

Think globally, and reap your rewards locally

Investors profit when advisors push comfort zone

Jonathan Chevreau, Financial Post

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A year ago in this space, we marked Valentine's Day by inviting readers to "tell your advisor he or she is hot stuff," financially speaking.

That, at any rate, was the headline over the piece, along with a provocative photo.

Several readers took the bait and we profiled their suggested subjects over the months that followed.

Since 2006 turned out to be a banner year for global stock markets, there should be many more happy clients out there, so we've decided to repeat the exercise.

I realize many do-it-yourself investors have been quite happy staying put in Canada and overdosing on income trusts and resource stocks. By contrast, most clients with advisors have gone "global" after being urged to do so by their advisors. They may have been early but it's looking more and more like this will turn out well for clients.

After all, taking early preemptive action is part of the "value added" an advisor provides, or is supposed to. The goal is to push clients out of their comfort zones and do what may not feel natural to them. Selling what's hot and buying what's not is not an easy thing for ordinary retail investors to do on their own.

Martin Kosterman, an advisor with Oakville, Ont.-based Fiscal Agents, sees his job as getting clients to add to positions when they're down and, conversely, lightening up in asset classes the herd is currently excited about.

In my own case, a year ago my own advisor persuaded me to dump a few actively managed global equity funds in favour of an index fund: DFA International Large Value fund. I went along with it but with reservations. As I may have opined in print, it seemed to me a fairly costly investment, as index funds go.

But sure enough, when 2006 ended, that DFA index fund beat almost every global and international mutual fund. It returned 34% and was second of 84 funds in its category. I'd hedged my bets by insisting on also owning an EAFE index fund: It did OK (26% return, 17th out of 84) but not as well as the DFA fund, trailer fee and all.

So here's what Well Advised would like to do this year. As before, we'd like to hear from clients who are happy with their advisors. They should ask them if they'd be willing to be

interviewed and photographed. (Show them this column: Incredible though it may seem, not all of them read it.)

Here's the twist: Tell us what your advisor suggested that you initially resisted. Tell us what your comfort zone was and how (or if) you were pushed out of it by your advisor. Assuming you acted on the advice -- however much it seemed to go against the grain-- how did it work out?

Keep in mind that, as in my case, it could have been a simple case of choosing one investment over another. But perhaps it was a far more significant action involving taxes, estate planning or the children's education.

Tell us about your perception of the "value added" and whether you feel the commissions and fees paid out were more than recouped by the suggestions proffered.

WHAT'S YOUR ADVERSITY QUOTIENT?

Part of the value advisors deliver is helping clients deal with adversity. In financial terms, that means responding to severe stock market corrections -- such as 9/11 or the periodic meltdowns in emerging markets.

But advisors can help clients respond to such adversity only if they themselves are emotionally equipped to do so. Not all are, says Dr. Paul Stoltz.

Stoltz -- founder and chief executive of California-based PEAK Learning Inc. -- has published a book called *The Adversity Advantage* (Simon & Schuster, New York, 2007, with a foreword by Stephen Covey).

This follows his earlier *The Adversity Quotient: Turning Obstacles into Opportunities*. Stoltz also co-wrote (with Canadian Richard Dolan) a book aimed at advisors called *The Invincible Investor*.

Stoltz's corporate clients engage him to prepare for such possible future catastrophic events as hurricanes, global warming or terrorism.

Those are the most extreme cases, but all of us deal with less stressful "adversities" many times a day. An example is a driver cutting you off on the road or any of the many technological irritations assailing us daily in the workplace. These now occur on average every half-hour through our waking time.

Stoltz helps entrepreneurs and business leaders assess their personal "Adversity Quotient" or AQ. Scores range from 40 to 200, with the average 147.5, Stoltz said during an interview last week in Toronto.

Stoltz has also assessed the AQs of thousands of financial advisors. Five years ago, he believed any advisor should have a minimum AQ of 160. He has since moved this up to

170 or 180, scores he admits are rare. He insisted that his own advisor take the test and suggests retail investors do the same. Go to www.peaklearning.com.

In Stoltz's case, he had been served by a team of three advisors. Two failed to meet the required threshold and he now works only with the one with the highest AQ.

"Most people blow it when adversity strikes," he says. "There is no greater opportunity for an investor than when adversity strikes."

While it's easy enough for advisors to do their jobs when markets are clear sailing, that's not where they add value. The true test is their ability to weather the storm when markets go south.

Suppose, for example, that a massive terrorist strike hits North America and the Dow Jones average plummets 20% in a matter of hours. Many clients will be ready to panic and so will some advisors, Stoltz says.

The acid test is to be willing to take advantage of this adversity and act quickly -- the same day -- to profit from it. Advisors who make a personal contact with each client on such an occasion will provide real value, transferring some of their high AQ to that of their clients.

If you're a client reading this, think about how your advisor helps you in times of adversity. If you think others could benefit, consider sharing him (or her) with the world.

And don't forget the chocolates.

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