The Five Stages of Grief
Nothing a Little Patience and Renewed Confidence Can't Cure

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October 28, 2008

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The *"five stages of grief"* typically are associated with death and dying – individuals struggling through the harsh realities of facing a terminal disease. These days, investors seem to be facing a slow death too, as they watch their portfolios and retirement savings evaporate before their very eyes. Advisors, in turn, must add to their normal roles, playing doctor and psychologist while they help guide their clients through these gloomy days.

Intense market volatility, the never-ending downward spiral in stocks, the unsettling global economy, the "gloom and doom" talks about another Great Depression. Such challenging times aren't for the faint of heart. These days, most investors experience some form of the "*five stages*," some on a seemingly daily basis.

Denial*:* Heck no, the market is not overpriced. Each selloff represents a great buying opportunity. Dow 20,000 here we come!
Anger*:* How could my advisor not warn me about this? There was way too much risk in my portfolio. Those darn greedy Wall Streeters and politicos ruined it for mainstream Main Street folks like me.
Bargaining*:* If only this market would settle down, I promise not to speculate on securities I don't understand ever again. Yes, I said that after the dot.com meltdown, but I really mean it this time.
Depression*:* I can't quit staring at my recent brokerage statement and it just makes me sick. I can't work. I can't eat. I can't even participate in my weekly golf game or poker outing. Should I liquidate everything?
Acceptanc*e:* OK, it happened and there is nothing we can do about it. No use crying over spilt milk. Moving forward, is my portfolio allocated in the most appropriate manner for me and my family?

And, hey, maybe there a few good bargains out there amid the market carnage?

Sometimes one just has to laugh to keep from crying. Virtually all investors, no matter how big or small, have suffered considerable losses over the past months.

(Yes, even your colleague who claims he timed the top perfectly and is waiting to nail the exact moment to reinvest.)

Now it is Time for Patience and Confidence

There are plenty of actors whose widespread greed contributed to the current predicament. Individuals from all walks of life and institutions of all sizes lost sight of common sense, in pursuit of the almighty buck. Mortgage lenders and real estate speculators; bankers and advisors; investors and borrowers who bought beyond their means. Their specific rationales may have been different, but their motivations were ultimately quite similar. Now feelings of regret, concern, uncertainty, and panic have set in along with the five stages of grief, not to mention more than a little finger-pointing.

The advisor today must engage in more hand-holding than normal and ramp up communication and education to help clients understand the complexities of the current government efforts to staunch the crisis. They must exercise a great deal of patience that will hopefully pay off in confidence in the days, weeks, months, and even years ahead.

Patience: To counteract fear and panic, advisors need to help investors attempt to remove emotion from the equation and not make rash trading decisions that they may soon regret. They should realize that central banks are working together to tackle the giant economic and financial mess,. These stimulus moves will not solve every problem overnight, but over time, the global economy and markets will be primed to rebound. A few simple steps will help allay fears:

- Together, advisors and investors should review their asset allocations to make sure their portfolios are structured in the most appropriate manner. They should also make sure their cash positions are sufficient for the challenging times that may be ahead.
- A few simple budgetary adjustments also may be in order, but investors must have the common sense and patience to know that they cannot reliably time the markets.
- When possible, avoid touching those investments earmarked for five plus years in the future. Once they are sold, the losses may not ever be recouped.

Investors, then, may not have to wait for the economy as a whole to bounce back before they canstart enjoying positive returns again. Many believe a recession is inevitable, and the markets are often leading indicators, declining in anticipation of such a slowdown. Similarly, stocks often rebound in the midst of recessions as investors again try to anticipate the next market move.

Confidence: To stave off panic selling, advisors must help their investor clients to gain some semblance of confidence to stay the course and await better times ahead. This confidence boost could take a few different forms.

- Perhaps they gain confidence that the central bankers are working hard to contain negative ramifications for the global economy.
- Perhaps they notice a respected thinker, whether an officemate or Warren Buffett, deciding to stick their toes back into the equity pond and seek out values in the market turmoil.
- Perhaps a political leader is elected who Americans believe is better able to manage and oversee the financial system.

Regardless of the catalyst, history has proven that investors ultimately overcome their worst fears, develop a little patience, and find renewed confidence in the economy and markets. When panic sets in, investors turn to trusted advisors to explain the issues, help them evaluate their portfolios, and suggest any allocation changes necessary to weather the storm. Advisors' jobs have never been more important than today.

One Day at a Time…

So: Try not to allow clients to get overwhelmed with seemingly never-ending challenges and uncertainties, be they the credit crisis, a weak economy, the plunging stock market, the presidential election, or anything else. Now's the time to take things one day at a time:

- *One day at a time…* Government action is starting to thaw the credit freeze. Lending and borrowing should return to relative normalcy in due time.
- *One day at a time…* Declining energy and commodities prices should improve the inflation picture, which will help the consumer and free the Fed to focus on the struggling economy.
- *One day at a time…* Stocks tend to be leading indicators, and they often begin to rise even when the economy remains in the midst of a recession.
- *One day at a time…*The election (regardless of the victor) represents a new beginning, a new direction, a new attitude, and hopefully renewed confidence.
- *One day at a time…*

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