Emotions in Motion

We are all emotional at some level and about some things. We all know people who we characterize as highly emotional and perhaps others who we characterize as level-headed, pragmatic or even stoic about things that otherwise evoke an extremely emotional response from others.

In my investing career working with the life savings of my client families, and indeed regarding my own investment portfolio, I have experienced a wide range of emotions. Euphoria is rampant when investors are watching their investment values rise and their dream lifestyle become closer to reality. Fear takes over when markets are highly volatile and people watch as declining investment values erode their financial security.

Wealth management involves many things clients deliberately hire us to do for them such as managing investments to preserve and grow their wealth, accommodate their liquidity needs and address estate planning and other broad family financial issues. However, wealth management also involves the kind of trust, confidence and communication that helps clients manage their emotions when they fear for their financial security. In fact, there are times when this is the most valuable thing we do.

Imagine you are driving on a very busy highway going 70 miles an hour on a slightly turning section of the road. The radio is on, you’re talking with your family in the car and it’s raining heavily. Suddenly a deer runs onto the road directly in front of you. Do you swerve left? Swerve right? Close your eyes and slam on your brakes? The truth is each one of us is capable of any one of the above responses at such a critical time. However, professional drivers advise not to take a drastic action such as swerving or just closing your eyes and slamming on the brakes because the resulting consequences for your family can be more severe and longer lasting. You should maintain control and slow down and be prepared to hit the deer if necessary.

We advise clients to prepare for market volatility by broadly diversifying their portfolio, carefully choosing the appropriate asset allocation, making adjustments along the way and managing the things we can control such as keeping costs low and tax efficiency high. However, we also must be there to advise our clients when volatility rises, values decline and the natural tendency is to swerve, or even panic, and make drastic changes to your long term plan. A Raymond James colleague, King Carter, once told me, “I am the discipline my clients would not otherwise impose upon themselves”. This makes great sense to me as I am often reminded that clients must trust me when I advise them it is best to stay the course even when disaster seems imminent. And we can’t predict when or where a deer will cross the road, but we know it will happen.

We enjoy what we do for our clients and their families. We know that it goes beyond day-to-day execution of an investment strategy. And while we always prefer euphoria over fear, we will be there during difficult times to help maintain focus on the long term plan and work towards making our clients’ dreams become a reality.

Thank you for the trust and confidence you place in us-

Travis

J. Travis Rice, CIMA