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Pacific Life's Advanced Designs Unit (ADU) consists of six highly respected professionals who specialize in advanced life insurance planning.

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## 5 Best Practices in Managing Concerns in a World of Certain Uncertainty

*"There are many ways of going forward  
but only one way of standing still."  
– Franklin D. Roosevelt<sup>1</sup>*

On March 16th, 2020, as I wrote this article, the headline "The Dow has its worst point drop ever as stocks tumbled again" scrolled across my TV screen. The Dow Jones Industrial Average declined 12.93%!<sup>2</sup> In one day alone! We have seen many of these days recently. Due to concerns around COVID-19, businesses are shutting down, schools are closing, travel is being restricted, and toilet paper may be the best performing asset in your portfolio! I am making light of the toilet paper shortage but people are genuinely scared and understandably so. These are "unprecedented times." In watching the news over the past few months, I am reminiscent of the last "unprecedented times" we faced not too long ago.

Rewind the tape to October 9th, 2008: I was attending an off-site planning meeting for the financial services company where I was the vice president. While eating some over-cooked chicken and something resembling "salad," I heard the news report on the restaurant TV: "Dow Jones had one of its largest percentage declines in modern history." That day, on October 9th, the Dow had declined 7.33%<sup>2</sup>. A few days later, on October 15th, the Dow had declined another 7.87%<sup>2</sup>.

Then, on December 1st, 2008, the National Bureau of Economic Research (NBER) declared the United States had entered a recession, citing low employment and production figures as well as the third quarter decline in gross domestic product (GDP)<sup>3</sup>. The Dow declined another 7.70% that day<sup>2</sup>. Fear and panic ensued in the following weeks, months, and even years. Businesses shut down, people lost jobs, housing values plummeted, etc. Just like today, people were scared during those "unprecedented times."

Looking back at those times, at the state of our current environment, and looking forward to our future, two things are abundantly clear: By keeping your clients informed, you not only give them the reassurance they need, you also unlock the potential for more meaningful conversations.

In any time of uncertainty, whether they are personal or business in nature, here are a few items to be considered and potentially be discussing with your clients, but especially during today's "unprecedented times."

<sup>1</sup> Franklin D. Roosevelt, available at <https://www.quotes.net/quote/9554> (as of April 2020)

<sup>2</sup> [https://en.wikipedia.org/wiki/List\\_of\\_largest\\_daily\\_changes\\_in\\_the\\_Dow\\_Jones\\_Industrial\\_Average](https://en.wikipedia.org/wiki/List_of_largest_daily_changes_in_the_Dow_Jones_Industrial_Average) (as of April 2020)

<sup>3</sup> <https://en.wikipedia.org/wiki/Recession> (as of April 2020)

1. **As a client's advisor, it is imperative to be very proactive during times of uncertainty.**

Your clients want and need to hear from you. They want to be assured that you are available and that you are keeping them informed of how current events could be impacting their planning. While modern technology makes it easy to send a blast email to your clients, it can appear impersonal. In addition to an email, consider going "old school" and pick up the phone to have a conversation with your clients, even if it is leaving them a voicemail to let them know you are there for them.

When reaching out, ask the client how frequently they would like to hear from you during these extraordinary times. Some clients may want to hear from you monthly, while some may feel comfortable waiting a year. It is important to make sure their expectations are set and then met. Setting reminders via your smartphone to make calls to specific clients is an excellent way to ensure follow-thru in your communication.

2. **Frame the conversation around risk.**

In this article I have been purposely using the words "market decline" rather than "loss," because losses are only incurred when you sell. Clients forget this. For example, they believe they lost \$20,000 in their 401(k) but in reality, their portfolio value declined by \$20,000 on paper only. They only incur an actual loss if they choose to liquidate. Provide them with this reassurance but be sure to address whether they are on-track with their original goals/objectives and let them know that this decline may just be a bump in the road of their long-term strategy. And, of course, address their concerns if they believe there is an immediate need to change direction.

3. **Help clients consider any upside potential.**

Let me demonstrate how the last roughly 30 days have gone: On February 14th, 2020, the Dow Jones Industrial Average closed at 29,398.08<sup>4</sup>. A little over a month later, on March 16th, it closed at 20,188.52<sup>4</sup>. This is a decrease of 9,209.56 points (31.42%). If a house you were contemplating purchasing decreased 31.42% in value over a month, what would you do?

4. **Ask if there has been a change in their income or savings that could impact their existing insurance?**

If the client owns life insurance, there may be flexibility (depending on the type of coverage they have) to lower their premium amounts. Additionally, the policy's cash value may potentially be withdrawn or borrowed to provide immediate cashflow. Our Inforce Case Design team is always here to illustrate various scenarios to help you provide options.

5. **Help clients understand other items they may not have considered.**

Is a basic will and durable power of attorney for financial and health care purposes in place? Or, do they have or need a living trust? This is not only true for your clients but also their parents and family members.

Are their beneficiary designation/transfer on death forms up-to-date on all their accounts: life insurance, annuities, mutual funds, investments, 401(k), etc.?

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<sup>4</sup> <https://www.wsj.com/market-data/quotes/index/DJIA/historical-prices> <https://www.wsj.com/market-data/quotes/index/DJIA/historical-prices> (as of April 2020)

## **Conclusion**

Continually communicating to your clients, especially during these difficult and unprecedented times, only serves to deepen your relationship with them, placing you in a trusted position. I believe that the customer experience is paramount to any business, but even more so in the financial services industry. Clients will remember how you acted during times of “bad news” much more than during “good times.” If you plan properly for these times and set a good communication foundation, the doors of opportunity may well open. Pacific Life continues to be here for you and your clients thru unprecedented or prosperous times.

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