

## Have you listened to yourself lately?

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Jack Gruber,



Over the last thirty odd years, I have spent thousands of hours **listening to, and observing, financial professionals interact with their clients**. One of the more interesting phenomena I've observed is the frustration expressed by a consistent group of professionals regarding portfolio performance. According to them, their clients are having a crisis of confidence with current performance on a regular basis. In contrast, it appears the rest of the financial professional community has only occasional, or episodic, **performance concerns**.

You might assume that these frustrations are particularly strong during difficult market periods. There is no question that volatile markets are more difficult for investors to maneuver and often result in a disproportionately high number of "bad" investor decisions. The primary observation, however, deals with the **consistency** of the group of professionals expressing performance frustrations. **Regardless of whether we are experiencing a bull or bear market environment**, the same group of advisors is frustrated. In bull markets they describe their clients' concern as "performance lagging behind the opportunity." In bear markets they characterize it as "not receiving the results they are paying the advisor for."

The consistency of the group having these concerns leads one to ask a fundamental question: **"how does an investment professional manage to consistently attract a client base with perpetual performance issues?"**

My very un-scientific conclusion is... They Don't. Instead, these professionals often un-intentionally develop and nurture a perpetual performance concern through their words and the structure of the discussions they have with their clients.

Now, before you lay a brick to my head because of my seemingly callous disregard for performance issues, hear me out. In the investment business, performance is often a key to achieving one's objectives. At the same time it is important that the primary focus of the investment professional is to help the investor achieve their long term financial goals. If that mission is continually sidelined with discussions of beating or failing to beat random and often un-representative indices, then **it's possible that the client conversation is starting in the wrong place**.

Those asking for our advice often shape their interest and concerns around the structure of the discussion we as professionals develop. If we tend to lead evaluation discussions with comparative performance results, it is fair to conclude that comparative performance, regardless of its relevancy, will become a focus of the client. If, however, evaluation discussions center around the **long term goals of the client**, and the progress that is or has been made toward those goals, index comparisons often become irrelevant.

It is also important to remember that **client performance questions** are often not centered on a return vs. indices. You see this in such erroneous questions as "how did my balanced fund do vs. the S&P 500?" (with 40% or 50% in bonds, what is the real question?). Possibly the investor might really be asking, "Am I performing as well as others?" As un-scientific as that sounds, I have found it to be a significant part of the client's performance issue. It seems to be part of that

human need to belong. They want to know that they are at least in step with the rest of the world.

I will be the first to recognize that these are just my observations and there is no empirical data to support my conclusions. If, however, you find yourself having to continually deal with performance issues, perhaps a little self-reflection is in order. You might choose to start this evaluation by simply looking at how you have constructed and led the last few **client conversations**. Are your conversations centered around fund comparisons, or are they centered on the client's individual and specific long range investment goals.

As the title to this blog suggests, "**Have You Listened To Yourself Lately?**"

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