BROKER VILLAGE

A Division of Black Cat Decisions, LLC

Sales Idea

Invest Losses in a Managed Account

Ted's Troubadours

Goal: Growing your business.

Problem: What to suggest to a wealthy prospect with several large tech positions, all of which are well below purchase levels? They had used a financial advisor. Now they question the benefits of diversifying and of using advisors. They also fear stocks. Going forward, they consider investing only in the relative safety of bonds.

Suggestion: Suggest that some or all of the losses be realized. They can be used to offset capital gains and up to $3,000 of earned income. Suggest that they invest the proceeds in a balanced managed account.

To ease their wariness of advisors, remind them that you are both on the same side of the table; you do well if they do well. Fears of excessive trading are low, and the annual fee is reasonable. To ease their market fears, suggest an account with only 50% stock exposure. This account will be more diversified than their prior one as it will cover many sectors, valuation levels, and capitalization.

Result: By focusing on specific needs, you gain a client. Your business grows, with help from Broker Village.

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Example: Jane can't land a certain prospect. She doesn't have a great "stock idea" to present. The prospect is wealthy and has large holdings of tech stocks that are well below their purchase price.

She looks for help. Her sales manager, Lisa, suggests that they first identify the cause of prospect's problems. It becomes clear that it stems from poor diversification. More holdings, and using more than just tech, should solve it.

She asks Jane to tell the prospect this story. It puts everything in perspective.

"One day, Bill and Ted find a $200,000 winning lottery ticket. Being friends, they split the money.

Bill is quiet and conservative. He wants his own library. He doesn't meet with a financial advisor. Fearful of losing money, he invests in one well-known and conservative mutual fund. He hopes it'll do well over time, as it rarely lost money, though it rarely earned a lot. True to form, it earns 5%, for 20 years. That was fine with him. He had $265,330.

Ted takes calculated risks. He hopes to tour the world with his own band. He invests equally in five stocks. He cares about the account's return, not about any one stock. After 20 years, one is worthless and one earned nothing. The others earned, respectively,5%, 10%, and 15% per year. Averaging almost 9% year, Ted ends with $534,947 though two funds (40% of his investment) lost money or earned nothing!

	1 Year	*10 yrs*	*20 yrs*
Ted	*86,000*	*185,364*	*534,947*
Bill	*105,000*	*162,889*	*265,330*
Difference	***-$19,000***	***$22,475***	***$269,617***

One day, 20 years later, they meet for lunch. Bill did buy a library, but could afford only six books, a card catalog, and a bench. Ted was all smiles. He retired and was about to tour the world with his new band, Ted's Troubadours."

Mr. Prospect: Successful investors use diversification to their advantage. *The challenge is to find a mix that balances return, risk, time horizon, and tax situation. That's one of the many things a full service advisor, like me, brings to the table."*

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Jane & Lisa agree on a marketing plan to highlight managed accounts. Together, they:

- Do client appreciation seminars
- Mail managed money brochures to top prospects

- Submit diversification articles to local papers
- Decide on best client profile for the products
- Conduct joint sales calls on large cases