CHALLENGING CONVERSATIONS GUIDE

Russell Investments

TURNING CHALLENGING CONVERSATIONS INTO BUSINESS GROWTH OPPORTUNITIES

An opportunity to deepen your relationship with your clients

Market volatility and the general uncertainty of current times are likely to make for some challenging client discussions. Clients may question your investment approach, your portfolio choices, and even your fee. There's no doubt that can feel uncomfortable! However, these conversations can also be a valuable opportunity to deepen your relationship with your clients.

Use the following sample scenarios, scripts and resources to turn those challenging client conversations into business-building opportunities for you, and confidence-inspiring experiences for your clients.

You may be hearing this from clients

"Let's trade on this news!"

Pages 6-7

"I hear you… but this time it's different!"

Pages 8-9

"Let's make a change!"

Pages 10-11

"I can do this cheaper somewhere else!"

Pages 12-13

"I don't need to be diversified!"

Pages 14-15

"I'm not happy with the performance of this portfolio!"

Pages 16-17

The following sample scenarios, scripts and resources, developed from our work with some of the most successful advisors around the country, walk you through how to turn those challenging client conversations into business-building opportunities for you, and confidence-inspiring experiences for your clients.

Redirecting the challenge

The benefits of a long-term investment time horizon

"Let's trade on this news!"

Cast a wider net with global diversification

"I don't need to be diversified!"

Communicate the value of a financial advisor

"I can do this cheaper somewhere else!"

Performance chasing is not a strategy

"I'm not happy with the performance of this portfolio!"

Gain perspective on the realities of market cycles

"I hear you… but this time it's different!"

Protect their financial plan

"Let's make a change!"

Turning challenges into opportunities

THINK A.L.E.C.

Authentically **ask**, **listen**, **empathize** and **coach**.

When navigating uncertain environments—particularly one like today—many clients simply want to have human, calming, effective conversations with their financial advisor. They want reassurance that you understand their priorities and fears, and that you empathize.

The challenge

"Let's trade on this news!"

The coaching opportunity

The benefits of a long-term investment time horizon

ASK

"That news caught my eye too! Tell me more about what is interesting to you about it? How do you feel it relates to your long-term investment goals?"

LISTEN

*In addition to listening to the client's **words**, watch their **non-verbal cues** as they speak to get additional clues about how they are **feeling**. That will help you **empathize** and coach more effectively. Resist the urge to interrupt—let the client speak **their current truth**.*

EMPATHIZE

Thank you so much for sharing that perspective with me. I can see this has been a concern for you. Before making any investment decisions, I always go back to principles first—just to make sure I'm not getting caught up in emotions that might *feel* right but are unlikely to add up mathematically. After all, financial security is more of a fact than a feeling, so we need to make sure we are working with facts when it comes to our long-term financial security. Let's do that together now!

COACH

In our work together, my goal is to help position you for the next 5, 10, 15 years, not just the next 3-6 months. That requires me to help guard the future you against the natural, human instinct the current you has to make short-term or emotionally-driven decisions. Your future you, who wants to accomplish *[add some personalized details about the client's long-term goals here for added impact]*, will be best-served by staying the course, sticking with the plan we have had in place for [xx] years together and which has served us well.

Reinforce the coaching opportunity with additional messaging

"Let's trade on this news!"

It is not about timing the markets, it is about time in the markets.

I have found that how people's portfolios perform is often a function of how people react to short-term news.

It's rarely the wrong time to invest when we have the right time horizon.

In an industry obsessed with seeking alpha and chasing higher returns, the somber reality is that many clients do not come close to achieving those outcomes. Chasing higher returns rarely leads them to their outcome.

Volatility works both ways: investors cannot just experience up markets without down markets. Overtime, the markets have rewarded long-term investors. After all, the S&P/TSX Composite Index has finished the calendar year in positive territory 73% of the time as of 2023 since 1920.*

In times like these, stocks have historically had the tendency to go back to their rightful owners. Staying invested can have its advantages.

Let's focus on the timeless investment principles, not the timely market movements: That's asset allocation, risk management, diversification and rebalancing.

* Source: Canadian Institute of Actuaries, Russell Investments. Note: Returns prior to 1957 are based on the Report on Canadian Economic Statistics, June 2009, from the Canadian Institute of Actuaries. Returns 1957 to current are based on total return of the S&P/TSX Composite Index. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. As of December 2023. Indices and benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Index return information is provided by vendors and although deemed reliable, is not guaranteed by Russell Investments or its affiliates. Due to timing of information, indices may be adjusted after the publication of this report.

The challenge

"I hear you... but this time it's different!"

The coaching opportunity

Gain perspective on the realities of market cycles

ASK

Everything does feel different! Tell me more about what feels really different for you today?

LISTEN

In addition to listening to the client's words, watch their non-verbal cues as they speak to get additional clues about how they are feeling. That will help you empathize and coach more effectively. Resist the urge to interrupt—let the client speak their current truth.

EMPATHIZE

Yes, so much about our lives does feel so different right now. When it comes to making investment decisions, I have found time and time again in my [xx] years of investing, it helps to go back to history to get some perspective. Especially in moments when everything feels different. To do that, I recently looked back at the number of bear markets versus bull markets we have experienced since 1924. Want to take a guess? How many bear markets do you think there have been since 1924? *[wait for client to respond]*. It turns out, there have been 14, based on S&P/TSX Composite Index data.* What about bull markets—how many bull markets do you think there have been? We've had 25!

* Source: Canadian Institute of Actuaries, Russell Investments. Note: Returns prior to 1957 are based on the Report on Canadian Economic Statistics, June 2009, from the Canadian Institute of Actuaries. Returns 1957 to current are based on total return of the S&P/TSX Composite Index. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. As of December 2023. Indices and benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Index return information is provided by vendors and although deemed reliable, is not guaranteed by Russell Investments or its affiliates. Due to timing of information, indices may be adjusted after the publication of this report.

COACH

History shows us that likely, bear markets follow bull markets, and bull markets follow bear markets. So, it's not surprising when we do experience a bear market it can feel painful. It may even feel tempting to compare previous down cycles and have a feeling of "it's different this time" which may lead to having knee jerk reactions. I believe that grounding our investment decisions about your future in the facts will serve us better than trying to time the markets, because in my experience, no one has the clock to tell us when a bull market turns into a bear market or when a bear market turns into a bull.

Reinforce the coaching opportunity with additional messaging

"I hear you... but this time it's different!"

Historically market downturns can generally be measured in months, whereas market expansions are often measured in years.

For many investors, it's not the bear market that will derail you. It's what you do in a bear market that can derail you.

Markets typically do not go up or down in straight lines; instead they tend to be bumpy and discontinuous.

Let's beware of the crowd during extremes. When everyone goes to one side of the boat, the prudent move often is to move to the other side. We cannot let herding mentality derail your investment goals.

In my [xx] years working with clients, I have found that my clients benefit more from spending our time together learning about the realities of market cycles, behavioral biases and keeping clients focused on achieving their lifelong goals... rather than analyzing short-term market moves.

One of the biggest obstacles to investor success is actually NOT investment performance. Rather, it's investor behavior.

Historically, the worst days in the stock market have often been best friends and neighbors with the best days in the stock market.

The challenge

"Let's make a change!"

The coaching opportunity

Protect their financial plan

ASK

It sounds like you have put a lot of thought into this! Tell me more about what makes you feel so strongly about this option?

LISTEN

In addition to listening to the client's words, watch their non-verbal cues as they speak to get additional clues about how they are feeling. That will help you empathize and coach more effectively. Resist the urge to interrupt—let the client speak their current truth.

EMPATHIZE

You certainly have conviction around this option! I can tell you have thought a lot about the potential upsides of this decision. Before making any investment decisions, I always try to equip myself with as much well-rounded information as I can. Thinking about the upside potential of a decision is certainly part of that. Considering the potential downsides is, too. I suggest we explore that part of the scenario now, so that we can together make an informed decision that will serve you well in the long-term. Are you ready to explore that together?

COACH

If we make this change, what might be the implications? *[allow the client time to answer]*. What if you are wrong, what might be the implications of that be? *[allow the client time to answer]*. Have you ever been wrong before? *[Hold the silence and allow this thought to sink in for both of you]*. Investing well is hard! We cannot predict the outcome of the financial markets. But we can prepare you by having a long-term plan and the discipline and courage to stick with it. So, let's consider your current financial plan as a statement of discipline. It requires us to have the courage to stick with why we set up this plan up in the first place. That's my first priority in our work together.

Reinforce the coaching opportunity with additional messaging

"Let's make a change!"

I have a responsibility, if not the obligation, to give my clients what they need. I've found that that's not necessarily the same as what they want.

Often, client wants are the opposite of their needs. I've found that the easy trade is almost always the wrong trade. That's why clients rely on me to guide them.

Outperforming the market should not be our financial goal. Not running out of money in retirement should be our financial goal.

The mathematics of a recovery tell us that if a portfolio's value falls by 20%, it will take 25% to get back to even. If it's down 50%, it will take 100% return to get back to even. Now is likely not the time to abandon our investment policy if we want any chance of recouping losses.

Asset allocation, diversification and rebalancing are the cornerstones to successful long-term investing.

Ultimately, it's less about beating benchmarks and more about creating wealth over time and doing that with portfolios that you can stick with in both good and bad markets.

The challenge

"I can do this cheaper somewhere else"

The coaching opportunity

Communicate the value of a financial advisor

ASK

Tell me more about what's important to you when it comes to investing.

LISTEN

In addition to listening to the client's words, watch their non-verbal cues as they speak to get additional clues about how they are feeling. That will help you empathize and coach more effectively. Resist the urge to interrupt—let the client speak their current truth.

EMPATHIZE

Thank you for sharing with me what's most important to you when it comes to investing. Those are important priorities.

COACH

I have often found in working with clients that when it comes to investing, they value having a trusted sounding board, an expert who can help them get crystal clear on their priorities and stay true to them, even when everything feels confusing or worrisome—or even when things feel very clear and obvious. They often rely on me to help guide them away from making emotional decisions. They realize it's not about how their funds or portfolios perform; rather, it's about how they themselves perform. They recognize that excessive greed in a late stage bull market and excessive fear in a bear market typically act as obstacles to long-term wealth creation. I would be honored to play that role for you, too and believe that we can make great headway in helping you and your family achieve your long-term goals by going through a disciplined wealth management process.

Reinforce the coaching opportunity with additional messaging

"I can do this cheaper somewhere else"

The true definition of wealth is money that serves you. I am a wealth manager not a portfolio manager.

I bring to the forefront risk management and asset allocation and aim to remove the emotional bias you feel towards fear and greed and empower you to stick with your financial plan through full market cycles.

As a wealth manager, I aim to provide experience, insights and wisdom not just facts and information.

Most investors today are drowning in information but are starved for wisdom. I/we are here to help provide wisdom, experience and confidence.

Understand the difference between a client and a customer. One is about doing business and the other is about building a business. You are my client, not my customer.

I want to help you avoid performance chasing and be in the business of managing real-life financial outcomes. That means saving clients from their own worst instincts.

You hired me to be a long-term financial planner and coach, not a short-term market timer.

The challenge

"I do not need to be diversified"

The coaching opportunity

Cast a wider net with global diversification

ASK

Tell me more about why you feel this way?

LISTEN

In addition to listening to the client's words, watch their non-verbal cues as they speak to get additional clues about how they are feeling. That will help you empathize and coach more effectively. Resist the urge to interrupt—let the client speak their current truth.

EMPATHIZE

Thank you for sharing that perspective. I can certainly understand why it may seem like diversification may have felt like a performance inhibitor in the last few years because of how well the Canadian Equity market did in relation to emerging markets and fixed income, however in my experience it's impossible to predict which asset class will perform the best or worst in a given year, so we need to cast a wider net with global diversification.

COACH

As a wealth manager, I believe in capitalizing on the global nature of the economy that truly requires broad diversification and access to the best-in-breed investment managers who can capitalize on that and cast us that wider net. Diversification, asset allocation and rebalancing are variables we can control in an environment consumed with variables that are not in our control.

Reinforce the coaching opportunity with additional messaging

"I do not need to be diversified"

The most effective way to limit big losses is to have a portfolio where risk is understood and managed through broad diversification.

Let's consider the effects of inflation on your purchasing power if you have retirement assets sitting on the sidelines in cash.

One of the only knowns we have is that broad diversification is a way to produce risk-adjusted performance over time.

Diversification is investors' most admired, yet least practiced, investment discipline. In the last few years, diversification has been a performance inhibitor, but it is and should be a cornerstone of investing.

Most clients, when educated about the reality and frequency of market cycles and the impact of big losses on long-term returns, realize that being diversified helps to preserve capital and achieve goals.

Portfolio diversification is not just about getting you from point A to point B, but the ride we take to get you there.

The challenge

"I'm not happy with the performance of this portfolio!"

The coaching opportunity

Performance chasing is not a strategy

ASK

I hear your concern. Which time period are you looking at specifically ? What expectations did you have for the returns of this portfolio? What is your definition of success for this portfolio?

LISTEN

In addition to listening to the client's words, watch their non-verbal cues as they speak to get additional clues about how they are feeling. That will help you empathize and coach more effectively. Resist the urge to interrupt—let the client speak their current truth.

EMPATHIZE

I understand that seeing performance look different today than what we've grown used to during past review meetings may cause disappointment and concern. It doesn't feel great to see your account values be lower. And believe me, I'm paying close attention, too! My first two questions when portfolios (and markets overall!) go through softer patches like this are: What is causing this? How is it affecting my client's financial plan and their progress toward their long-term financial goals?

To answer the "What is causing this" question, I like to look at things like: Could it be that current market forces are out of favor for the portfolio's investment style? *For example, the U.S. stock market (S&P500® Index) has outpaced International stocks in the past 10 years. Value has lagged growth and fixed income returns have been low. Depending on the composition of the portfolio, returns will vary.

To answer the "How is this affecting my client's financial plan" question, I look at the impact this performance is having on your progress toward your long-term financial goals. Are we still tracking toward your goals? Also, are there changes to your goals, circumstances and preferences that may affect your plan—and your portfolio—going forward?

* Source: In Canadian Dollars, S&P 500 Index returned 14.96% while the MSCI EAFE Index returned 7.26% from 5/01/14 - 4/30/24. Indices and benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Index return information is provided by vendors and although deemed reliable, is not guaranteed by Russell Investments or its affiliates. Due to timing of information, indices may be adjusted after the publication of this report.

COACH

My goal is to help you achieve real-life financial outcomes. That begins with understanding your priorities and mapping out a strategy to help achieve those goals. Of course, portfolio returns are an important element to that strategy—but we know that markets bounce around at times, and we build that expectation into the financial plan. What matters most is ensuring the plan continuously reflects any changes in your goals, circumstances and preferences, and that we have together selected portfolios that you can stick with in both the bull and the bear markets we'll inevitably encounter along the way.

Reinforce the coaching opportunity with additional messaging

"I'm not happy with the performance of this portfolio!"

Chasing yesterday's performance inevitably hurts tomorrow's returns.

Periods of underperformance requires us to have the courage and discipline to stick with our process and plan.

Portfolios will underperform some of the time, but we should have explainable returns all of the time.

We can't control or predict performance, but we can prepare and plan through asset allocation, which is one variable in our control.

A benchmark return is the best return nobody ever gets.

Your real-life returns depend less on portfolios returns, and more on how you react to those returns.

Identifying the best performing portfolios all of the time is like finding a needle in the haystack. Most of us just aren't that lucky.

Chasing returns is like picking pennies up in front of a bulldozer: it's going to be very hard to create wealth and you'll take a lot of risk doing it.

There are two types of clients: speculators and investors. I want you to be the client who benefits from long-term wealth creation by being an investor.

Be your clients' coach, guide and guru

Recent market volatility has likely created anxiety among investors and can lead a client to question some of the basic tenants of investing and potentially have great impact on their financial success. Financial advisors who **coach** clients on the timeless concepts like maintaining a long-term investment horizon, understanding the realities of market cycles and share the value they bring to the relationship can turn challenging conversations into business growth opportunities. Getting to the top of your profession and staying there is about **guiding** your clients and being a **guru** in managing client relationships and client expectations.

We are here to help you

Russell Investments has partnered with advisors for over 15 years to help them build thriving practices—through all types of market environments. We are here for you today, too. Connect with your dedicated Russell Investments regional team to learn more about how we can help you and your clients navigate through uncertainty. Please contact us at 888-509-1792 or visit **russellinvestments.com/ca**

Russell Investments

Date of first publication: July 2020 Revised: June 2024 RETAIL 04140 [EXP 06-2025]

russellinvestments.com/ca