

Advisers are in a balancing act with their unemployed clients

The needs of those out of work affect advisory firms' business models

By **Sue Asci**
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Financial advisers are becoming psychologists, job counselors, life coaches, chief financial officers and tax advisers in an effort to work with white-collar clients who are finding themselves — perhaps for the first time in their adult lives — unemployed.

“First, I have to keep their spirits up,” said Ivory Johnson, director of financial planning at Scarborough Capital Management Inc., which has \$500 million in assets under management.

“It’s emotionally taxing. These are people who have been successful all of their lives,” Mr. Johnson said.

“They had high-level, six-figure jobs, and they are realizing these jobs aren’t coming back,” he said.

In the financial, management and business sectors, 520,000 jobs have been lost since August 2008, according to the Bureau of Labor Statistics. Another 421,000 jobs were shed in other professions.



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As of last month, 14.9 million people were out of work, bringing the unemployment rate to 9.7%. A total of 6.9 million jobs have been lost since December 2007.

The emotional distress of newly unemployed clients has some advisers playing the role of amateur psychologist.

“With a traumatic experience, people go through several stages of emotion, including denial [and] anger,” said Bob Mecca, president of Robert A. Mecca & Associates LLC, which has \$100 million in assets under management.


“[As a result], I am becoming a psychology teacher. I had one client who was out of work for a year, and he couldn’t get over the reasons why he was let go,” Mr. Mecca said. “I am trying to help him and others understand how they were successful and that getting laid off wasn’t their fault.”

Some out-of-work clients need help realizing that they can no longer shower their children with money.

“Some adult kids become de-pendent on their parents. I have clients that want money for their kids, and I have to tell them, “No, you cannot afford to buy your child a new car,”” Mr. Johnson said.

Other clients are moving their children to public school from private school, said Adam Sherman, chief executive at Firsttrust Financial Resources LLC, which has \$750 million in assets under management.

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Even after cutting costs significantly, some clients need help looking for still more ways to save money.

"I have one client who is 55 and single, [was] laid off from her job at a non-profit firm seven months ago, and she is bringing in a roommate for a short period of time," said Stacy Francis, owner of Francis Financial Inc., which has \$20 million in assets under management.

"She was already living pretty frugally," she said. "The home was the biggest expense. We recommended it to her, and she was receptive to it. Bringing in a roommate can give financial stability while [clients] pound the pavement looking for a position they can be happy in."

CAREER COUNSELORS

Some advisers are also becoming job counselors and even headhunters.

Mr. Mecca said he goes so far as to review a client's résumé. Additionally, in his weekly e-newsletter to clients, he has passed along the experience and availability of clients seeking work.

"We have been successful in lining people up for interviews," Mr. Mecca said.

To help unemployed clients explore their career options, Lisa Kirchenbauer, president of Omega Wealth Management LLC and a certified financial planner, uses her other credential — a registered-life-planner designation from the Kinder Institute of Life Planning.

By utilizing the Kinder program and administering an assessment test offered by Kolbe Corp., she helps people identify their strengths and talents.

"It opens them up to all kinds of possibilities. They can learn how they can put their passions and innate talents together," Ms. Kirchenbauer said. "Then they need a financial plan to work through their plan." Omega manages \$42 million in assets.

PERSONAL CFO

As more clients join the ranks of the unemployed, demand for extra services is changing the way advisory firms do business.

Two months ago, Francis Financial started charging its clients 1% of assets under management. Previously, they offered clients a choice between that and an hourly rate.

"We have become their personal chief financial officer," Ms. Francis said. "We meet with them at a minimum of every six weeks. They would not be able to do it if we charged hourly. It would be too much."

Of the firm's 34 clients, eight have lost their jobs, she said.

Other advisers say working with clients in this predicament — some of whom they have been with for years — is like starting from scratch.

"We update their cash flow status," said Greg Plechner, a wealth manager with Modera Wealth Management, which has \$400 million in assets under management.

With new jobs hard to find, many clients may be in a lower tax bracket for a long period of time, with implications for investment and tax strategies, he said.

Many investors in the top tax bracket concentrate their fixed-income investments in municipal bonds. "In a lower tax bracket, the value of the muni bond goes down," Mr. Plechner said.

“There should be a re-evaluation of the breakdown between taxable bonds and muni bonds,” he said.

Similarly, a lower tax bracket can also affect whether there is value in deducting mortgage interest on income taxes, Mr. Plechner said.

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