5-2023

Financial Advising Experience

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by

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An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of Science in Business Administration in Finance and Accounting.

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University of Arkansas
Fayetteville, Arkansas

May 12, 2023

Introduction and Personal Learning Objectives

If everyone could have a money tree in their yard, they definitely would! Money is not only important to people, but also what makes their lives more comfortable, forces them to make tough choices, shows them how much longer they must stay in the workforce or, even better, how they can retire earlier than anticipated. Money can mean a lot of different things to people, which is why I find it fascinating. People trust in financial advisors to help them accumulate wealth, which is why I chose financial advising as my future career. The idea that I can have the opportunity to help a client – an individual, a couple, a family – achieve their long-term goals is satisfying. Getting the opportunity to form lasting relationships with clients as I attempt to help them achieve their life goals by accumulating wealth is what I witnessed during my internship.

Building wealth can be easier with the help of a financial advisor. Wealth consists of assets and savings, and while there are many ways to save, there are some basic steps to get started:

1) Earn enough money to live and have some left over for saving.
2) Control your spending so you can save.
3) Invest your money in different assets – "Don't put all your eggs in one basket."

Background

In the Summer 2022, after my junior year of college at the University of Arkansas, I worked as a Client Associate for a successful team at Merrill Lynch Wealth Management in St. Louis, Missouri. The team is led by Theresa Gorin, CPFA, CFP, CRPC. Their mission statement says, in part, that "Lasting client relationships are developed through building connections delivered through our advisors and client associates. We are a forward-thinking, experienced team committed to providing personalized guidance and an exceptional client experience to a select group of individuals, families, and businesses. Our mission is to serve as the trusted advisor to our clients by bringing our professional experience, passion, and a vast array of resources to help define and accomplish their vision of financial success" (Gorin). She says that clients choose them because of their "goals-based approach, personalized guidance, and lasting relationships"

My Client Associate role on the team was to help the Wealth Management Advisor, Senior Financial Advisor, Wealth Management Associate, and Wealth Management Client Associate. My job responsibilities included preparing informational client forms, taking notes, compiling information for client meetings, researching stocks, and entering post-meeting notes into SalesForce, a system they use to track client contacts.

The team has many clients – individuals, married couples, families, small businesses – throughout the Midwest. They all have different backgrounds and circumstances.

Preparing for Client Meetings

To prepare for a client meeting, I met with the Advisors and reviewed the client's overall portfolio. I helped analyze stocks, bonds, and other investments to find what was best for that specific client. Additionally, I met with the Advisors to discuss the client, meeting's purpose, and how to proceed with the meeting to ensure client satisfaction. The Advisors explained examples of more- and less-productive meetings. It was interesting to learn about the different types of clients and how some approached the face-to-face meetings. I took notes and worked on whatever take-aways were assigned to me. The notes were not only for the team; they also helped me keep track of the things I heard. After client meetings, I reviewed my notes and formulated questions. The ultimate goal of the pre-meeting was how to accomplish the client's end goal. Sometimes the goals were clear, and sometimes it was a meeting to decide what the client's next goal would be. We delt with many different scenarios and unique end goals. There are many factors that go into meeting with a client, and the successful Advisors take just as much time – or even more--preparing for a meeting as they do with the actual meeting.

The first step to prepare for a meeting is to create an outline. Since each client is different, it is important that we prepare an outline for each meeting. An example of a client outline might look like this:

1) Discuss current net worth/assets

   a. Net Worth Statement
   b. Past performance charts
      Note: These charts might reflect ten years of data for some clients and only ten months for others. Either way, the charts showed a cumulative return percentage for the length of time the client was with the team.
   c. Recent performance charts
      Note: This was a month-to-month description of the past year. This was more in depth – showing dividend performance and individual performance of particular funds, stocks, and bonds. The packet also had a breakdown of the client's portfolio, to show the positioning of most of the client's investments.

2) Discuss losses in brokerage account and plan for sale of assets over time

   a. Word document showing securities to sell and plan over course of 3-4-year period.

3) Discuss retirement

   a. What retirement age is being considered? There would be different scenarios for a few different ages.
   b. What expenses need to be discussed?
   c. What are retirement plans (i.e., travel, tuition payments for grandchildren, land swaps, etc.)?

Another question that is asked of clients early on when they are opening accounts is their level of risk tolerance. This is not set in stone; it can change throughout one's lifetime – depending upon what stage of life they are in. Just as the name indicates, it is the level of risk you can tolerate and still feel comfortable with your money growing. Here are just a few of the investment objectives from which a client can choose – as defined by Merrill Edge ("Identifying").

"Merrill Edge is the flagship online brokerage product of Bank of America and its wealth management arm, Merrill." Merrill Edge is a way to engage in the stock market without paying high commissions on stock trades. It is a great start when all you need is a basic portfolio. (Rodeck)

Conservative Target Allocation	
Stocks 20% Bonds 55% Cash 25%	For investors who are predominately risk averse. Primary focus is on portfolio stability and preservation of capital. Investors using this model should be willing to achieve investment returns (adjusted for inflation) that are low or, in some years, negative, in exchange for reduced risk of principal loss and a high level of liquidity. A typical portfolio will be heavily weighted toward cash and fixed income investments.
Moderately Conservative Target Allocation	
Stocks 40% Bonds 50% Cash 10%	For investors who are somewhat risk averse. Primary focus is to achieve a modest level of portfolio appreciation with minimal principal loss and volatility. Investors using this model should be willing to absorb some level of volatility and principal loss. A typical portfolio will include primarily cash and fixed income investments with a modest allocation to equities.
Moderate Target Allocation	
Stocks 60% Bonds 35% Cash 5%	For investors who are willing to take a moderate level of risk. Primary emphasis is to strike a balance between portfolio stability and portfolio appreciation. Investors using this model should be willing to assume a moderate level of volatility and risk of principal loss. A typical portfolio will primarily include a balance of fixed income and equities.
Moderately Aggressive Target Allocation	
Stocks 70% Bonds 25% Cash 5%	For investors who are willing to take a fair amount of risk. Primary emphasis is on achieving portfolio appreciation. over time. Investors using this model should be willing to assume a high level of portfolio volatility and risk of principal loss. A typical portfolio will have exposure to various asset classes but will be primarily weighted toward equities.
Aggressive Target Allocation	
Stocks 80% Bonds 15% Cash 5%	For investors who are willing to take substantial risk. Primary emphasis is on achieving above-average portfolio appreciation over time. Investors using this model should be willing to assume a significant level of portfolio volatility and risk of principal loss. A typical portfolio will have exposure to various asset classes but will be heavily weighted toward equities.

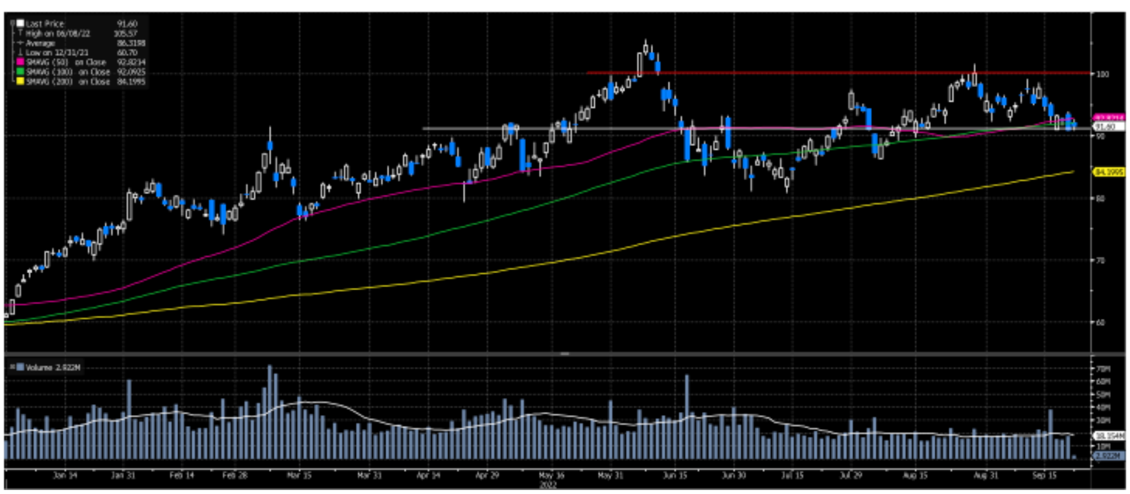
As you can see from the allocation breakdown of stocks, bonds, and cash, there can be differences in percentage holdings of various asset types over time. If a client does not like to take risks, a conservative target allocation may be best. If a client is aggressive and wants to grow their income quickly, the aggressive target might suit them, but they also need to realize that the markets can change quickly. Investing 80% in stocks, likely necessitates patience with stock market fluctuations as we have been seeing recently.

Based on the investment objective a client chooses, the advisor decides, along with the client, where to invest the client's money. During my summer at Merrill, I was able to research a few stocks that clients mentioned during a phone call or during a meeting. After the research, I met with both advisors to discuss my findings and talk about why that particular stock was favorable or unfavorable for the portfolio. The advisors listened to my ideas and gave constructive criticism, where needed.

This also must be factored into investment recommendations. For instance, if a client was unsettled about the contemporary market climate, it was important, as their advisor, to show them the positive signs. This is included past performance, or highlighting specific investments that helped their portfolio while the market was poor. The recommendation process of a certain investment ranged from broad and safe to extensive and detailed. Here are explanations of both:

- Clients that we know from prior engagements, who fully trust the advisors, probably will not ask detailed questions about specific investments. For these clients, it is important to have the simple facts ready such as the company name, the ticker symbol, year-to-date numbers, and dividends (if applicable). Admittedly, these clients take less time to prepare for.

- Other clients want full explanations of what we are doing with their money and why. I would not say that these clients do not trust us, but they want to be able to understand the reasoning. This is often the case for clients with backgrounds in banking or finance. At this point, we would do more research and planning. I really enjoyed learning and applying technical analysis to stocks. Here is an example:



This is aa stock chart for Exxon Mobil Corporation (XOM). The pink line represents the 50-day moving average. The 50-day moving average is used for more short-term buys and/or sells. When the stock price stays above the line, only touching it sometimes, it is a good indication to buy in the short term ("50 Day"). The green line represents the 100-day moving average. The 100-day moving average is used to show the stock performance over the past twenty weeks and to find the price trends (One). Finally, the yellow line indicates the 200-day moving average. This line is the most important of the three. The 200-day moving average helps judge a stock's momentum compared to its current price (Reed). In this instance, all three lines show an uptrend in Exxon Mobil's stock over the past forty weeks. The other line is being used as a support line. This line indicates a reoccurring trend where the stock price has been bottoming out, then going up. For this stock, we saw a bottom being set around the $91.50 price mark. Since the stock was at $92.00, we recommended buy at that price and riding the uptrend. Additionally, the support line represents an area where we could insert a stop loss. A stop loss is a price where the stock will sell automatically if it hits that price. This can be used to diminish a person's losses. This technical analysis can be an important part when picking out stocks that fit the clients' risk tolerance.

When all the analysis is ready, we finalize the documents for the meeting. There is a packet for each client, along with a cover sheet that will show the main points to address during the meeting. The cover sheet has points that outline investments that need to be sold, bought, or redispersed into other investments. Additionally, the financial advisors would have documents that we used to decide what investments to sell or buy in case the client has specific questions. At this point, I thought we were ready for the meeting, but there was another essential part to being a financial advisor! All three of us reviewed the notes taken from the previous meeting to refresh ourselves on n the clients' lives (i.e., graduations, college plans, weddings, deaths in the family, etc.). I did not realize how important it was to connect with the client on a personal level. But, when you think about it, it makes sense. Who just wants to talk about money? The client wants to know that you care about them and not just their money. This is what makes the team I worked with so well-respected.

Finally, we are ready for the client meeting.

The Client Meeting

It is important to start by explaining what would be covered in the meeting. This helps to ensure that the financial advisor and the clients are on the same page. The outline (as detailed above) helps to keep the meeting on track.

Recommending general changes in investments can lead to other discussions of what might work and not work for the client. This can vary for each client depending on the circumstances. Interning amid a volatile market provided helpful experience. It was interesting to see many different reactions to the same problems--from completely relaxed and unphased to very angry, upset, and anxious. This showed me that as a financial advisor you are subject to a variety of people and personalities, and you must be ready to weather that storm.

The second step is meeting with the client. I cannot stress enough how different each client is. It becomes important to know your client so you know what to ask, how to act, and how the client may be feeling about the current market. When the market is good, these meetings can be easy and smooth because everyone loves making money. The rockiness comes when the market is volatile. The way you start the meeting sets the tone for the rest of your time together. This is why we prepared for every client as if they would be agitated. It allowed us to be ready for anything that any client could throw at us. I was working when the market had been in a clear downtrend and most people were not getting the returns they were expecting. When the financial advisor expected the client to feel frustrated, they started the meeting with good news That helped ease the tension prior to discussing their financial situation. With such clients, it is important to give many options. I learned that the more options you give them, the more comfortable they are because it empowers them to decide on their holdings and not feel controlled. Every client has many options; it is their money. The advisors always present their top one or two options, but in cases with nervous or frustrated clients, I learned that it's helpful to present three or four options.

Even if the client comes in happy, smiling, positive, and is comfortable accepting market fluctuations, starting a meeting with money is not my team's practice. The more your clients feel connected to you, the more they will trust you and will continue to invest with you. Forming a family relationship is critical to being a trusted financial advisor. The advisors I worked with knew so much about all their clients. One of the advisors attended several funerals every year for clients' family members. I was surprised to learn just how important this part of the job is!

Meetings are conducted in-person at our offices, online (Zoom), or even at home for some clients. Either way, the meetings follow a standard format. After starting with personal information, we move on to discuss money. This part is not that difficult because of the preparation we had done before the meeting. During my time there, many clients wanted to hear recommendations for changes to address market volatility. The money part of the meetings is usually the shortest part. Many clients have been with the advisors for many years, so there can be a lot to talk about in their personal lives. During the meeting, one advisor takes the lead, and the other advisor takes notes about what the client is saying, along with information on what they plan to do with the clients' money. The advisors always try to end on a good note. Sometimes that is easy to do, and other times not so much.

Post Meeting

The final step of the process is post-meeting activities. This is probably the least complex part because of the preparation and attention to detail throughout the first two steps of the process. I would say that it is the most tedious part of the process because it involves internal business controls and banking regulations. These regulations help keep things organized and uniform, and this is where taking good notes during the meeting becomes crucial. We must write up a report on what was talked about in the meeting, including social discussions, investment discussions, and the actions that both the client and the advisors agreed upon making. After that is written, it gets put into the Salesforce, the system used at Merrill to check if it complies with internal policies and regulations. If not, it gets sent back by the companies' internal systems and needs to be redone. Next, we check to see if there are any variances. A variance would be anything that our system views as wrong or inconsistent with actions that we have already done. Any final steps include fixing the client report and correcting the variances.

Documenting the notes from the meeting is just as important as taking the appropriate actions that come from the meeting. Setting up ticklers in the system to remind advisors or administrative staff of things coming due. This could range from a client's special occasion (birthday, anniversary, etc.) to making a contribution to their retirement account. Keeping track of these dates and times are critical to maintaining that trusted relationship.

Conclusion & Personal Observation:

I expected to learn many new things and develop more skills while at Merrill Lynch last summer. I was most excited to listen to the lingo of finance in a work setting. There are many concepts we discuss in finance classes, but I did not expect the workplace to provide the same experiences as the classroom. I expected to experience the day-to-day operations of a job that I always believed I wanted to have. Additionally, I wanted to develop my skills with clients. This includes everything from small talk to detailed financial information. It is important to explain a complicated concept at a level that the client can understand, but not to come across as condescending. This is an art, not a science.

Within the day-to-day operations of the internship, there was a routine that was followed for each client. Within each routine was its own twist, which is what made each day interesting. When meeting with a client, it is not a matter of simply showing up and reviewing investment performance. The process of a client meeting consists of much more. I would divide it into three stages: pre-meeting, the meeting itself, and post meeting – with all three stages being equally important.

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