SNOWDEN
LANE
PARTNERS

July 2018

# Use Market Volatility as a Teaching Moment

With interest rates rising after a prolonged period of central bank induced anemia, it is only natural for clients to wonder how their portfolios will be affected and what actions, if any, they should consider, given the changing landscape in fixed income.

In general, clients aren't nearly as comfortable with or knowledgeable about bonds as they are with stocks, so there is a learning curve with which advisors should assist them. Many clients find fixed-income terms such as "credit risk" and "rate" somewhat foreign, as they are unfamiliar with the structural side of how bonds work and what their purpose is in risk management and asset allocation.

Following a long period where a lack of volatility and lower rates dominated the bond market, it is important for advisors to take a step back and educate clients, again, about how the fixed-income world works, how bonds can add value to their portfolios and what the risks are. After all, young clients have never experienced a rising rate environment before, so, this is new territory for them, though ancient history for older people.

Following a long period where a lack of volatility and lower rates dominated the bond market, it is important for advisors to take a step back and educate clients, again, about how the fixed-income world works, how bonds can add value to their portfolios and what the risks are. After all, young clients have never experienced a rising rate environment before, so, this is new territory for them, though ancient history for older people.

Beyond re-teaching clients Fixed Income 101, there is also a behavioral element at play. Although the 10-year equity bull market has helped clients recover somewhat from the financial crisis, it has also allowed many to become inadvertently complacent.

I am by no means complaining about equity indices at or near record highs, but the market has more or less gone straight up over the past decade, and investors have only dealt with a few bouts of volatility.

This has resulted in healthy returns and happy clients, but many of them have forgotten what volatility looks like. The pain of 2008 is a distant memory, and unfortunately the longer equity returns continue to rise unopposed, the cloudier clients' memories will remain.

The good news is that this market environment allows advisors to demonstrate their value to clients.

Any robot can invest in passive, low-cost equity exchange-traded funds when the market is going in one direction, but this more challenging market causes natural anxiety among clients, which is exactly why they work with an advisor in the first place. Communication remains at the heart of the advisor-client relationship, and this environment offers a great opportunity to sit down and discuss clients' risk tolerance and the potential future impact of rising rates on their portfolios.

*Article Written By*

**Joseph Hubbell**

*Senior Partner, Managing Director*

Joseph and his team at Snowden Lane develop and implement customized strategies for wealthy families, individuals and institutions designed to manage risk and maximize potential returns while considering tax efficiency and client goals. Joseph services select institutions providing institutional consulting, investment policy statement formation, execution services and securities lending as well as sophisticated hedging strategies for domestic and international clients.

Prior to joining Snowden Lane as a Senior Partner and Managing Director in 2016 he held positions in Branch Management, Investment Advisory and Institutional Fixed Income at the following firms: Smith Barney, UBS, JP Morgan and BankAmerica Merrill Lynch.

Joseph earned a Bachelor of Arts degree from Fordham University. He is a member of the Financial Industry Regulatory Authority (FINRA) Board of Arbitrators, the Commodities Futures Trading Commission (CFTC) and the Investment Committee of Catholic Charities. In addition, Joseph is a Committee Chair at The New York Athletic Club and is a member of the Harbor Control Commission in his home town of Lloyd Harbor, NY.

SNOWDEN
LANE
PARTNERS

As a lifelong bond specialist, I see some unique opportunities in various fixed-income strategies. But it is vitally important that before advisors begin portfolio construction and management, they listen closely and address client concerns.

The sooner clients understand the potential impact that rising rates can have on their portfolios, the better able they will be to make informed decisions that are aligned with their goals and objectives and ensure the best possible outcome for the future.

***About Snowden Lane Partners***

Snowden Lane is a client-focused, financial advisor-owned, and nationally branded independent wealth advisory firm. Through its open-architecture platform, Snowden Lane delivers wealth advisory services to high net worth individuals, families and foundations. For more information about Snowden lane, please visit www.snowdenlane.com.

***Questions or Comments? Please direct them to:***

Snowden Perspectives
540 Madison Avenue, 9th Floor
New York, NY 10022
www.snowdenlane.com