

**Vanguard®**

For advisors

## Adding value through behavioral coaching

One of the most valuable services you can provide as a financial advisor is **behavioral coaching**. You can help clients ignore sensational headlines and other market “noise” by serving as an emotional circuit breaker and coaching them on the strengths of a balanced portfolio.

### Effective behavioral coaching means you:

- Use a financial plan as the anchor.
- Set clear expectations at the start of your relationship.
- Help clients remain calm during periods of market volatility.
- Spend more time developing relationships, not reacting to markets.

While the first step in developing a meaningful advisory relationship may be to help clients create realistic financial plans, the next step—helping clients stick to those plans when emotions run high—is more challenging.

Sharing a core set of investing principles with your clients can differentiate you from your peers, add value to client relationships, and help clients make decisions that give them a better opportunity for investing success.

Share these **four** timeless investing truths with your clients:

## GOALS

It all starts with the financial plan as the anchor. Clearly defining investment goals and being realistic about ways to achieve them can help protect your clients from common mistakes that could derail their progress.

## DISCIPLINE

Because investing evokes emotion, helping clients maintain a long-term perspective and a disciplined approach should benefit even those who are sophisticated investors.

## BALANCE

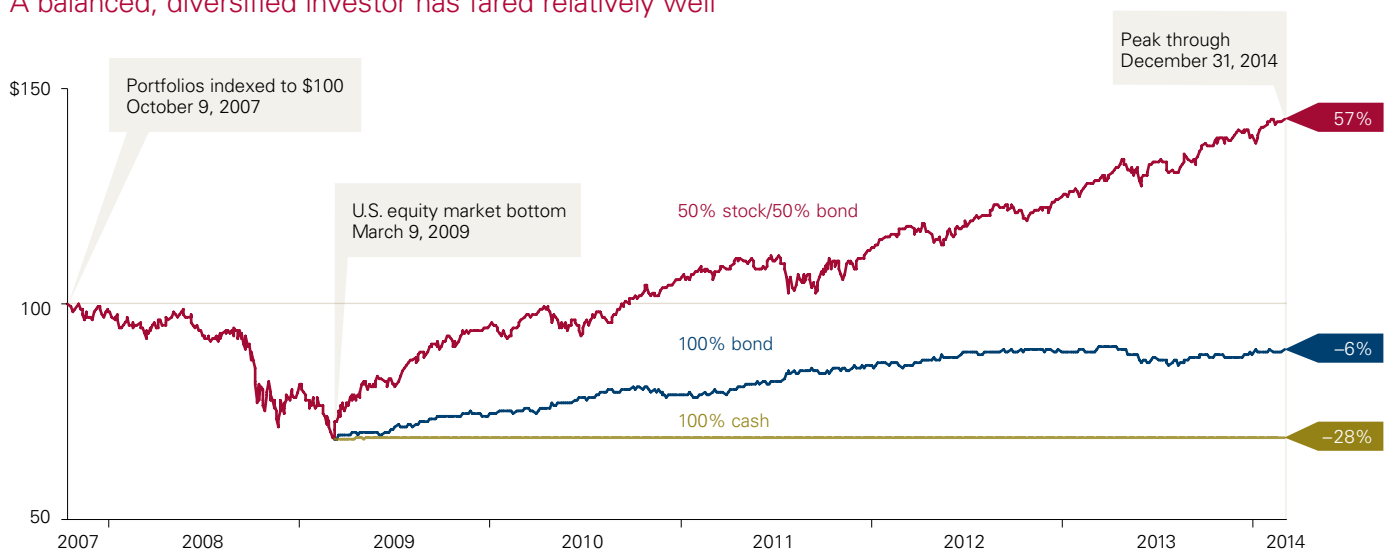
Diversifying a portfolio across the financial markets should make it less vulnerable to the impact of significant swings in performance by any one segment.

## COST

The lower the costs, the greater your clients' share of an investment's return. And research suggests that, historically, lower-cost investments have outperformed higher-cost alternatives, on average.<sup>1</sup>

<sup>1</sup> Source: Vanguard calculation using data from Morningstar, as of December 31, 2014.

A balanced, diversified investor has fared relatively well



Source: FactSet.

Notes: The 50% stock/50% bond portfolio is represented by the Standard & Poor's 500 Index and the Barclays U.S. Aggregate Bond Index (rebalanced monthly). The 100% bond portfolio is represented by the Barclays U.S. Aggregate Bond Index. The 100% cash portfolio is represented by 3-month Treasury bills.

Past performance is no guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

This is a hypothetical illustration.

Remember, as a behavioral coach you are there to act as your clients' emotional circuit breaker. You will reassure them and keep them invested during the tough times and help them rebalance their portfolios even when market trends are all pointing upward. Behavioral-finance research shows that investors are often their own worst enemies.

## Tips for becoming a successful behavioral coach

- **Implement** key principles for investing success.
  - Stress that the financial plan is the anchor.
  - Set investment goals that are measurable and attainable.
- **Educate** clients about maintaining perspective and long-term discipline.
  - Gain their understanding and buy-in of your portfolio construction approach.
  - Reiterate that the plan is based on attaining personal financial goals—not outperforming the markets.
- **Communicate** frequently with clients, with empathy and understanding.
  - Set clear expectations.
  - Use ongoing and consistent communications.
  - Practice emotional sensitivity.
- **Promote** a view of the big picture.
  - Refocus clients' attention beyond the performance of individual investments to that of their entire portfolios.
  - Coach clients to evaluate their progress toward reaching their long-term goals.
  - Counsel them during moments of emotional crisis.
  - Use stories of how staying the course through past market corrections rewarded investors over the long term.

By being a successful behavioral coach, you may save clients from significant wealth destruction and potentially add percentage points—rather than basis points—of value to their portfolios.

To learn more, contact Vanguard Financial Advisor Services at 800-997-2798.



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