Practifi | eBook

# Making the Most of Market Volatility

How CRM technology helps advisors build stronger client relationships that withstand uncertain markets.

# The Advice Gap

There’s a saying that the only predictable thing about stock markets is their unpredictability. After a decade of economic prosperity and sustained global growth, an unforeseen pandemic caused the markets to plummet in early 2020. The DJIA lost 13% in a single day, and global growth projections had to be drastically revised. Since then, we’ve seen markets recover only to be shaken again by elections, speculation (did you forget GameStop?), war, inflation and more.

Market volatility is anything but new. Financial advisors don’t need to be told that economic uncertainty is cyclical; it’s a known reality. For most investors, this isn’t the case. Without the right guidance, communication and support, the experience can feel never-ending, causing investors to panic and thoroughly question the value of having a financial advisor. That’s why it’s not only important for advisory teams to identify and understand client vulnerability, but also to proactively engage clients when market conditions get turbulent.

In a 2021 Money Management survey, 38% of investors reported they hadn’t had a financial review with their advisor during the pandemic. However, the same survey found 77% of investors were concerned about market fluctuations, and 66% indicated they were worried about their money. These results not only show an advice gap, but also an opportunity for leading wealth management firms to step up and provide guidance when investors need it most.

As a hub of client data, CRM platforms can help advisors to be more proactive during volatile markets and deliver value in multiple ways. Whether it’s helping advisory teams identify vulnerable clients, making it easier to reach out to them or implementing processes to deliver personalized financial advice, technology can help deepen relationships with clients during volatile times.

# 1 | Identify vulnerable clients

Everyone reacts differently to market turbulence. After the 13% drop in the DJIA in March 2020, many investors pulled out of the market altogether. Little did they know that if they had held on, they would have been heavily rewarded. Within a year, the S&P 500 entered a bull market and doubled in value. At end of the day, investors are only human, and many of us make decisions based on emotions. Depending on our age and current financial situation, we all have different risk tolerances and goals. And while there's no way to read minds, we can make an educated guess about the investor demographics that are most susceptible to big market swings.

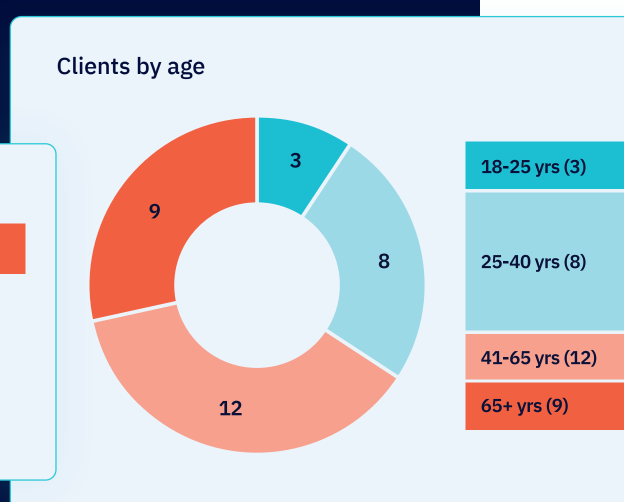
Consider new investors. They haven't experienced extreme market volatility yet, and their financial literacy likely requires more nurturing. Depending on age, their risk tolerance could range from high to low, but there's no better way to test this other than experiencing market fluctuations firsthand. First-time investors may require extra education, communication and guidance to get them to stay the course and trust their advisors' expertise. Reaching out early and often to this particular demographic can make or break the longevity and success of the relationship.

At the other end of the spectrum, elderly clients and those nearing retirement are also important groups for advisors to monitor. Depending on the financial impact, these clients may need to assess their retirement timelines or reconsider when and how they'll make their withdrawals from various retirement income sources and accounts. Even experienced investors are prone to anxiety and irrational decisions.

Grouping clients by investing experience is just one way to identify vulnerability. In reality, there are many ways to organize clients, and advisory teams should be able to do so by leveraging the data and capabilities already in their CRM. For example, investor information, such as age, risk tolerance and AUM, can be used to create and filter lists. As a result, advisors can easily identify which clients they should reach out to when markets take a downturn.

**Advisory teams should have the flexibility to create any number of lists within their CRM based on client data. Here's a list of data points advisors can use to identify and prioritize vulnerable clients:**

1. Client age
2. Investing experience
3. Risk tolerance
4. Client/service tier
5. Assets under management
6. Days since last contact
7. Specific assets or holdings

# 2 | Reach out to clients quickly

When it comes to communication methods, it pays (literally) to consider investor preferences. In a 2020 Ycharts survey, 88.2% of surveyed clients would consider their advisors' frequency and style of communication when deciding to retain their services. For clients with more than $500,000 under management, the figure rises to 92.4%.

Looking more closely at communication preferences, the survey found that 73% of investors prefer to receive communications through email, followed by phone calls (45%), text messages (35.3%) and mail (21.8%). And while these channels may not be a surprise, there has been a notable shift in the way advisors are meeting with clients since the pandemic.

Pre-pandemic, 49.3% of meetings were in-person compared to 28% of meetings in 2022. Meanwhile, the number of virtual meetings has increased from 12.5% to 20.3%. Virtual meetings help advisors reach more investors, which is key for growing client books and revenue. However, without technology in place to help streamline the process and quickly surface client data for meetings, increasing meeting frequency doesn't necessarily equate to a better investor experience or greater business growth.

These insights are critical to forming a strategic client communication plan during volatile market conditions. After vulnerable clients have been identified and prioritized, advisors should reach out through multiple channels to offer an opportunity to connect. Depending on the client type, this could be a quick check-in, or it could involve a full financial review. By proactively standardizing communication and follow-up processes in a CRM, advisors and client servicing teams can reach out to clients quickly and take action.

To start, here are three actions advisory teams can take to deepen client relationships during volatile market conditions:

1. **Send a timely email/text.**
   If market conditions are looking uncertain, sending a quick note to your clients to let them know you're actively monitoring their accounts can give them some needed peace of mind.

2. **Conduct a comfort call.**
   Calling clients can be a low-effort activity to touch base and see how they're doing emotionally. It may also provide opportunities for further action, such as consolidating accounts or adjusting financial plans.

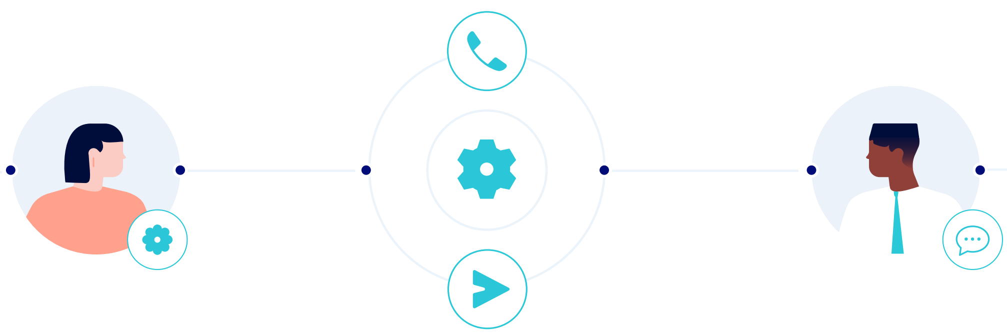
3. **Complete a 'volatile market review'.**
   During volatile markets, teams may want to conduct a thorough account review for top-tier clients, a high-effort activity that involves surfacing all client financial information to assess impact and make recommendations.

# 3 | Create (and stick to) a communication plan

Connecting and checking in with clients during difficult times is one of the best opportunities to prove the value of having a financial advisor. Compared to robo or digital advice, Vanguard research shows that investors "overwhelmingly want to develop a relationship and connection with a human who they feel will listen to them, be more empathetic, and give them confidence in their financial decision-making." However, when there's little to no follow-through on the original outreach, well-intentioned initiatives can fall flat.

Pre-pandemic, more than a third of investors say they were contacted infrequently, rarely or never by their advisor. Getting in touch with clients doesn't always have to be business-oriented; it can also be relationship-building. Research shows that millionaire clients who are loyal to their advisors are contacted more than twice a month, but most advisors struggle to come anywhere close to that.

The most successful advisors and wealth management firms create ongoing client communication plans and implement processes to constantly support the variety of clients they serve. By using a CRM to automate tasks and standardize recurring processes, advisory teams will have more time to interact and engage with clients, closing the advice gap over time.



During volatile times, a high-touch approach is recommended. Young investors may need help assessing their risk tolerance, adjusting their spending or guidance on setting up a liquid emergency fund. Older investors may need to revisit their financial plans, adjust their withdrawal schedule or rebalance portfolios. Regardless of the situation, automated tasks can help advisors stay on track during busy periods.

To provide ongoing value, advisors need to connect with clients throughout the year. An easy way to start is to define a schedule for client outreach that improves upon current efforts but is also achievable. Examples could include writing bi-weekly blog posts, emailing a monthly newsletter, or calling each of your high-net-worth clients once a quarter. Once a cadence has been established, the CRM can help automate the recurring tasks to hold everyone accountable.

For the most opportunistic advisory teams, volatile markets also open a window of time to build relationships with potential clients. Whether it's providing a complimentary portfolio review for friends, family or client referrals or reaching out to prospects for an introductory meeting, advisors can use automation within their CRM to manage the process of engaging and converting potential clients.

# 4 | Provide ongoing education

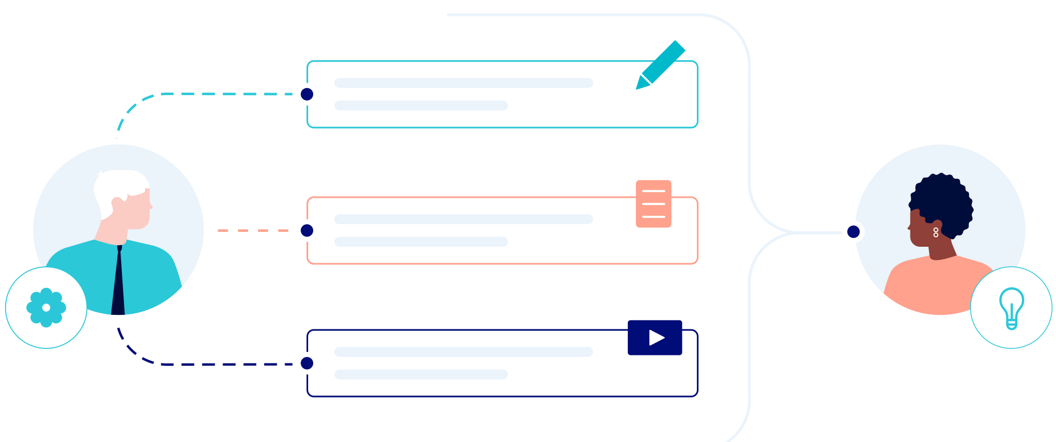
It's easy to forget that investment and financial terms can be confusing for everyday investors. Most people don't like looking at their own bank balance, let alone learning all of the terminology associated with financial advice. However, frequent communication is critical because it reinforces concepts brought up in previous meetings.

Clients who said they're contacted frequently or very frequently understood 73.3% of meeting material, on average, compared to just 63.9% for clients who are infrequently contacted. For clients under 60, the success of their financial journey is even more dependent on building an understanding of investment concepts and market cycles. A 2020 pandemic survey revealed portfolio performance was the most important factor for a client's satisfaction with their advisor, up from 2019. And while we know that advisors can't control the market, they can educate and set expectations.

Research has found that clients with high investment knowledge are significantly less likely to switch providers than those with low investment knowledge.

This should be reason enough for advisors to schedule regular check-ins with new investors. However, as we've discovered, approximately 33% of clients are infrequently, rarely or never contacted by their advisor. And unfortunately, infrequently contacted clients are more than twice as likely to use social media or other news sources to answer their financial questions, rather than go to their advisors.

Increasing financial literacy and investment knowledge will better prepare clients for market fluctuations. With this in mind, a CRM can help advisors weave investor education into existing processes or help them make progress each week toward education goals.



Advisors can use client portals to share resources such as blog posts, white papers and webinars to introduce new financial concepts and reinforce old ones, deepening the advisor-client relationship through education.

For firms without portals or for those who want some fresh ideas for educating clients, try:

1. **Sharing industry resources**
   In the absence of portals, using good old-fashioned communication channels such as email and text are great ways to share educational material. It can be as simple as adding a follow-up task (such as sharing an article or video) to an existing process in your CRM.

2. **Creating a resource library**
   Within each firm, there's a wealth of knowledge that just needs to be digitized and easier to access. Instead of keeping these things internal (or within client portals), firms can extend their company websites to include a resource library or a blog to make educational material more accessible to clients. These resource links can then be incorporated into the onboarding process, recurring client communications, and more.

3. **Leverage video and social media**
   It's no secret that video and social media remain highly preferred ways for people to consume content, and this is applicable to financial advice as well. In addition to sharing others' videos, advisors can go the extra mile by making their own videos and recording themselves answering common questions and explaining complex concepts (with compliance approval, of course!).

# Be there when it matters most

While the years since 2020 have felt like a rollercoaster ride, market volatility isn't new, and neither are investor concerns regarding their finances. The market is cyclical, and challenging times will return. Today's wealth management firms can choose to take a proactive or reactive approach.

Industry-specific CRM platforms like Practifi provide the capabilities advisory teams need to identify vulnerable clients, quickly reach out to them, create a communication plan and provide ongoing education. By leveraging technology to augment and enhance existing practices, advisory and wealth management teams can bridge the advice gap and deepen relationships with clients when it matters most.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