

Finance

How to handle choppy markets

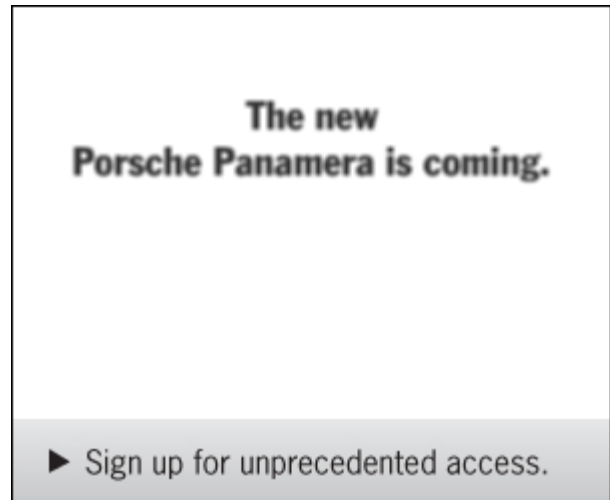
Spooked investors have been stampeding for the exits, purging their portfolios of anything they can sell. This reaction wasn't supposed to be part of the plan.



By [Gordon Powers](#)

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As many as 80 per cent of investors are stressed about their personal finances and the economy, according to a recent survey conducted by the American Psychological Association. Hardly a surprise, given that most of them never anticipated this kind of stock market upheaval.

What's the solution? Well, right now, it's all about keeping a cool head and not following the herd. And, the best way to do that is to review just how you got here in the first place.

When people start to worry about money, their thoughts often run much deeper than what is in their portfolios. A market meltdown like the one we've been experiencing can often be a gateway into unresolved family histories and insecurities.

If this sounds familiar, have a look at "The Financial Wisdom of Ebenezer Scrooge" by father and son psychologists Ted and Brad Klontz.

The authors outline what they call money scripts - strong feelings that you may have learned young, such as "You can't trust anyone when it comes to money" or "If I just had more money, things would be better."

By examining such deep-seated beliefs, you can get a better sense of what may be holding you back today, they suggest.

When mapping out a plan, some advisors use boilerplate templates, and then try to cram their clients into them. This approach doesn't work and things tend to unravel when times are tough.

In comparison, life planning is a process that motivates you to think first about what you want from life. Only then does the conversation turn to how to get there using personal and financial resources.

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It's no longer about experts telling clients what they should do. It's about you telling advisors what you want to accomplish, and then both of you deciding the best way to get there.

This way, strategies don't pivot on things like interest rates, credit crunches, or rates of return - which

you can't control anyway. Instead, both you and your advisor spend your time talking about serious dreams that you feel will make your life richer.

It's not as flakey as it sounds. Truth is, a bit of self-reflection can actually be a source of strength, helping you to do the right thing - which, this month, is all about staying calm.

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The best known goal-setting exercise is likely the creation of George Kinder who developed an exercise to get you to focus on your life's real priorities. Initially, Kinder posed three questions:

1. Assume you have enough money to do what you want to do. What would you do with it? How would you live?
2. Your doctor discovers that you have a fatal illness. You feel OK, but now know you'll die within a few years. What would you do?
3. Your doctor suddenly announces that you only have 24 hours to live. What did you miss? Who did you not get to be? What did you not get to do?

For most people, the first two questions tend to focus on material things: cottages, travel, or golf courses. The third question, however, is all about squandered opportunities: regret over broken relationships; devoting too little time to family, or poor career choices.

It's the answer to the third question, Kinder maintains, that provides the central clues for advisors in developing a worthwhile life plan.

A few years ago, advisor High Massie came up with an evaluation process that he calls Financial DNA. As the name suggests, Financial DNA is designed to get to what he calls our natural hard-wired behavior.

Everybody has things that they do as a result of who they are and their experiences growing up, he says. We might subconsciously have a sense of how we make decisions and think about money, but most of us don't really grasp this at a conscious level.

To uncover these root causes of investment behavior, Financial DNA profiles consist of a series of questions, each with four possible answers - at least two and sometimes four of which will likely apply to you, so you have to sort which is the most and least relevant.

Once the data have been gathered, your investment personality is classified into one of 16 different basic profiles, based on your strongest and weakest tendencies.

You might find that you're a "harmonizer" who requires a lot of stability in your life and is heavily dependent on a detailed plan. On the other hand, the "striver" would be very business focused: the kind of person who sets a goal and chases it, needing a little hand holding during the process.

Advisors who use Financial DNA like the process because it answers many questions that can scuttle a relationship: How likely is the client to trust me? Will he or she value the relationship with me, or just the investment results? Does she enjoy taking chances? Can he live with the consequences? Does she really understand risk?

Financial DNA also provides a set of clever psychware tools which are designed to uncover your goals, core values and finally, your life purpose. Once you've got that, the money stuff can prove relatively straightforward.

Ask your advisor for more details.

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