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The Next Big Thing Is Here: NOW WHAT?

Market dynamics, investor uncertainty, and financial strategy in times of disruption

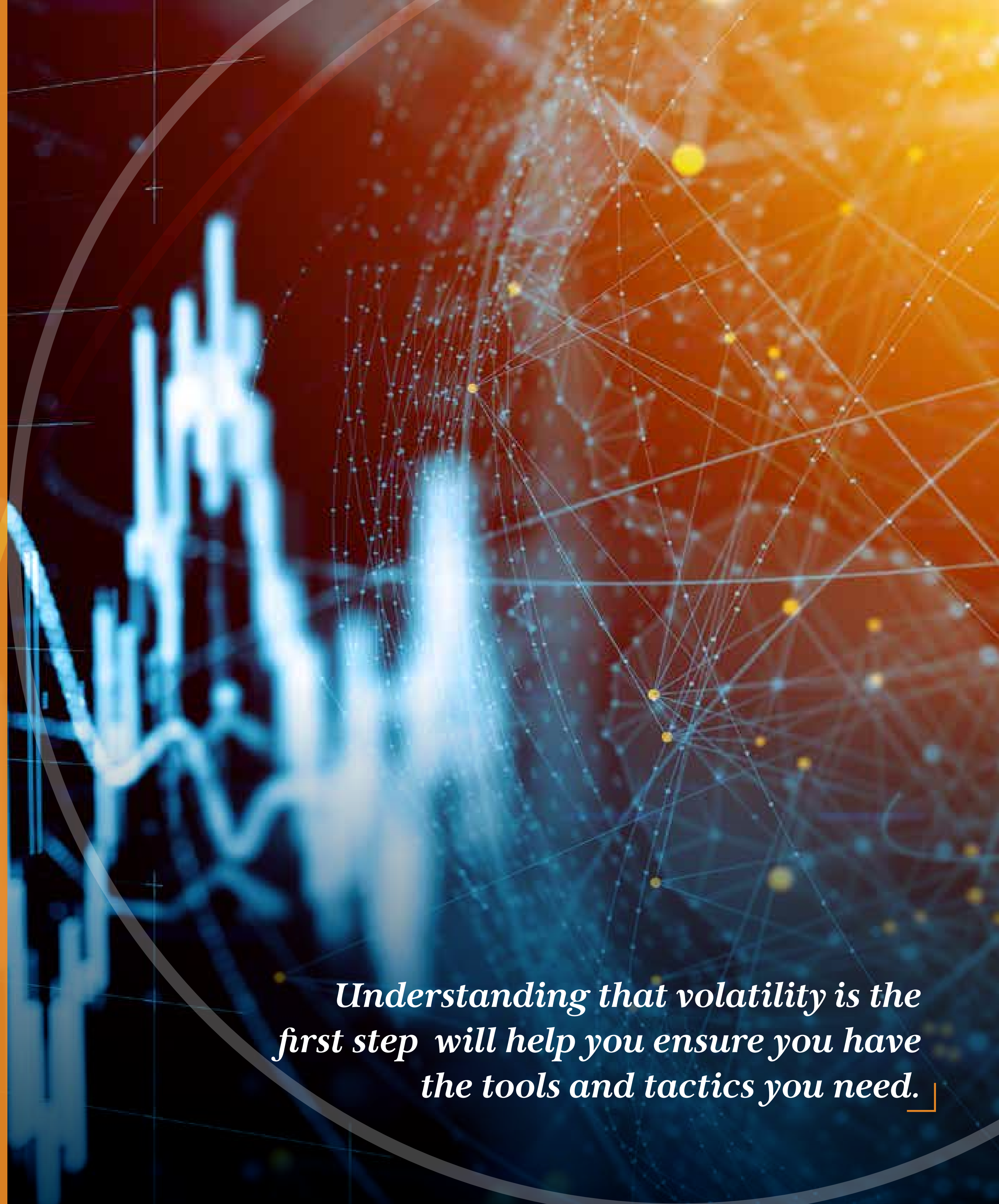
While the full impact of the still-evolving COVID-19 pandemic is unclear, it is apparent that public health crises can have a dramatic impact on the financial markets. The combination of widespread economic disruption and indeterminate outcomes can lead to understandably nervous investors and plunging markets.

In this time of uncertainty, it might be comforting to recognize that while the scale of this disruption is historic, the underlying dynamics are extremely familiar.

For better or for worse, market volatility is a fact of life.

Understanding that volatility—what drives it, how investors and financial professionals typically react to it, and what should and shouldn't happen in a crisis—is the first step in making sure you have the tools and tactics you need.

Because once you understand the lay of the land, and have identified the obstacles in your path, you can set a course that will help you to navigate this—or any—crisis and emerge on the other side.



Understanding that volatility is the first step will help you ensure you have the tools and tactics you need.

We can learn from the past. We can plan for the future.

Past is prologue

There is a long history of big events that drive market disruption, stretching all the way back to the Great Depression in the 1930s.

- National disasters
- Political upheavals
- Recessions and major economic downturns
- Geopolitical events
- Energy market disruptions
- Health scares

That last category has been a particularly rich source of trouble, from HIV/Aids to Bird Flu and Swine Flu, and, more recently, with Ebola, Zika, and now the COVID-19 pandemic.

The unfortunate reality is that *any* extended period of economic growth is vulnerable to a downturn, and to investor overreaction in the face of crisis. It's human nature to think the good times will keep going, and it's human nature to do a dramatic U-turn when circumstances change. There's an old joke that the Stock Market is a "mass psychological experiment gone wrong," but that joke has a basis in reality. We think of these indices as made up of dollars and cents, but we are reminded in times of trouble and turbulence that they are fundamentally human commodities: a market that is trading in confidence—or a lack thereof.

We *can* learn from the past. We *can* plan for the future.

But first we have to recognize the challenging dynamics at play when a crisis hits and the markets tumble.

Past performance does not guarantee future results.

Obstacles and opportunities

FEAR, GREED AND TIMING

As Warren Buffet famously observed, so much of what drives investing decisions comes down to fear and greed. And that the key to long-term investing success is to "…attempt to be fearful when others are greedy and to be greedy only when others are fearful." Good advice. But it can be difficult to follow, given the natural instinct of investors (and even some financial professionals) to want to follow the herd.

But that can get you in an awful lot of trouble.

If you can use the levers of fear and greed to your advantage, however, you may have the potential to make good things happen. We don't have to look far in the past to see just how dramatic the difference can be. If you were an early buyer during the recession of the late 2000s, your rates of return were more than double than those who hesitated to buy back into the market.

THE "WINNER" PARADOX

The biggest reason why fear is such a powerful motivator is because the fear of losing is so powerful. People don't like to lose. But even more important, they don't like to be perceived as a loser. The urge to want to be a part of shared successes can overcome a lot of good decision-making. While that might give you short-term affirmation, that isn't the formula for long-term success.

THE DISCIPLINE CONUNDRUM

We believe the key to long-term investing success is discipline. But discipline is hardest to maintain when times are tough. This dichotomy explains why so many smart investors and financial professionals who *know* the right thing to do end up failing to stick to their principles during a significant market disruption.

Discipline is especially important because there are always groups and individuals out there touting their formula for success. The catch is, that formula is almost always based on what worked last time. But the next crisis will be different. Which is why getting tied to—or enamored with—specific strategies is a mistake. Instead, work on your approach. Cultivate the right mindset. If you are prepared to make decisions the right way, and for the right reasons, you have the potential to ride out any storm without sinking—and emerge with a potentially stronger, more seaworthy vessel on the other side of any crisis.

“By failing to prepare, you are preparing to fail.”

—BENJAMIN FRANKLIN

The best financial professionals

What do the best financial professionals have in common? What do they do differently in times of crisis? How do they talk to their clients? What decisions are they making? And, perhaps more importantly, why are they making those decisions?

A COUNSELOR MENTALITY

As any successful financial professional knows, their job is about so much more than just buying and selling. Financial professionals should serve as true counselors, talking to their clients about market risks, about the fact that these events, while rare, will happen, and helping them understand what will happen to their portfolio when that happens. The best financial professionals take it a step further: they talk to their clients about how they are likely to feel when unforeseen events happen—and explore what steps they can take together when that happens. By preparing their clients for those things on a *personal* level and putting macroscopic market forces into a relatable context, they are setting their clients (and themselves) up for financial confidence. In other words: communicating effectively with clients to manage expectations means helping them understand not just the market, but themselves.

PREP FOR SUCCESS

On top of the pandemics and disasters and other Black Swan events that drive big market shifts, smart financial professionals need to pay close attention to subtle indicators within the market. You can’t anticipate the next global shock, but there are almost always warning lights on the dashboard of the market that may let you know when the good times have gone on a little too long for comfort. Recently, the Yield Curve inversion was one such indicator that let us know that the near-unprecedented stretch of economic expansion was skating on thin ice. A good financial professional not only pays attention to those signs, he or she starts planning for the next event before that event happens.

Because the reality is, aside from avoiding making bad or impulsive decisions, there is only so much you *can* do in the midst of a crisis or a market upheaval. Like in any emergency scenario, it’s the work you do *before* the crisis hits that really matters. Does everyone have a life preserver? Are there enough lifeboats? Do passengers know the drill? You can’t avoid every iceberg, but with strong preparation, you can make the best of a bad situation.

THE TEACHER MUST BECOME THE STUDENT

While the best financial professionals are educators—they are also students. They are flexible and open-minded, willing and eager to hear about new products and new strategies, constantly striving to evolve and improve and make better use of the diversity of products and possibilities available to them.

BROAD SPECTRUM NEEDS—AND BROAD-SPECTRUM SERVICES

The best financial professionals seek to serve their clients in four distinct areas:

- Build wealth
- Manage wealth
- Wealth preservation
- Distribute wealth

Far too many financial professionals are focused exclusively on the managing wealth. But that's like being a chef who is only serving the food. Not cooking it. Not preparing it, discussing meal preferences or coming up with new recipes. It's not enough.

And events that have a profound impact on the markets also have a profound impact on entire portfolios—and entire lives. Financial professionals that are properly licensed and have a full suite of resources available to them can help their clients with insurance policies, provide guidance for real estate transactions, assist with tax strategies, and provide support to help them safeguard their finances, families and future.

Potential cash flows/returns are not guaranteed and could be lower than anticipated.

Financial professional that are properly licensed and have a full suite of resources available to them provide valuable support to help their clients safeguard their finances, families and future.

Steady as she goes

Crises are inherently scary and disruptive. The market turbulence that follows can be disorienting or worrying in its own right.

Which makes it all the more important to remember that long-term investing success is more about avoiding the major loss than achieving the greatest gain in our opinion.

And to be heartened by the resilience of capitalism and the spirit of innovation and the entrepreneurial energy that we feel will always and ultimately prevail. An energy crisis might lead to a surge in alternative energy solutions and better battery technologies. And, biotech and pharmaceutical innovators will respond to this pandemic with a vaccine or other viable solution. No matter how profound the disruption, we *will* come back.

Great financial professionals are like pilots, working to reassure their passengers—while reminding them that they need to put their seatbelts on prepare for some turbulence.

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We understand during uncertain times it's more important than ever to have access to credible resources to instill confidence, especially from your financial professional. Concorde empowers financial professionals to provide asset management solutions to their clients in transparent and financially responsible ways. Concorde offers a flexible model with more than 250 different strategies available on our platform for financial professionals to create and customize financial portfolios based on the unique needs of each client.

YOU CAN LEARN MORE ABOUT CONCORDE'S THREE LINES OF BUSINESS—**Concorde Asset Management**, **Concorde Investment Services** or **Concorde Insurance**—by visiting our website or by setting up a call with us and your Concorde financial professional. If you don't have a financial professional or are unhappy with your current situation, we can refer you to one of our 50+ firms and find the right firm that fits your financial goals and needs.

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