

# Personal Financial Planning

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## COMMUNICATING WITH CLIENTS IN DIFFICULT TIMES



AT THE TIME OF THIS WRITING, THE FINANCIAL markets are facing a turbulent time, but they have been there before. Markets—all markets—go up and down. Sometimes the fluctuations feel worse than others.

The important thing to remember is that markets recover. It is up to tax advisers to remind their clients of that point and to do so by putting this market decline in historical perspective.

### Revisit Client Plans

Over the years, studies have shown that clients continue to regard their CPAs

as their most trusted advisers. This trust is well deserved and well earned. Clients count on these trusted advisers for counsel in turbulent times, offering practitioners the opportunity to discuss at least the following three concepts with their clients:

*Is the client's plan still valid or does he or she need to make a change?* In turbulent times, it is important to revisit the client's original financial goals and the time horizon for achieving them and to review market results in that context. Overreaction can be just as dangerous as inaction in these situations. Finding the right balance is not easy. The objective approach is to first and foremost revisit the assumptions behind the financial plan and investment strategy and make sure they are still valid.

*What is the client's exposure to risk and should anything be done to minimize risk?* Having a diversified portfolio should help to mitigate some of the risk of being overexposed to individual stocks or sectors that have faced significant declines. In addition, based on a client's goals, time horizon, and risk tolerance, a portion of the portfolio may be allocated to fixed income to minimize losses. But risks go beyond the investment market—practitioners must discuss individual clients' situations and determine what a decline means for them, their businesses, and their personal and financial goals.

*What are the reasonable options available?* Even if the situation is bad, that does not automatically imply that changes must be made. Clients must consider what

the alternatives are (e.g., other asset classes or types of investments) and whether those alternatives are a reasonable response to the problem. In many cases, a walkthrough of alternatives, if nothing else, presents the client with an informed overview and a chance for change. More often than not, clients choose to stay the course.

### Related Opportunities

There are other issues related to the adviser-client relationship that practitioners should also discuss.

*Tax planning:* The extent of the losses generated in investment accounts is something that advisers should talk about in the context of the client's overall tax picture. Planning can ensure that clients use their losses effectively.

*Financial stability:* The financial stability of a client's broker-dealer or custodian is of paramount importance, especially if client holdings include instruments directly related to the broker-dealer's financial strength. This could lead to discussion of the protections that various accounts have, such as FDIC and SIPC insurance protection.

*Estate planning:* Turbulent times give the adviser another opportunity to revisit with the client any previously discussed goals and objectives regarding estate planning. Financially uncertain times may present planning opportunities in this area as well.

Communicating with clients during volatile markets is one of the most important

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actions an adviser can take. It can turn an unsettling time into a period of calm and reassurance for clients. Clients will also get a sense that they are important to their adviser because the practitioner has taken the time to communicate directly with them.

### **Bringing Value to the Client Relationship**

During these times, tax advisers can bring additional value to client relationships. Tax practitioners understand the circumstances and they understand their clients. Practitioners need to be proactive and reach out to clients in uncertain times. Whether it is by e-mail, phone, or a face-to-face meeting, initiating contact with clients is an important first step.

Tax advisers can help clients assess their risk tolerance level and can analyze different scenarios, giving them not only best-case but worst-case scenarios. Advisers can educate clients about their

portfolios and even help them reallocate assets if that is what is needed. Clients will appreciate this immensely.

Tax advisers can also add value to client relationships by educating them on issues that may be concerning them. Is their money safe? Are their investments secure? Ask clients if they would like assistance in reviewing cashflow. This process of reaching out and discussing clients' future goals will definitely reassure them by putting things in perspective.

Finally, practitioners can use times like this as a marketing opportunity. Advisers who demonstrate that they have their clients' best interests at heart will expand their practices.

### **Conclusion**

The trusted, knowledgeable adviser must be proactive. Clients trust their CPAs and the advice, information, and education they provide. Trying times call for action and education. The results of

these efforts will be beneficial and rewarding to both clients and practitioners. An informed client is an empowered client, empowered clients are satisfied clients, and satisfied clients are the best source of referrals and new business.

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### **EditorNotes**

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