PREDICTING THE INVESTMENT CLIMATE DURING A TRUMP ADMINISTRATION

As President-Elect Trump's inauguration nears, a great deal of column ink and pundit talk has already been devoted to the likely impact that a Trump administration will have on the markets.

My guess is that some of your clients are probably feeling anxious about the direction the economy may take when Mr. Trump takes office on January 20th. Fearing the worst, they may be exhorting you to sell stocks and raise cash in anticipation of a market dip or even a crash. This, as the politically novice Mr. Trump ruffles diplomatic feathers with some of America's closest allies, and talks of imposing hefty tariffs on companies that ship American jobs overseas.

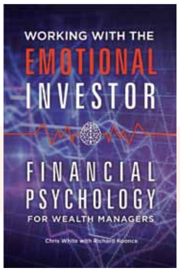
Other clients may be excited about having a business-friendly Republican president in the White House for the first time in eight years, and be eager to invest heavily and speculatively in the market in the months ahead. After all, Mr. Trump has promised to "Make America Great Again!" starting with growing the economy here at home and bringing jobs back from overseas.

Regardless of your politics, both client mindsets are emotional responses to the uncertain economic and financial landscape that lies ahead for all of us in 2017.

Truth be told, it's too soon to tell exactly how a change in White House occupants in January will alter the economic landscape and mood of the markets.

This much however, is certain: Now, more than ever, it's important for you to listen to your clients' concerns, and to notice how they "show up" in the conversations you have with them in coming months.

For over 25 years, I've made it a professional hobby and habit to understand the emotional make-up of my clients; to know how emotions drive both their investment choices



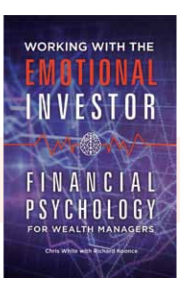
and their risk tolerance. I've concluded that, under both normal, everyday (low-stakes) circumstances, and also in times of economic uncertainty and market volatility, people's investment decisions aren't governed by logic. Instead, they're driven by emotions. That, in fact, is the centerpiece theme of my new book, *Working with the Emotional Investor: Financial Psychology for Wealth Managers* (Praeger, 2016)

Right now, there's a bit of economic uncertainty in the air, and thus your clients may be behaving in ways they don't under normal, everyday circumstances.

In my experience, there are three predominant client personality types that typically show up when market stakes are high, and the economic outlook ahead is either cloudy or uncertain. They include the "Fixer," the "Survivor," and the "Protector." Each has different characteristics, and counseling each client type effectively about their investments requires different strategies and tactics.

The "Fixer" is the kind of client who, under normal, everyday circumstances has a charismatic personality and is often exciting to work with. But when stress levels rise, he or she can become highly controlling and even abusive toward you, their advisor. Fixers like to win at any cost. So, they're willing to take great risks to succeed. When the market is volatile, you may need to advise them to adjust their expectations, and to avoid investment "Hail Mary's" undertaken in hopes of besting a bad market. Bottom-line: you may need to counsel them to take some risk off the table!

"Survivors," on the other hand, often stick with the same investments, even when market conditions suggest they should sell them to avoid a financial haircut. That's because Survivors are often wedded, emotionally and philosophically, to specific causes, stocks, and even to specific ways of investing. In high-stakes situations, they become stoic, even intransigent, and may decide to muddle through a bad market without changing course at all! This kind of client needs to be counseled on systematic ways to avoid unnecessary (and preventable) market losses, and to take proactive steps to minimize the impact of the market going south.



Finally, when financial stakes are high, still other clients show up as “Protectors.” Protectors are often more concerned with the welfare of others than they are with themselves. In times of marketplace volatility or economic uncertainty, Protectors often get anxious and feel out of control. They see threats and dangers everywhere, and are the most risk-averse of all the client types. Protectors typically need to be counseled that, even in uncertain economic times, there are always prudent investment choices that can be made, and steps they can take, in partnership with you, their advisor, to assume control over their economic circumstances and to limit their financial exposure.

As you can see, each of these client personality types stands in marked contrast to the others. Each has different personality traits, and displays different attitudes toward risk and market uncertainty.

In uncertain economic times, we, as advisors, can be of greatest service to our clients by first understanding our clients’ unique personalities, especially as it relates to their risk-tolerance. By doing this, we can then design investment plans and strategies, based not only a client’s expressed personal values and financial goals, but also on their emotional make-up.

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