during this market turmoil:

1) Take a Proactive Approach

The number of calls coming in from clients over the past week fell "as people anticipated our group call," the advisor said. "Clients appreciate this approach."

Rudolph seems to be proactive in most work he does. "We customize portfolios," he said, "and for some retirees, we took some risk off the table one or two months ago.

"I was uncomfortable with the highs," Rudolph explained, "so I paired back some holdings for those sensitive to this. I also add back a bit on the down days to pick up some decent buys. This might look foolish in a day or a week, but over the longer term, we feel good about it."

2) Be the Calm in the Storm

Having the right tone during a volatile market period is important, says the advisor, who has been in the business for about 20 years. “Be a realist and be calming, but don’t be not phony and say that everything’s fine,” shared Rudolph.

The advisor says he likes to be straight with clients about the implications of current market conditions and keep their expectations in as neutral a place as possible. “At the end of the day, no one knows a lot about the outcomes,” said Rudolph. “Meanwhile, you’ve got to make a decision about how to allocate, and nothing’s ultimately guaranteed.”

3) Understand the Uncertainty

“We’re in very uncertain times right now,” the advisor stated at the beginning of his call on Thursday afternoon. “I think it’s ironic, all this panic, when multinationals like Apple are sitting on record cash and profits right now.”

He also acknowledged that the big market movements – four 400-plus-point swings in the Dow in six days – were “no fun to watch.” This can elicit very “emotional responses,” Rudolph said, “and bring on fight or flight responses.”

The advisors then raised the issue of taking advantage of the uncertainty and seeing it as opportunity. “You can be like Warren Buffet and go on a buying spree,” he said.

Several clients asked about that approach, sharing that they couldn’t embrace “buy low” with the volatility today without working with Rudolph and his team.

The bottom line is that “everything is uncertain,” Rudolph concluded. “But for several reasons we’ve discussed [on the call], we don’t advise holding cash.”

Going to cash, he concluded, “gives a false sense of security and signals that we think the market is like it was in ‘08 and may go down 10% to 15% … and going to cash means we know what it will do in the future. The market has dropped 10% about six times in the recent past and then made a tremendous recovery.”