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Since 1973, the Toledo Community Foundation has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, Toledo Community Foundation helps donors transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

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Financial Therapy 101

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THE WALL STREET JOURNAL

The retired couple met with Scott Kays in early March as the stock market continued to slide, in need of emotional support as much as financial help. They had been burned in the meltdown and were ready to sell everything.

Mr. Kays was sure that would be a mistake, but he didn't come down hard on them. "You don't sit there and say, 'It's nonsense for you to feel this way,'" the Atlanta-based financial adviser explains. "I'd think something was wrong if they weren't scared."

Instead, Mr. Kays asked questions. He listened. He found common ground. "We're all hurting," he recalls telling them. "I understand that. But you can't let your emotions make decisions for you. Emotional decisions are almost always bad decisions."

Then Mr. Kays hung out his professional shingle and doled out investing facts and logic. Stocks were oversold and undervalued, he suggested, adding that investors likely had seen the worst. Bailing out, he told the couple, would mean forfeiting a chance to make back what they had lost.

The gambit worked. "I think we put enough doubt in their minds for them to question any decision to sell," Mr. Kays says. Days later, U.S. stocks began their explosive surge.

The stock market may be rational, but those who buy and sell aren't always. This can trip up financial advisers, who are paid to understand markets more than market psychology. All too often, emotions derail successful investment outcomes. And with studies showing that the pain of financial loss is far greater than the pleasure of monetary gain, emotions can be especially dangerous when an investment portfolio is tanking.

The best investment practitioners play Dr. Jekyll to investors' Mr. Hyde. They appreciate that investors, faced with abrupt shifts in their fortunes, can become overly despondent or too euphoric and act rashly. Accordingly, they have learned to steer clients safely through emotional minefields by showing empathy -- but also remaining cool under pressure.

Here are three steps financial advisers say they take to keep clients on track:

1. Plan Ahead

Investors' risk capacity and risk tolerance aren't always equal. Risk tolerance tends to reflect longer-term goals and how a nest egg will be used in the future. Risk capacity is immediate -- reactions to short-term uncertainty that can crack an investor's composure and torpedo a portfolio.

Investors are more likely to stay on target if they establish their objectives in calmer times.

"Try to figure out what could go wrong and what to do with that while you still like one another," says Norm Boone, a San Francisco-based adviser. "When things get tighter, you've got a means for working these things out."

An investment policy statement can meet that need, reminding investors of the rational decisions they made before fear or greed grabbed hold. Yet all too often, the investment policy statement tends to be boilerplate -- a prepackaged outline of risk tolerance, asset allocation, performance objectives and the like.

That's not good enough for Mr. Boone, who advises shredding the standard document and drafting a customized blueprint for the client. Determine the client's investing and life goals, agree on asset allocation and portfolio rebalancing, and work to minimize surprises, he says. Rely on the investment policy statement to cement this understanding, and, importantly, to bring clarity to future communication, portfolio monitoring and allocation adjustments.

"The IPS is the central document to the investment process," he says. "But it has to be a negotiated document. Otherwise it becomes meaningless to one of the two parties. The downside is it takes longer. The upside is that once you have those discussions, you build trust and confidence."

2. Offer Flexibility

Some investors feel empowered by keeping their money in separate pools, or buckets. For example, one bucket follows the core investment allocation, another holds a couple of years' worth of living expenses in cash to help

the client avoid selling assets in a bear market, while a third gives the account holder an outlet for his or her impulses, however irrational.

Ross Levin, an Edina, Minn.-based adviser, suggests tagging one bucket for income, one for inflation protection, and one for heirs and charity. Another, smaller bucket could be used for the client's discretion.

The core strategy, of course, is subject to market gales, and in 2008 almost every type of bucket tipped over. Still, such an arrangement can give investors a sense of comfort and control.

"When things get crazy, some clients think they need to do something," Mr. Levin says. "We carve out some money they can experiment with."

3. Be a Financial Physician

Advisers should listen and empathize, but stay true to their beliefs. Give clients reasons to respect the advice for which they are paying.

"My role is not to dictate what the client is doing, but to give options in a way that clients can understand," says Brian Kompelien, a Minneapolis-based adviser. "If that is done, the client has a vested interest and is more likely to stick with it when things get rough."

When the market tanks, investors' most extreme fear is that they will run out of money -- that they will lose status, be forced to downsize, and all they worked for will be lost. That calls for an adviser who exudes warmth and understands clients' distress, yet is cool under fire when discussing and making investment decisions.

Be reflective, not reflexive, says Meir Statman, a finance professor at Santa Clara University in California who studies investor behavior. In this way, the best advisers promote both wealth and well-being, and manage both investments and investors.

"The role of advisers is to calm and to guide," says Mr. Statman. "When a client leaves the office, that person had better be calm and collected. Even if the diagnosis is bad -- a lack of sufficient funds for retirement -- they have a sense of where they stand and a plan for where to go next."

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