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Advisors to Clients: Stay The Course
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Financial advisor Patrick Christensen was watching the news on television, like virtually everyone else in the nation, when his phone rang.

It was John, a client who is about three years away from retirement.

As the world watched rescue workers dig through the smoking wreckage of the World Trade Center and Pentagon, John told Christensen this is a major crisis, and he wasn't going to be left holding the bag.

"Sell," he told Christensen.

"It was less about the investments and more that he wanted to do something," says Christensen, president of Independent Financial Solutions LLC in Salt Lake City. "He wanted to feel that he was somehow taking action. The way I handled it is, I listened to him for a while."

Then Christensen started to reason with him.

If he sold now, Christensen told John, he'd be doing the worst possible thing by probably selling low. To make matters worse, history shows the market again and again plummets and then bounces back after a national or international crisis.

Appealing to John's sense of patriotism, Christensen told him he'd be playing into the hands of the terrorists if he sold off his equity holdings. Hang in there, he told him, and go about your business as usual. In the end, John, a Vietnam veteran, calmed down and agreed to stay the course.

It was, it turns out, the only call of panic Christensen received after the tragedies of September 11. But he was busy the following days calling clients, checking on their feelings and reassuring them that over the long run, things would be OK.

Financial advisors across the nation, in fact, were engaged in similar activities—making telephone calls, sending out e-mails and rushing out letters, urging their clients to remain calm.

Reflecting on John's call, Christensen shook his head at the irony of it all. During the high-flying days of the bull market, he spent much time instilling caution in his clients. As clients relished in a stock market that seemed so incredibly strong, Christensen constantly was harping on how things could someday go so incredibly wrong.

Now, Christensen says, he has taken on the role of an eternal optimist—constantly reminding clients that things will get better. "I think you could call us romantic depressives," he says wryly.

Christensen certainly is not alone. Following possibly the most traumatizing tragedy in the nation's history, financial advisors found themselves among the nation's crisis workers. While rescuers were digging through rubble, advisors were working the phones to provide support, calm nerves and solidify hope among a shaken clientele.

Few advisors interviewed for this article reported a rush of calls from panicky clients. In fact, many advisors say they were surprised how calm their clients remained through the crisis and the subsequent fall of the stock market the week after.

"I think it could have been worse," says Dottie Koontz of Financial Dimensions in Longview, Wash. "I'm really surprised, because for the most part, my clients aren't panicking. I think we're all just waiting."

Linda Leitz, co-owner of Pinnacle Financial Concepts in Colorado Springs, Colo., was on her way to the airport to attend the annual conference of the Financial Planning Association in San Diego. Those flight plans were dashed and the conference canceled as a result of the terrorist attacks.

She returned to her office expecting a flood of frenzied telephone calls. But they never came. "I was expecting a bunker mentality," she says, "but most clients have done just the opposite … A lot of them are saying they really need to get their financial act together now."

Some silence could have been due to disbelief and shock. Moreover, it seemed that many clients realized there were some things a lot more important than their portfolios. Around the nation for several days, few people were thinking of finances first as they were transfixed by the news.

But advisors still reached out—and not necessarily to talk about finances. "You just cease to be a financial planner, and you just become a human being, first and foremost," says Richard Hearn, president of STARCARE Inc. of Newport Beach, Calif. "You couldn't find a time when caring about people and their feelings is more important. This is so much bigger than people's money. This is about our way of life."

Because STARCARE has 300 clients, Hearn couldn't call everyone. So he wrote a newsletter that contained condolences, confidence in the nation and the warning that financial markets would be unsettled for a while. He sent it the day of the attacks.

"Doomsayers and financial news people will spread misinformation and gloom for instant consumer anxiety," he wrote. But he concluded by reminding clients of the reasons to expect the nation to get through the crisis. "Thugs have hijacked planes and brought down buildings. They have not hijacked our markets or brought down our dreams. They can never do that."

The day after the Twin Towers collapsed, Weil Capital Management LLC of Palo Alto, Calif., called its 95 clients. "Two of the clients literally reduced me to tears, saying, 'You know, it never dawned on us to be worried,'" says Curt Weil, the firm's principal.

Few clients, meanwhile, called the firm, he says. Weil insists the only panic he's seen in the financial markets has been in the media. "The ones who have to fill the air every minute," he says. "I think it's silly to get my knickers in a twist over the remainder of a correction that's been going on since March of last year."

If anything, advisors say, the market's reaction to the terrorist attacks have served to educate investors further about the risks of equity investing.

The overoptimism that was a hallmark of the 1990s bull market seems finally to be a thing of the past, says Dan Moisand, president of Optimum Financial Group in Melbourne, Fla. "Even a few weeks ago, we were fighting that battle with people," he says. "There has been a profound attitude adjustment on a lot of levels with regards to investments. You don't have to convince people of the risks."

Advisors repeatedly pulled out historical references to convince clients that the financial impact would be short-term. Several firms, in fact, constructed charts showing a list of historical crises and the subsequent stock market reaction. The charts quickly made the rounds among advisors nationwide, becoming a commonly used tool for crisis intervention. "Part of our job is to be there and give perspective," says Bill Carter, president of Carter Financial Management in Dallas.

He notes that Operation Desert Storm was marked, at first, by a declining market. Following the invasion and retaking of Kuwait, there was an upturn. The recovery led to a bull market that didn't let up for nine years. "When things are really, really bad, when emotions are at their highest, that's typically, historically, one of the best times to buy," he says.

But part of the uncertainty arises from the fact that the events of September 11 are unprecedented historically, say some advisors. "I didn’t really know what to do," Stanley Ehrlich, of S.F. Ehrlich Associates in Clinton, N.J., says of his reaction to the attacks, which took more than 6,000 lives. "Who’s been through this before? What’s the history on this one?"

Ehrlich eventually sent e-mails to clients, strongly advising them not to take any drastic financial actions. He expected to be fielding a lot of calls during the day, but he received only two. "And the two I got were positive," he says.

But Ehrlich doesn’t know what that really means. He points out that financial advisors probably don’t top the list of people to call during a time of such crisis. "I’m not so naÔve as to think that people aren’t concerned," he says. "Nor am I so presumptuous to think they feel there’s never a need to worry because Stan’s on the case."

Existing clients may have been quiet, but prospective clients seemed visibly distracted. Steve Wightman, a principal of Lexington Financial Management in Lexington, Mass., says several potential clients canceled meetings after the attack. "Financial planning is low on people’s list of priorities," he says. "They, understandably, would rather be with their families now more than anything. Outside of that, their minds are preoccupied by bigger and greater things."

Many advisors specifically warned their clients that they expected a precipitous drop in the market when Wall Street went back to business the Monday after the tragedies. The prediction came true, of course, but nobody seemed to sense the drop would be as prolonged and deep as it turned out to be.

Continuing to extract hope out of such a bleak situation, advisors kept prodding their clients to look past the immediate events. Randall Kratz, an independent advisor in Richmond, Va., says he’s been stressing to clients the factors that point to an economic recovery, including the prospect of massive government spending and the Fed’s continued reduction of interest rates. "The worst-case scenario is if people listen to the wrong people, and that would be just listening to the doomsday preachers," he says.

Backing up the silver-lining perspective, some advisors were doing limited buying the week of September 17. David L. Berman, of the Berman Financial Group in Baltimore, says his office did $1 million net investing that week. "Philosophically, we haven’t changed a thing," he says. The firm sent out a five-page letter to clients that "reinforced our philosophy as being one of building all-weather portfolios and letting them endure through all types of weather. You don’t build an all-weather portfolio and change it once you hit a storm."

Despite a dark view of the short-term economic picture, Thomas Grzymala, president and CEO of Alexandria Financial Associates in Alexandria, Va., has been doing limited buying for some clients. Among the shares the firm bought were General Electric, Nokia and Cisco—all of which fell below the firm’s buy price the week after the terrorist attack.

For the most part, however, the firm is sitting tight, he says. "We’re not jumping in with both feet at all because I think the market volatility will continue at least until that time when we have had a demonstrable effect on the terrorists," he says.

During the first week of trading after the attack, cash was moved in only a few thousand of the 110,000 advisor accounts at SEI Investments, says Carmen Romeo, the company’s executive vice president. Starting on September 12, SEI held four nationwide conference calls, involving from 600 to 1,000 affiliated advisors with each call.

SEI advised callers to separate their client bases into three groups: those who are comfortable with the market volatility, those who need a little reassurance and those who can’t sleep at night.

For the latter two groups, Romeo says, SEI suggested advisors reprofile clients, including a reassessment of risk tolerance and planning goals.

"Fundamentally, we believe in asset allocation and diversification and staying the course," Romeo says. "But this is also an opportunity for advisors to revalidate their clients’ starting positions."

With the stock markets shut down for four days, there eventually was time for people to opine in self-serving fashion that it was investors’ patriotic duty to buy stocks or that it was in poor taste to even think about the subject. Ultimately, however, more level-headed commentators noted that the United States is blessed with free markets than can express whatever they want.

When the markets finally opened, there was a lot of pent-up selling pressure and bargain-hunting. At LPL Financial Services, the nation’s largest independent brokerage, the firm experienced its biggest day ever on September 17. The firm processed 20,000 transactions, but they were split almost 50-50 between buy and sell orders. "It was pretty clear people were selling something to buy something else," says Jim Putnam, managing director at the San Diego-based firm.

Keeping one’s cool has been important, says Michael Kresh of M.D. Kresh Financial Services Inc. in Hauppauge, N.Y. He says he received "absolutely no calls of panic" from any of his 100 clients, some of whom added to their equity holdings the week after the terrorist attack.

But he adds that it is wrong to be too optimistic in light of what happened. He says the events of September 11 amount to a "defining moment" on the scale of Pearl Harbor and the assassination of President John F. Kennedy.

"I don’t think it could not change anybody in a permanent way," he says. "We cannot ignore the fact that the basic fundamentals of this country have changed. We will never be the same."