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Financial planners find clients as jumpy as the Dow

Puget Sound Business Journal (Seattle) - by Robert Celaschi
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Money can be an emotional subject for investors even in the best of times, so financial planners have always had to know a bit about psychology as well as tax rates and bond funds.

Investors have even more reason to feel anxious these days. The stock market has been heading downward, the Fed keeps cutting interest rates, and talk of recession is in the air.

Financial planners say the degree of handholding needed by clients depends on such things as their investment experience and demographics.

"Most of my clients I've had for a long time, so they are allocated properly and I don't hear from them. People who are coming in new are very concerned, and with good reason," said **Barbara Boren**, an independent financial adviser in Seattle with investments through **KMS Financial Services**.

"To have experienced the second down market in a decade is very sobering for investors," she added. "There is consternation and some confusion."

Boren deals with some clients who are going through a divorce or who have inherited money, but even those whose lives are not in transition have legitimate reason to feel anxious.

"We've had a nasty pullback," said Fred Dickson, Portland-based chief market strategist for investment firm D.A. Davidson & Co. "We've come off of two down quarters in the stock market in a row. That's the first time that's happened since 2002."

Not only down, but volatile. On any given day, the market might swing hundreds of points in either direction.

"Generally the people I talk to in public seminars are very sensitive to volatility. It does get on investors' nerves," Dickson said. "This has resulted in investors backing off from the stock market."

But he characterized it as an orderly retreat. Davidson's business has slowed down only slightly, and only in the past six weeks or so, Dickson said. He's getting few panic calls by clients demanding to get out of the market fast.

"It's not anywhere near what I had to deal with seven or eight years ago," he said, recalling the dot-com collapse. He chalks that up to a better-informed public. Nonstop financial reporting on cable TV and the internet has made people familiar with basic investment concepts.

"Over the last six, seven, eight years what we are finding is that the level of sophistication of our clients has risen dramatically," Dickson said.
Not always enough, though.

"I do have people coming to my office who think they know more than they really do," said **Boren,** who spends at least an hour a day reading investment research to stay caught up. "To get the little sound bites from CNN, they are so superficial they don't give the information people need to make a decision."
Since advisers are in the business of marking out a path through the confusion, a little turmoil can actually help business. Anyone can feel like a smart investor during a strong market. Not so in a wobbly one.

"What people want to know now is how to go about making decisions," said adviser Michael Boone, owner of **MWBoone and Associates** in Bellevue. "The existing clients hopefully have learned that somewhere along the way. But we are experiencing good demand of people coming in saying, 'I just felt like I was recovering from 2002, and here we are all over again.'"
They are more open to advice about keeping retirement funds intact and less worried about making a killing.

Or, as **Boren** puts it, a market like this tends to squeeze out the greed factor.
Some people need to hit an emotional wall before coming in.
"Everybody at some point quits looking at the statements for a while. It's not always unwise to do that. The prices printed in the newspaper are for the people buying and selling today," said Boone, who has degrees in both business and psychology. "Then there comes a point where it simply becomes denial. And sometimes that's when people will call, when they realize they can't deal with some of the things going on."
Economic uncertainty highlights generational differences, too.
"I work with a lot of Boeing retirees, and they have a nice retirement package. These were people who went through the Depression, and nobody has to tell them how to save," **Boren** said.

Baby boomers, on the other hand, are more likely to have been raised on the notion that they could have it all and that there would be no tomorrow. With tomorrow showing up uninvited, some boomers are having trouble coping.
Generation X is handling it a bit better, she said, though that reflects a more pessimistic outlook. Many have already given up on the idea that Social Security will make their lives easier at retirement.

"Actually I have found some of them to be very good savers and be very conscious of taking care of their financial future," **Boren** said.
Personal finance involves much more than which stocks to invest in, and planners need to discuss a wide range of habits and preferences.

"I find sometimes people are completely out of alignment in terms of their spending

habits and their income," **Boren** said.
She spoke of one client who wanted to spend lavishly on a daughter, with dance lessons, music lessons and summer camps. **Boren'**s financial advice was that the mother had to change her outlook, or she'd rob herself of a secure future.

"I try to bring some truth and realism into the picture," **Boren** said. "When they see the numbers, it makes a difference, because the numbers don't lie."

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