After Bad Moves, Nimble Advisors Learn To Bounce Back

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Top financial Advisors like Curt Whipple (from left), Mark Berube and Kevin Meehan confront and analyze their blunders.

Financial Advisors learn early in their career that fallibility comes with the territory. Counseling people on their investments means that at least some of the time, you'll steer them into a ditch.

The real test is how you respond. By treating short-term mistakes as a chance to learn long-term lessons, you become a better, more enlightened advisor.

When reflecting on their most damaging errors, some advisors blame their own judgment. Others lament the poor training they received or misguided career moves.

Yet what separates top advisors is their willingness to confront their blunders with clear-eyed objectivity and analyze what went wrong and why. They pounce on mistakes as golden opportunities to learn and grow — and they apply those lessons to become more successful.

Red, Blue, Green

In 1987, Curt Whipple was a young financial advisor with no experience weathering a bear market. When stocks crashed in October of that year, his clients took a beating.

"I thought my clients were well diversified based on how I was trained to do it," said Whipple, president and chief executive of C. Curtis Financial Group in Plymouth, Mich. "But I didn't realize I wasn't properly diversifying their investments until everything fell off the charts. I was sick to my stomach. I couldn't sleep."

Whipple leveled with his clients and urged them to stay the course. But some of them left his practice after taking steep losses.

Determined to learn from the 1987 Black Monday crash, Whipple revamped his diversification models. By 2000, he had devised a simple, color-coded strategy to help him explain diversification to his clients — and gain their buy-in.

He created a pie graph that represented each client's investments. He labeled assets red, blue and green.

"Red investments are tied to Wall Street, while blue investments are uncorrelated to Wall Street, such as gold, silver and real estate," Whipple explained. "Green represents safer cash investments such as Treasuries, bank accounts and fixed-index annuities."

In periodic meetings with clients, he discusses their customized pie graph and invites input. They might say: "I don't want as much red money. Let's shift more to green."

The new approach demystifies asset diversification and enables clients to play an active role in the process. While Whipple's clients can still sustain losses, they are more educated about risk and less likely to be blindsided by market swings.

In some cases, advisors get caught up in a chance to branch out. Buoyed by their success in building a thriving practice, they take their eye off the ball and suffer the consequences.

In 2004, Mark Berube decided to start a hedge fund while continuing to provide financial planning. He told his clients that he would keep advising them while he built the hedge fund, adding that he wouldn't take new clients.

"My thinking at the time was to do right by my clients," said Berube, president of Patriot Advisory Group in Portsmouth, N.H. "I was confident I could keep my promise of service to them."

But Berube's hedge-fund involvement led him to adopt a different investment philosophy. He abandoned his long-term perspective in favor of making quicker, more aggressive market moves.

"I stopped applying long-term market trends that had served my clients well," he said. "I started looking at stuff day to day, month to month. Because I was so focused on the short term, my clients got hurt.

Berube closed the hedge fund in 2011 and rededicated himself to communicating more regularly with his financial advisory clients about his long-term investment strategy. In recent years, he has invited clients to join 30-minute conference calls every five weeks in which he reviews market conditions and answers their questions.

Managing A Different Path

Like Berube, Kevin Meehan built a successful practice only to make a costly career move. After two years as an advisor, his employer — Lincoln Financial Advisors — asked him to go into management.

"The draw of getting a salary and revenue-sharing appealed to me," said Meehan, now regional president of Wealth Enhancement Group in Itasca, Ill.

From 1987 to 1999, Meehan rose through Lincoln's management ranks to become a regional chief executive. At one point, he oversaw four offices and 100 Advisors.

"It was a lot of stress and a sense of loss of control," Meehan recalled. "And it took me farther and farther away from doing financial planning."

In 2000, Meehan decided to help launch a new advisory firm. Today, he's committed to doing what he most enjoys: counseling clients.

"Had I never stopped my full-time practice, I would've become a better practitioner sooner," he said.