

## Five Steps to an Effective Portfolio Review

By Dan Richards  
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Even with the recovery in markets since March, given client losses in the last two years this can still be a tough time to conduct portfolio reviews.

The hard reality: The fact that clients are anxious and conversations are difficult is exactly the reason to have these meetings.

You have two fundamental objectives when meeting with clients – first to keep them invested and second to keep them invested with you.



Here's a five step structure for portfolio reviews to help achieve those goals:

1. Be proactive in setting up meetings

Remember, you'll get much more mileage if you initiate the meeting, rather than it happening at the client's suggestion.

2. Set the agenda when scheduling the meeting

Ensure you're covering all of your client's issues. When setting up the meeting, say something like: "When we sit down, we'll be reviewing your recent performance and how your portfolio is positioned going forward. I'd also like to talk about selling some positions to recover taxes you paid in the last couple of years. What issues and questions would you like to cover beyond this? What other things do you have on your mind?"

3. Start by getting a temperature reading on their emotional state



Before clients are open to talking about the facts and figures of their portfolios, you should deal with how they're feeling.

One way to start a meeting is to say: "We'll be talking about your portfolio today, how it's done and some recommendations for the future. Before we talk about that, though, tell me how are you doing? Lots of my clients have found this period difficult and some are losing a bit of sleep. How has the recent market affected the two of you?"

Ask follow up questions to get clients to open up and to hear clients out. One advisor says: "You're certainly not alone in finding the last while difficult – this is by far the toughest period in my career. I'm truly sorry that we weren't able to anticipate this downturn – unfortunately, nobody really saw this coming. What I'd like to do now is to talk about how your portfolio has done and some suggestions going forward."

#### 4. Put performance in perspective

It's important to put performance into context. If you've done a financial plan, you can talk about how clients are doing compared to the goals in their plan. Or you can talk about how they've done compared to industry benchmarks.

Another way to put performance in perspective is by using a chart showing annual performance of the U.S. market going back to the 1920s or 1800s; this chart demonstrates just what an anomaly 2008 was (only 1931 was worse) and is readily available from Morningstar/Ibbotson or some fund companies.

#### 5. Have a clear point of view going forward

One of the things that gives client hope is an advisor who shows leadership and has a plan for the future. They want to come out of a meeting more optimistic than when they went in – in light of disappointing performance they want to feel that their advisor has a positive view on how their portfolio will recover going forward. This will buy patience and time for markets to come back.

None of this will necessarily make portfolio reviews easy – but using this structure can help ensure you increase the odds of achieving the dual objectives of keeping clients invested and keeping them invested with you.

*\* Dan Richards conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries and to reach him, go to [www.strategicimperatives.ca](http://www.strategicimperatives.ca).*

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