

How COVID-19 is driving new financial planning business

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By Emile Hallez, *Investment News*

Many investors who have lost money during the pandemic are seeking out financial advice for the first time



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The COVID-19 pandemic and languishing stock market have wreaked financial havoc on countless people — meaning many investors are seeking out financial planners.

That’s according to financial planners who said they have seen an influx of new clients as investments and retirement accounts tanked over the past several weeks. The new customers are generally people who have not sought out financial advice before, and therefore represent a new chunk of business.

“There has been an increase in prospective clients reaching out to advisers,” said Evelyn Zohlen, president of Inspired Financial and national chair of the Financial Planning Association. “Folks who initially thought that they might like to manage their own finances and their own investing are reconsidering the advantage of having a professional walk alongside them.”



That includes younger workers who have never experienced a full market cycle and those who have lived through multiple bear markets.

Roughly 30% of respondents in a survey by product comparison website LendEDU said they either lost their job or had their hours cut partially. Sixty-three percent of the 1,000 people surveyed in March said they were worried that the pandemic would damage their retirement savings.

When markets are up, many do-it-yourself investors become too comfortable in their own abilities and begin to think of themselves as experts, Zohlen said. That includes “self-starter independent technical types” like engineers, she noted.

For many of these new clients, there will be a need for financial planners and advisers to carefully explain the range of benefits in working with professionals, she said.

“There is a chance to do good old financial planning for someone who only thought of it as investments,” she said.

It also means patiently listening and providing emotional support, as these new clients will likely have a lot of concerns in a frightening time, Zohlen said.

“We are definitely seeing an influx. It is more challenging than it has been in other downturns, because you have to find new, digital places to meet clients,” said Evan Beach, director of wealth advisory at Campbell Wealth Management, in an email. “People are definitely scared.”

That firm has shifted its in-person classes online, and there has since been a higher rate of new appointments, Beach said.

Friendly references

Most of the people are being referred by friends and family, financial planners said.

“All the new clients have come unsolicited. All of them realized that they just don’t have the expertise to do this, especially given the chaos in the markets, and really need the guidance of a planner,” said Kashif Ahmed, president of American Private Wealth.

At one firm, Neal Financial, the majority of the new customers are the adult children of existing clients, financial planner Jason McGarraugh wrote in an email.

“Most of these new clients have never had the big picture presented to them and are watching their 401(k) balances evaporate,” McGarraugh said. “In the case of one new client, I was able to show that when his mother was his age, she was in the middle of the dotcom bubble bursting and 9/11 not long after. It helped him to put things in perspective and view his long-term retirement accounts as long-term, not emergency funding sources.”

Planners should think of their work as a public service right now, Zohlen said. That can mean telling existing clients that they are available for any friends or family who are struggling, she said.

“That is a very soft pitch to somebody, and it falls on ears favorably,” she said.

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