TRANSCRIPT:

Mary: Welcome to today's episode of Vandenack Weaver, Truhlsen law visionaries, a weekly podcast discussing updated legal news, as well as evolving methods of providing legal service. My name is Mary Vandenack I'm CEO, founding and managing partner of Vandenack Weaver, Truhlsen LLC and I will be your host. As we talk to experts from around the country about closely held businesses, tax trusts, estates, legal technology, law firm, leadership, law, practice management, and wellbeing. On today's episode. My guest is Ross Rolking. Ross is a senior lead advisor and business development with foster group. Ross has significant experience in wealth management and is well known for some of his sports analogies related to financial planning. I asked Ross to share some of those analogies today. Welcome Ross.

Ross: Thank you, Mary. Appreciate you having me on.

Mary: So, I'll just start right in with the sports analogies. So, in sports we sometimes hear the best offense is a great defense. Can that be applied to the financial planning world?

Ross: It absolutely can, although there is a line also that the best offense is the best offense. So, but certainly in financial planning and defense is really, really important, and probably no more so than right now, the times we're living with the market decline in some of the uncertainty, both politically and you know, with inflation and other pressures that are putting on folks a good defense really comes in the form of lessening concern amides these times of uncertainty. So, think for instance just emergency cash, right? So having dollars on the sideline, they give people room to breathe when they see 401k statements show up in the mail and, and dollars are declining think insurance so making sure that there's replacement income in the way of if some catastrophe, whether it be health or life comes you know, into someone's, situation allocation as well. So, making sure that someone's stock portfolio also has some level of defense in the midst of a market decline in, and knowing that there are dollars on the sideline in the form of high credit quality bonds, whereas if distributions are needed, they can tap into those.

Mary: So top three things that I would need to do, like if I'm thinking about my offense and today, we just saw that the stock markets have gone down as we're recording mm-hmm <affirmative> the last couple days we've gotten that kind of bad news all week, right? Mm-hmm <affirmative> so if I go home tonight, I say, what are the three things I need to handle? What would those top three be? Because I heard quite a few on the list. So, I just want to say kind of identify the top three if we can.

Ross: Yeah. So first of all, would just be that cash again, right? So regardless of what life throws at us, we want to make sure that there is something to tap into that isn't going anywhere now, cash isn't going to make you any money. If that makes sense, right? With interest rates being paid out by banks, you're not going to get in front of inflation or you're going to grow your wealth. But for the short term, playing defense amounts to having significant release sizeable amounts of cash on the sideline, upwards of three to six months’ worth of living expenditures, right. If I lose my job, if the business goes out if the furnace goes, whatever it is that requires, some access of liquidity. So that's the first one second one would be simply to check in on your insurance status. So, you know, in our industry, a lot of folks you'll ask them well, what do you have in place for life or disability, right? If something were to happen, which obviously would be unforeseen most folks, a lot of times can't tell you what they have in place or where it's at or how to articulate that to a loved one who might need to pull upon those items, in a situation like we're in now. So emergency cash check on insurance and third would be that allocation bit and when I say by allocation anybody who has an investment portfolio typically there's a line in the sand there's equities. So, we think of those as stocks and bonds think of that as fixed income, those two pieces move well they're certainly uncorrelated and so on a time like this, that we're living in, or anytime you see a market decline which you don't have to turn on the news to know that we're in a market decline, actually officially today we entered into bear market territory. So that was declared today, meaning we're 20% down from the top of the market that gives a lot of folks stress. One of the ways to continue to breathe is when you check your allocation, make sure that either today or going forward, that you have some level of fixed income inside of your portfolio what that does is that balances out just the ups and downs of the overall portfolio, to the tune where if you were in the stage of buying a house and you needed to pull from your portfolio or you were entering retirement and you didn't like obviously the decreasing values of your equity side, the bond side of the portfolio that fixed income side of the portfolio will typically hold up its value. So we can tap into those holdings for distributions and let the equities recover in a time where again, we find ourselves now.

Mary: Can you end up too much in cash because you're afraid?

Ross: Oh for sure.

Mary: To get that news, it's a bear market and you have it, you decide to liquidate everything. That's not really the moment to switch to cash

Ross: No, that's the worst time actually You know, our neighbor meaning our Omaha neighbor, Warren Buffet, Randy has a famous line that says fearful when others are greedy and greedy when others are fearful and there's a lot of fear right now so, but that doesn't mean that it's not a good time to invest either. There's a right answer for everybody specifically. So for, in the advisory world, for us to give a recommendation on how much cash to have, well, that's really specific to someone's situation whether they're in retirement near retirement or just fresh out of college, looking ahead and knowing what do we need that cash reserve to be, will be specific to the individual. So, you know, go back and go back to sports, right? if I was a coach, which I coach a number of softball teams today, youth softball teams, right? Wildly different levels of talent and acumen to the sport, they all have different needs for practice purposes and game execution and so for me, just to apply the same standard, all of them would be silly, right? We wouldn't get the result that we're looking for. So it's, it's really understanding what is needed in that particular situation and then sticking to it and not letting fear or elation kind of drive those irrational decisions.

Mary: So, I love your sports analogy. So let's talk about the game saving plays. Mm-hmm <affirmative> so let's say somebody's not structured in a way that makes a whole lot of sense right now, are there any game saving plays that can kind of be somewhat safe? And I assume those are again different a little bit by the person's situation, but any generalities?

Ross: Yeah, sure. Well so first of all, game saving plays, when I think of a game saving play, I think about watching ESPN at night and seeing just dramatic diving catches in the outfield, right? Or maybe on the basketball court, someone getting a steal and going down for a dunk, there are dramatic plays that a lot of times are given this idea of that. That was a game saving play in the financial planning world. This probably, maybe isn't the answer everybody's expecting or looking for, but really game saving plays are the blocking and tackling. It's making your lay ups, it's catching the ball and throwing the ball it's doing the expected things correctly and not relying on some dramatic play at any particular point to save somebody. It starts now the people who are more nervous and fearful right now are the people who not entirely, but probably for the most part haven't planned will always have moments like this. Always think back to 2007, 2008, fourth, quarter of 18, , the start of the pandemic. There are always going to be moments there'll be labeled something different, but there'll always be moments of calamity the best way to navigate through those is not to hope for rely on a game saving play it's to work on the foundations on the front end, if you get yourself in that situation. Obviously. So if, if somebody was listening to this thinking, well, shoot, I haven't planned I'm in this moment now, what do I do? The best thing is to do really nothing, at least for the time being right, surround yourself with someone who at least can provide some objectivity in that particular situation, whether it's an advisor or just a, a trusted associate of some sort making sure that next steps are not made just with emotion but are made rationally,

Mary: Which brings us to the term teamwork. Mm-hmm <affirmative> in financial planning. So you have somebody in panic, they're gonna be best paired with somebody who's not panicking. Who's objective. So where else might teamwork apply?

Ross: Yeah. Teamwork specifically we like to say a lot of times that no one person has all the answers inside not only of our firm, but the industry as a whole same thing on the sports field, right? No one person can win the game for you let's think of the best athletes out there, right? Tom Brady maybe a LeBron James. I mean, none of those folks would be able to win championships win games, right? Without a certain cast of characters around them just the same in our world playing team with a client or a client playing team with an advisor relying on one particular individual to have all the right answers or the right advice.

Mary: So, the team as a whole, then you have different roles on the team is what you're saying in any of these great players can't would not be stars without being surrounded by a good team. Mm-hmm <affirmative>. So in the financial planning world team selection is probably as important as it is to who we're gonna surround LeBron James with, or Tom Brady. How do you in the financial world choose your players?

Ross: Yeah, well, our industry like it or not is labeled with a lot of mistrust. We're an industry that a lot of folks have some adherence to engaging an advisor. We've done it to ourselves. And when I say we I'm just painting broad strokes in regards to how our industry has tended to advise people in the past, meaning there's been a lot of selling, there's been a lot of commission based work. There's been decisions that, advisors help people make that aren't necessarily in their best interests. So, for us and typically you know, building a team, it comes down to how you care about people trust is number one. So when we build a team, when advisory firm builds a team, when a client goes about looking to create their own team of advisors, seem to find somebody that they can trust that will honestly show care for the individual.

A lot of times we think that, well, you've got to find the smartest, right? Or the one who's the expert in X, Y, and Z category. No, not necessarily. This doesn't have to be complex most poor financial decisions are made just on emotion in an opportune times, a lot of times it's just hand holding and being available for people so when you think about how do you build a team, it just starts with people. How do people care for others? And is that that at their heart? Or is it just a matter of, they're just looking for a paycheck.

Mary: So how does a customer ascertain that, are there some questions they can ask a potential advisor to help distinguish the type of service they'll get? Whether there's a true level of sincerity and caring?

Ross: Yeah, for sure. We like to give prospective clients three questions, right? And this is, this is scalable across the board first question is, are you a fiduciary? That one is that particular question just identifies it's a yes or no either you're going to act in my best interests or you're not legally bound act in my best interest. So yes or no on that. Second question is how are you paid? So do I pay you and only you, or do you get revenue sources from others? Are there conflicts of interest? Third question is how do you invest your own money? Right? So if a prospective client is asking one of our advisors, how we invest their own money and it's wildly different than how we would advise a client, they invest their money. There's something off, something needs to be explained. So those three simple questions, a lot of times can identify, Hey, is this the right team for me to build? Does this advisor make sense to be on, on my team?

Mary: So in that fiduciary issue, I just want mention that we're gonna do another episode talking about that issue, because we think that's a really important concept in financial planning and estate planning and related topics. So, when it comes to assembling the team, you've talked a little bit about financial advisor, but most of the clients I work with need more than a financial advisor. Mm-hmm <affirmative> so as part of the team, more comprehensive than that. And how do you assemble the rest of it?

Ross: Yeah, for sure and would you like me to respond to that on behalf of the client or the advisor?

Mary: Both would be great. Okay. Want to do that both ways? Yeah.

Ross: Well think about the fallacy of first of all, building a, a team. I'll go back to my analogy of coaching, couple of softball teams, right? If, all I did was focus in on pitchers, which isn't a bad idea, right? Let me get a bunch of good pitchers. Well, if I don't have a good catcher, none those pitchers do me any good. Really it's the same in the financial planning world with the client and advisory relationship that advisor can only do so much, right and if they don't have someone who sits in the tax seat, someone who sits in the estate seat someone who sits in the insurance seat we're, there's gonna be blind spots. There's going to be misses right. There are going to be decisions that are either made incorrectly or not made at all, really so going about establishing the advisor can certainly help create that team. Now, you know, this gets into kind of a gray area, right? Some advisors will do all those things I just listed, right? They'll execute on all those things. That brings about a lot of conflicts of interest. Potentially. If you're talking about an independent advisor who solely focused on financial planning, investment management, then there will be needs to create an additional layer of team members in the form of an estate planning and attorney a tax professional, an insurance specialist to actually implement the solutions on the insurance side. So, you can quickly see, you know, this can grow into something much bigger than just, well, you know, John next door works for XYZ advisory company. I trust him. I'll just work with him. Oh, there's, there's more to it than just that.

Mary: Which comes back to the good questions that you have to ask, right? Mm-hmm <affirmative> and the teammates really do have to fit together to make that work and I really like to see the collaborative piece and not just the conflicts of interest are important. What I see when I see teams collaborate is that everybody has a different perspective. They see have seen things differently as they go. So, you mentioned earlier in this episode, how, what you designed for each person is really fact specific to who they are, what they have, how they live a whole bunch of factors mm-hmm <affirmative> and that same thing. I always find that to be really well served by getting perspectives of, of different teammates. Yeah. That fit together though for the client. Right?

Ross: A lot of times you see, you know, think about the best teams, you know, professionally speaking, some of the, you know, world championships, those teams, a lot of times have the best culture of any team as well. They all get along really well. They care about each other that's apparent it's no different in this, you know, this professional arrangement of advisors and accountants and client it's, everybody has to get along really well and be willing to communicate with one another because if they aren't, again, there's, there's going to be you know, a circumstances are going to arise where really the client is mis-served at that point.

Mary: So another analogy I've heard you use is don't forfeit the game. Mm-hmm <affirmative> what do you mean by that?

Ross: Forfeiting the game essentially capitulating, right? Giving up for those who remember Jim Valvano, he's a famous basketball coach who's since passed away. And one of his famous lines because of his cancer diagnosis, he established a life of then raising awareness for cancer and one of his famous lines was don't give up, don't ever give up. Right so he actually coached in one of the great upsets in NCAA tournament history you know, long, long time ago, but at that mantra maintains its truth, right? If you give up whether it's in sports, I mean, those, again are the, these are some of the early life lessons we all learn when we're on a team and in the field just don't give up. Right, there is a clock, but heck, you know, think about baseball and softball. Everybody gets the same number of outs, right? So if we give up, then we're just saying, well, we're done. We're not going to win this thing. Well, Nope. We all get the same number of chances and so, you know, in financial planning and investment management giving up essentially means that, well this plan was worthless from the beginning. We talked earlier, you know, the worst time to give up is when others are fearful and so now would be an awful time to give up, right? It doesn't mean things can't be tweaked and changed and in game modifications made but to give up essentially means that well, any goals that we had laid out ahead of time, probably we need to cancel those out and modify well, you know, somebody says at age 40 that they want to retire by 65 and all of a sudden at, you know, age 50 things are going awry. Well, why should they say, well, I got to retire at seventy. No, let's figure out a way to get there. Right. We just may need to modify some things, but let's not, let's not give up.

Mary: So I grew up with, as a Green Bay Packers fan, my dad had his office painted in green and gold walls and we had Vince Lombardi quotes everywhere. So, I do remember a similar Vince Lombardi quote about, you know, you're not going to get anything done on the sidelines. You got to be in the game and that's not how the quote went. It's a fairly long one, but yeah, that's the don't give up concept. Right. I think he also said winning is the only thing, which I always struggle with that a little because sometimes I think losing isn't entirely bad experience. You can learn a lot from losing. Yeah. But another analogy that I've seen you use is increasing your fitness level and your net worth. How does that analogy fit?

Ross: So you must have read, I did a blog, a short while back about this is a personal story, but , my wife had been requesting a Peloton for long, long time and we had a, another spin bike in the basement that I used and really liked and didn't think that we needed a Peloton, right? The value prop of this device, this machine is that you've got a screen and you've got coaches or teachers yelling at you and telling you how hard to work and how hard not to work, et cetera, and in monitoring your performance. I finally capitulated and I gave in and got her, the Peloton for Christmas. I gave it a try. I gave it a shot. One of the things I quickly learned was that accountability. So someone actually holding me to the fire of working hard within that workout actually boosted my fitness level quite a bit more than I ever thought working out on my own and not just trusting that I would work out as hard as I could was a bit of a fallacy and same thing on the financial planning side. Right. We, you know, individuals can say, well I can handle this on my own. Right. I'm gonna save X number of dollars a month. I'm gonna kill debt doing X, Y, and Z. I'm going to, you know, invest accordingly. But who's to say, right, that there becomes a month where, oh, shoot, you know what, I can't really save that amount. I'm gonna pull it back to, to this number if nobody's holding them accountable, that balance sheet, that net worth is probably not going to grow to the same degree as it would if they had somebody engaged at least to check in. Right and to help them rationally think through decisions that they're making along the way.

Mary: And that's something a good advisor can do. Mm-hmm <affirmative> to say, let's look at the budget, let's look at what you're saving and let's figure out where that's going.

Yeah. And be willing to ask the hard questions and hold people accountable. Right. , we, we get asked by clients once in a while. Hey, are you gonna, are you actually gonna tell me if things aren't going well, will you be honest with me? Well, for sure. Right. People, people want that as painful as it sounds that makes sure that, Hey, when it really matters, you know, 10, 20, 30 years down the road that, okay, we made the tough decisions back then, but now this, this is why we did that.

I think one of the greatest things that we can do for somebody else is to point out when they're, I like it to them to point that if I've asked them to, right. I don't want people just buttoning and saying, Hey, you know, you're spending too much money on this, but if I've said to my advisor, Hey, let me know if I'm going down the wrong track. Even though I've asked for that advice, it's still hard to hear it. Mm-hmm <affirmative>. And so I think being able to do that kindly and letting you walk away, still feeling good about yourself is also a great skill. And it's one of the thing I look for in all of my advisors. Mm. But do you have any last thoughts today, Ross, on this topic?

Ross: Well first of all, I appreciate it. Sports is a passion of mine as is my career. So anytime I get to merge those two that's fun. But yeah, you know, on this topic, I think the greatest lesson is, you know, when it comes to financial planning, investment management is to keep it simple and when you think about sports, a lot of times the best coaches, the best players, they'll all talk about, well, building a foundation it's blocking and tackling it's, it's playing catch it's again, softball team. We spend the majority of our practice playing catch because they can't do that. Nothing's going to work and it's the same in financial planning, investment management, you have to do the simple things. You have to aggressively attack debt. You have to aggressively save you have to have a plan in place that I identifies, Hey, if we're missing in the estate plan, we're gonna call Mary, right. If we're, if we're not mitigating our taxes then we need to take a step back and figure out why and how we do that. So don't make it overly complicated, keep it simple but focus on things that make the biggest difference down the road.

Mary: Well, thanks so much for being here today, Ross, as we reach to the end of our episode. Thanks for listening to today's episode and stay tuned for our weekly releases.