

Ameriprise Audiocast
Financial Comebacks

June 18, 2020

Speakers:

Marcy Keckler

Jen Estes

Marcy Keckler:

Hello and welcome. I'm Marcy Keckler, vice president of financial advice strategy at Ameriprise Financial. Our conversation today is one in a series of audiocasts and you can hear more at [Ameriprise.com/marketvolatility](https://ameriprise.com/marketvolatility). Recently we released the findings of a new study about financial comebacks and our purpose was to understand what have people experienced and how have they recovered from financial challenges in their lives. And you can find the full study at [Ameriprise.com/comebacks](https://ameriprise.com/comebacks). And joining me today to share some of the insights and some key actions that you might want to consider is my colleague, Jen Estes. Jen is our vice president of consumer marketing at Ameriprise. Welcome, Jen. I'm so glad you're joining me today.

Jen Estes:

Hi Marcy, thanks so much for having me. It's so nice to be here.

Marcy Keckler:

So Jen, your team regularly does research and conducts studies to really understand what do our clients need, what are their financial concerns, and, you know, what's important. And I'm wondering if you could, first of all, start by explaining how did we decide to study this topic of financial comebacks.

Jen Estes:

You're right, Marcy. At Ameriprise we're really committed to making sure that we understand the evolving financial needs of consumers so that we can deliver the most relevant, meaningful advice and services to help meet their needs. In this particular study, we really wanted to understand some of the financial challenges that consumers experience and how they overcome some of those challenges over time, and we completed this study in January of this year and the topic has become even more important in light of the economic effects of the COVID-19 pandemic.

Marcy Keckler:

It is interesting. You had such good foresight to conduct the study about financial setbacks and financial comebacks right before a global pandemic, and you're right. The findings are even more important today. Can you share some of the highlights of what we learned with the study?

Jen Estes:

Sure. We really learned how individuals have overcome financial challenges and in many cases, they've emerged with a better handle on their money and more financial confidence than when they started. Most interestingly, we were able to identify lessons learned from those past experiences, what did they do, what steps did they take, how long did it take to recover, and we feel like it's really important to share that information, given the current condition.

Marcy Keckler:

Well that's really important to learn from and, and we mentioned the study is called financial comebacks. To have a comeback, first you have to have a setback, and so, you know, did you find that financial setbacks are common in people's lives?

Jen Estes:

Absolutely. We learned that financial setbacks are very common. In fact, most investors have experienced at least one major financial setback of some kind in their life. It can have an impact of up to \$100,000 and it's really something that we're learning over time more and more people are, are grappling with.

Marcy Keckler:

I think that's really helpful perspective now because we do know that there are millions of people who are experiencing financial challenges, whether that's from direct impact of the coronavirus or if it's because of the economic impacts that have happened and millions of people being unemployed. And, you know, even if somebody is experiencing a financial challenge that is not up to that, you know, high watermark you mentioned of up to \$100,000, it still can be a cause of concern and, and really something to pay attention to, so that's a really important perspective. What did you find were some of the most common causes of people's financial setbacks in the past?

Jen Estes:

Sure. I think that some of these will sound very obvious. You know, the, the top setback, especially from a financial perspective is really around market losses. People that are investing, saving for the future, and when there is an economic downturn, that's one of the first impacts that they feel. The next is really around job-related concerns, either earning less money than they had expected or potentially job loss. I think those three topics really are very meaningful now and some that as you mentioned, millions and millions are experiencing some for maybe the first time. And then, you know, beyond that, we heard from clients that they're supporting family members financially, whether it's elder care or childcare, those are areas that are sometimes not planned for in advance. And then lastly, some admitted to just bad financial decision making that has impacted their ability to meet the goals that they are striving to achieve. Now, those are all for a little bit on the downside or some of the negative setbacks, but I do want to make sure that people know that we also learned that some setbacks are planned or positive events, so it might be something like getting married or starting a family, and those are large expenditures that might set you back from your financial goals, but they're definitely more on the positive front and, you know, people certainly can still use some help with learning how to recover from those or plan for them.

Marcy Keckler:

It's a great reminder that sometimes you have something that's a, a setback, even though you're happy about it, I know examples from the study that, you know, your team shared with me as well were things like people who might have unexpectedly decided to start a business or invest in a business or go back to school, and so those are things that may wind up having a really beneficial financial impact in your life and maybe positive impact overall, but could be something that might cause you to have a temporary setback, so really a great reminder, Jen, that positive things can have challenges and I do think it's a great reminder as well that, you know, financial advisors really can help clients with planning for those things or managing something that does come up unexpectedly, so those are great reminders.

Jen Estes:

Yeah. I think either, whether you plan it or it's not planned, it's really about understanding that if you have a goal that you want to achieve, like you said, a financial advisor can help you get there, and what we learned from the study is that nine out of ten investors who have experienced some of these setbacks have either made a comeback or they're on the path to a substantial recovery. So there is positive news that comes out of this and as I mentioned, some of those steps that we learned about how people have done that will be especially important right now as consumers are struggling with understanding their impacts from, from the pandemic and the current environment.

Marcy Keckler:

That is a really encouraging number. You said earlier that, you know, the majority of people have experienced a setback and I think for people who are experiencing that today, it's good to know you're not alone. But also even more helpful to hear that number, Jen, that nine out of ten people said they have either made a comeback or they're well on their way to doing that. I wonder, though, if you might be able to talk about, about how long that takes. My sense is that it, it might be something that we have to have a little bit of patience about.

Jen Estes:

Mm-hmm. That is very true. It, it can take time. It really does depend on the nature of the setback and, and what steps the consumer can take, but what we've seen is that about two-thirds of the investors said it took them somewhere between one to five years to get their finances back on track. So I think patience is important and just commitment and, and perseverance. You know, knowing that you have a plan in place and you're taking steps to get there and then, you know, let that plan unfold over time and, you know, while five years might seem like a long time, it's certainly a great accomplishment once you get sort of past that finish line and you feel like you're on the positive upswing again.

Marcy Keckler:

It's a great reminder and, and to be patient, and that's one of the things I know, you know, advisors can really help clients with is both being patient but also keeping your eyes on your long-term goals, keeping focused on that kind of long-term over time and, and we also know financial setbacks can certainly cause emotional reactions and, you know, concerns and your emotions might be running high, and I think that's another great reason to connect with your financial advisor, if you're experiencing any sort of financial challenges, your financial advisor can really help you work through those emotions but then make really objective decisions based on facts and really a, a rich understanding of your financial goals and your personal financial situations. Normal to feel stressed but I think this study really validates that, you know, you can work your way through that and come out even stronger on the other side.

Jen Estes:

Mm-hmm, yeah, absolutely. You know, an important takeaway from the study is that over half felt like they are now stronger as a result of having experienced a financial setback, and I think that we've seen that mentality play out with investors in the past where, you know, whether it was a significant downturn in the market or, or other setbacks, that it tends to prompt consumers to get more engaged, more knowledgeable about what they're doing, and ultimately, they actually feel more confident on the other side because they are, you know, aware of what's happening and have taken those steps.

Jen Estes:

So Marcy, let me ask you. How does working with an advisor help clients in recovering from a setback like this and how, how can they help think about the process and put together a plan or a roadmap for, for the recovery?

Marcy Keckler:

Jen, I think the first thing that clients can do when they work with their advisor is get a sense of reassurance that there is a way forward and there's a way to handle whatever challenge you might be facing. I think next, advisors can really help clients by revisiting or even updating their long-term financial plan to really remind the client what you're headed toward, what's important, and what the plan looks like, and then figure out how to adjust it and I think finally, advisors can really help clients with making tradeoff decisions, making tradeoffs decisions that are balancing the near-term and the long-term. As well as reminding people to stay in control of emotions and to really be patient, as you mentioned, that many of our study participants said was really important to them.

Jen Estes:

Yep. I think that the idea of the reassurance and, and comfort is really strong and, and that's something that we definitely know that the consumers want during this time, and it really does help them focus on the balance that you talked about. I think, you know, one example that I mentioned earlier is, you know, a pay cut during this challenging economic time that we're in, the advisor can really help balance the long-term and short-term goals and, and take some of the emotion out of it. It's an emotional time but that balance is, is I think key.

Marcy Keckler:

Yeah. I think that's written in one of the, you know, top financial setback causes you mentioned a few minutes ago was a combo of either a job loss or just earning less than you expected, and so many people are experiencing that now, and I, I think that, you know, when people who are in that situation work with an advisor, some of the things that you can do right away just, you know, take a really thoughtful look at your household spending at your expenses and figure out what is really most essentially and what might you be able to do without temporarily or defer a purchase. I think other things that advisors can help clients think through is if you've had an, an employment change of some kind, what does that mean for your family's overall coverage with things like health insurance, what are your options short-term and long-term, and then ultimately, how can you make sure that any adjustments you're making in the short term, you have a vision for how you're going to get back on track with that long-term plan that you have. And so Jen, that leads me to maybe a final question for you, which is what did we hear you mentioned at the outset of our conversation that there are some lessons we can learn. What did we learn from people who had had financial setbacks, they made their own comeback, what were some of the steps that they had taken to do that?

Jen Estes:

Yeah. We have a few steps. What it really is grounded in is somewhat back to the basics, which as you mentioned is changing some of your spending behavior. So continuing to put money away for emergency savings, if you're able is, is a big one. Target enough cover at least three to six months of expenses. That might seem daunting, especially if you have experienced a job loss or, or reduction in your salary or something like that, but it, it really does continue to be one of the most important steps that people can take to ensure they're prepared and, as you mentioned, the advisor can help with some scenarios around that. Avoid tapping into your retirement account, if possible. There are a lot of benefits to keeping those funds working for you and, and really, that's one of the big hedges that keeps you focused on the long-term is keeping those retirement accounts going. And then scrutinizing your expenses, so cut out or reduce unnecessary ones and, you know, sometimes that's challenging. But if we think back to what we talked about earlier, patience, and the recovery can take one to five years, and these are the steps that we'll, we'll be able to expedite that recovery over time.

Marcy Keckler:

Thank you, Jen. Really helpful and I want to say thank you to you for joining me today. It's so helpful to get more information about what it takes to make your way through a financial setback, turn it into a comeback, and, and what people can learn from others who've traveled that road before them, so thank you and I'll just remind people your financial advisor is ready to help you or anybody, your friends and family who might be experiencing any sort of a, a financial challenge today to help them make a comeback of their own. And so with that, I'd like to say thank you so much to everybody for listening today and I'd also like to close with some important disclosure information.

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The financial comebacks study was created by Ameriprise Financial, Inc. and conducted online by Artemis Strategy Group January 2nd through 20th of 2020. For further information and details about the study, please contact Ameriprise Financial or go to Ameriprise.com/comebacks.

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