



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Powell's Poison? + One Sentence for The Turmoil – June 24th 2022

#TGICF

The Market Speaks?

Berkshire is a dyed in the wool, bottom-up stock picking shop. We generally eschew "macro". But the market does speak. It has a voice and it's important to discern what it's saying. "We got *this...sorta*." In many ways the recent equity market stabilization and decline in rates is welcomed. "We've got inflation under control" -- A deeper look may be slightly more concerning. Is the recession trade "on"? Feels like it. Bond yields are falling fast, growth stocks are rallying, and so are defensive sectors like health care, utilities and REITS. Commodity prices are getting pounded. Whew. What a ride! And this week Jay Powell says the poison he will pick is...recession. Before everyone freaks out, we ask the following questions. What if a recession is already priced in? We've had a huge decline already. What if we go into recession but it's milder than people expect. It's possible. What if we have a recession but no credit cycle unfolds? Bank underwriting and reserves appear solid. So, while the media freaks out and tosses the word "recession" around, second and third level thinking should help advisors counsel clients.

One Sentence for The Turmoil?

There is no shortage of market prognostication. But what's the one sentence clients really want you to say?

Hint...It's not:

- "I think the market is going to bounce back soon" (maybe it will or maybe it won't)
- "I think you should raise cash" (too late?)
- "Want to take a flyer on some crypto?" (no comment needed here)

It's: "I've reviewed your accounts. Despite the market turmoil **your plan is still on track.**" Repeat. "**Your plan is still on track.**" This assumes, of course you: have a detailed well written plan, you've already prepared clients for downturns like this, and the plan really is on track. Managing expectations is everything.

This sentence shows you review accounts regularly. It shows you are proactive not reactive. It shows you are considering a range of scenarios. Contemplating some new recommendations? That's totally fine and welcome if presented correctly. You might want to prep clients in advance by discussing the conditions that will justify changes. This way they will be ready to move when you think timing is right.

Example "if rates go up another x bps I'll be suggesting we add x% to fixed income so we can generate more income and reduce risk. Or "if equities drop another x% I'll call you to suggest we reallocate x% to this equity strategy so we capitalize on lower valuations and potentially add to your ending net worth." Pointing out different suggestions in different scenarios demonstrates you are actively evaluating and monitoring a range of possible outcomes in the context of the overall financial plan.

Go on offense. Reinforce long term strategic opportunities vs. reacting to their near term fears. You are in charge. This is you demonstrating advisor leadership at a time clients need it most.

Coming Attractions:

"How To Enhance Your Practice Through Outsourcing"

-a PRACTICAL guide that outlines the business case for UMA's and specific action steps to increase your effectiveness.

"It's a Great Time To Be a Financial Advisor"

-by popular demand, our first VIDEO capsule that outlines challenges and opportunities for today's advisor...and you can structure your business to thrive in an evolving landscape.

Stay tuned and have a great weekend!

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