

Managing Expectations: how local wealth advisors steer clients through rough seas | Richmond BizSense

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whenever the stock markets take a dip, [Chris Williams](#), Director of Investment Products and Services at [Virginia Asset Management](#), likes to tell the story about the guy who would always impulsively buy a stock at the market peak and ride it all the way to the bottom and then sell everything, ending up with a 1% return after three years when most clients made 15%.

“His timing was so impeccable I was almost tempted to invest every time he wanted to sell out,” says Williams. So, with stagnant stock indices, crunching Save credit markets and a housing sector with no roof over its head, you might think the phones of local wealth managers would be ringing off the hook with clients screaming, “SELL, SELL, SELL!”

Not so, say area financial advisors.

Overall, Richmond-area money managers say impulsive clients are the exception. Doug Wallace of Alpha Advisors hasn't heard a peep from worried clients. “Our clients pretty much trust us,” he says. Similarly, Cary Street Partners' A. Marshall Acuff, Jr. says he “hasn't seen anybody racing for the exits.”

Why? Well, to hear Wallace tell it, local wealth management firms are winning the battle of “expectation management.” Like any business, the craft of managing other people's money relies on anticipating clients' needs and emotions and maintaining regular communication – the equivalent of preventative maintenance. That way, if panic does strike, advisors can reassuringly go back over a client's initial investment goals and risk tolerance and the more jittery clients will usually stop fixating on short-term performance.

Robert Fitch of James River Asset Management tries to prevent clients from making investment decisions based on greed or fear. “Selecting stock and bonds is really less important than being a policeman,” says Fitch, who often sees investors getting more conservative when markets go down and more aggressive when they go up – the exact wrong approach.

For wealth management firms, having clients with realistic expectations makes life a lot less stressful during market turbulence. What's more, having well-educated clients can lead to growth opportunities. For instance, Virginia Asset Management doubled its assets during the last correction as investors who had been buying high-flying tech stocks sought out professional assistance, according to Williams.

Another thing wealth managers have on their side right now is history. They say many of their clients remember the long bear market between 2000 and 2003. Those who waited reaped rewards of the eventual bull market and many of them are now a bit more tolerant of the trough.

Several lessons extend to businesses beyond the financial sector: 1) level heads prevail; 2) the fewer surprises, the better; especially when you are handling other people's life savings; 3) as in any relationship, frequent communication is the key to success; and 4) educated clients make more trusting, long-term clients who make more rational decisions.

But just like the ax behind the glass with the warning, “IN CASE OF EMERGENCY BREAK GLASS,” the markets could worsen and it's a good idea to have a plan ready for calming those rare clients on the verge of liquidating a portfolio.

“When you have to tell a client that they've lost money, it's never an easy conversation,” says Williams, but the fundamentals of the economy are basically still strong and clients know it.

Fitch reassures such folks by showing them how equities have historically outperformed fixed income and treasuries over long periods while John Kiers III of Old Dominion Capital Management in Charlottesville uses a bit of humor to bring some perspective. Alternatively, Acuff tells his clients that the market's downturn is an excellent buying opportunity.

So while you probably won't be seeing any local wealth managers strolling the aisles of Kroger at 2:00 a.m. or pulling out their hair because of panicked clients any time soon, you may be hearing from your own advisor a little more this year.

"We make sure we're there for our clients," says Steve Cooke, director of investment services at Heritage Wealth Advisors. "Instead of hiding from them, we'd rather be on the proactive side, making phone calls and having lunch."

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