



A Tale of Two Economies

While many investors enter 2010 with a sense of relief and optimism, as their investment portfolios rebounded significantly in 2009, the same optimism does not filter through to the prospects for the economy as a whole. Unemployment remains high and economic uncertainties abound. Even among sanguine investors, economic concerns are present. My portfolio may be recovering, but is my job safe? Can I really afford to buy that luxury item?

As a financial services professional, these trends have important implications for how you run your business and how you interact with your clients.

Starting with the economy, economists seem split on whether we are headed for another retraction in 2010 (a double-dip recession) or if the economy has seen the worst (a V-shaped recovery). As is usually the case, the week-to-week economic statistics are inconclusive. Housing has shown some signs of a rebound, but uncertainties persist. Credit conditions remain tight, and worries remain over credit card delinquencies and commercial real estate. And unemployment concerns linger and will do so into the foreseeable future.

While 2009 was a surprisingly stellar year for the global stock markets, students of the market know that corrections are an inevitable part of bull markets. Despite optimism that 2010 will be another overall good year in the markets, increased volatility is expected; the unsettling question is whether a normal bull market correction of 5%-10% will occur or if economic uncertainties will accelerate and cause the market to pull back and test its March 2009 lows.

The dichotomy between the financial markets and the general economy will impact your business regardless of whether these trends converge in 2010 or not. The net result of these two phenomena is that 2010 is shaping up to be another roller coaster year. No matter how the economy and markets ultimately perform, clients will undoubtedly need a lot of guidance and hand-holding. Some points to consider:

- 1) Focusing on what happens in 2010, while important, masks the importance of thinking long-term. It's easy to fall into this trap with the availability of instantaneous news and analysis and the media's focus on the here and now. But since we emphasize that clients should focus on a 3-5 year timeframe at a minimum, so as not to make knee jerk reactions, should we not do the same with our businesses?



2) It's important to take the time to thoroughly review your communications strategy. Do your constituents, both internal and external, understand the adjustments that you have made and that you have positioned yourself to be one of the long-term winners?

If you made structural changes to your business in the past 18 months, make sure that they were the correct ones. With the benefit of hindsight, take the time to analyze if your business is positioned properly or if further fine-tuning is necessary.

3) And perhaps most importantly, understand that clients have been permanently impacted by the events of the past 18 months. The reality of retirement has been altered for many baby boomers. While clients may be happy because of the stock market rebound, don't forget that they are still likely down double-digits overall. And the continued negative press about the financial services industry - and banking in particular - is sure to keep clients leery.

We point this out because it's easy to become complacent when markets recover. But the severity of the problems experienced to date, and perhaps still to be encountered in 2010 and beyond will have ramifications for years to come. We recommend that you:

* **Evaluate your business from a strategic point of view** to ensure that you are doing everything you can to maximize your competitive position. The Strategic Assessment Outline available on our web site provides a comprehensive list of areas that should be appraised;

* **Assess your client servicing capabilities** to make sure that you are being proactive and providing a client experience that is unique and continually differentiates you from the competition; and

* **Continually educate your clients** on the economy and financial markets so that they know that you are in touch with the "real" world. Now is the perfect time to sit down with each client to make sure that their investment plans remain appropriate.

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Please give us a call to discuss how we can partner for success.

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