

# Take these 3 steps to behavioral coaching success

Even for experienced investors, participating in the financial markets can stir up strong emotions. Significant losses can ensue when emotions trigger biases and behaviors that contradict one's investing goals. As an advisor, you face the considerable challenge of guiding clients through their moments of uncertainty and vulnerability, to increase the likelihood they emerge better off once a crisis has passed.

To be successful, you need more than historical data and logic. You need the power of behavioral coaching—which Vanguard Advisor's Alpha® research has shown to be the greatest contributor of advisors' value to their clients.<sup>1</sup>

This workbook guide—based on work conducted by Vanguard Investment Advisory Research Center—offers you an adaptive, easy-to-follow approach to incorporate into your client engagements. Within the three foundational process steps—assess, address, and audit—you will find an entire toolkit for troubleshooting client concerns, proposing action steps, and evaluating results.

## The "3A" behavioral coaching framework



### Assess

Stop and take stock of what's happening. Gain a grasp of specific effects that market events are having on your clients.



### Address

Acknowledge clients' emotions with empathy and understanding, then share your informed perspective and strategies.



### Audit

Track actions taken and articulate to clients ways in which your recommendations added value.

## Authors



Michael A. DiJoseph, CFA



Maria C. Quinn

<sup>1</sup> Francis M. Kinniry Jr., Colleen M. Jaconetti, Michael A. DiJoseph, David J. Walker, and Maria C. Quinn, 2022. *Putting a value on your value: Quantifying Vanguard Advisor's Alpha*. Valley Forge, Pa.: The Vanguard Group.

# Assess

## Action steps

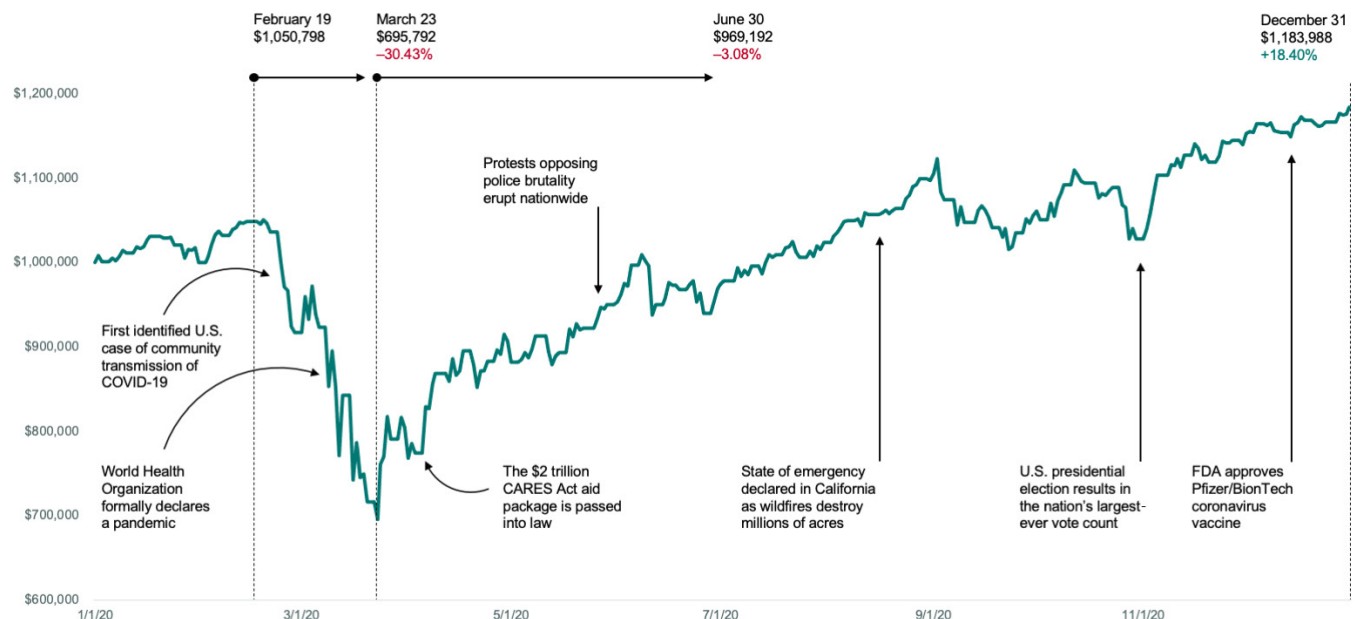
- Seek historical perspective.
- Determine how your clients are affected.
- Develop an action plan that is proactive and reactive.

Time after time, crisis after crisis, it's nearly impossible in the moment to predict when markets are recovering for certain. By the time the news headlines express positive sentiment, the market has likely already made its most significant gains.

## Historically, in difficult times, markets have proved resilient

Even amid the coronavirus pandemic and widespread social unrest in the United States, the performance of the Standard & Poor's 500 Index in 2020 demonstrated the importance of staying invested.

**Value of a \$1 million initial investment in the S&P 500 Index in 2020 demonstrated the importance of staying invested**



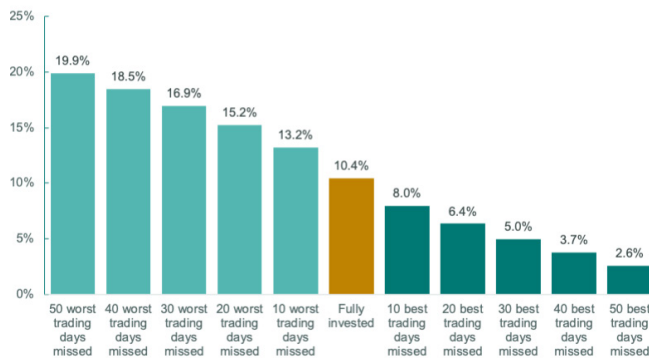
**Source:** Vanguard, using data from Morningstar, Inc.

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

Emphasize not just the difficulty of market timing, but the impact from getting it wrong. For example, missing just the 10 best days in the market since 1988 would have led to returns 2.5% lower than staying invested. And unfortunately, the best and worst days tend to occur near each other in clusters.

## Time in the market, not timing the market!

**S&P 500 Index total returns, 1988–2022, missing the best and worst days**



**Source:** Vanguard Investment Advisory Research Center.

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

## Assess checklist

- Have you sorted clients by their emotional propensity to react, so you can triage your outreach effectively?
- Have you determined whether goals and objectives remain in reach for each client?
- Consider going through a re-planning process—are clients aware of their percentage progress toward their goal and success probability (versus the snapshot percentage gain or loss in their portfolio)?
  - What was their success rate before and what is it now?
  - Remember life changes are more important and may require adjustments to the plan, whereas changes in the market should already be planned for.
  - Remind clients that lower or negative returns today often point towards higher returns in the future, which can offset the feeling of being off-track in the moment.

# Address

## Action steps

- Leverage earned trust.
- Meet emotion of clients with emotion. Back it up with informed perspective (EQ+IQ).
- Emphasize that *staying the course* does *not* mean standing still.

## Components of trust



Source: Vanguard.

When it comes to coaching in the moment, it's important to meet your clients where they are. Meet their emotion with emotion of your own—through empathy and understanding (what some behavioral experts call *emotional quotient*, or EQ).

Once you've used compassion to diffuse the emotions, back it up with the informed perspective you gained from the assess phase. Use an "EQ + IQ" approach.

Remember that this requires trust between you and your clients, and that the biggest element of trust is the emotional component.

## Address checklist

- Have you discussed the following strategies for *staying the course* but not standing still in the face of difficult markets?
  - Rebalancing to maintain the targeted asset allocation for reaching their goals.
  - Conducting tax-loss harvesting to reduce overall taxable income.
  - Performing portfolio cleanup such as reducing concentrated positions or legacy positions in high-cost active funds.
  - Leveraging a down market to reduce the cash outlay needed to fund Roth conversions.
  - For retiree clients, using dynamic spending to preserve their lifestyle needs sustainably.

# Audit

## Action steps

- Keep track of decisions made (and not made).
- When the dust settles, look back at what occurred and educate your clients on your value.
- Consider what could work even better next time.

In the advice industry, it's an underappreciated concept to keep track of hypotheticals besides investment performance.

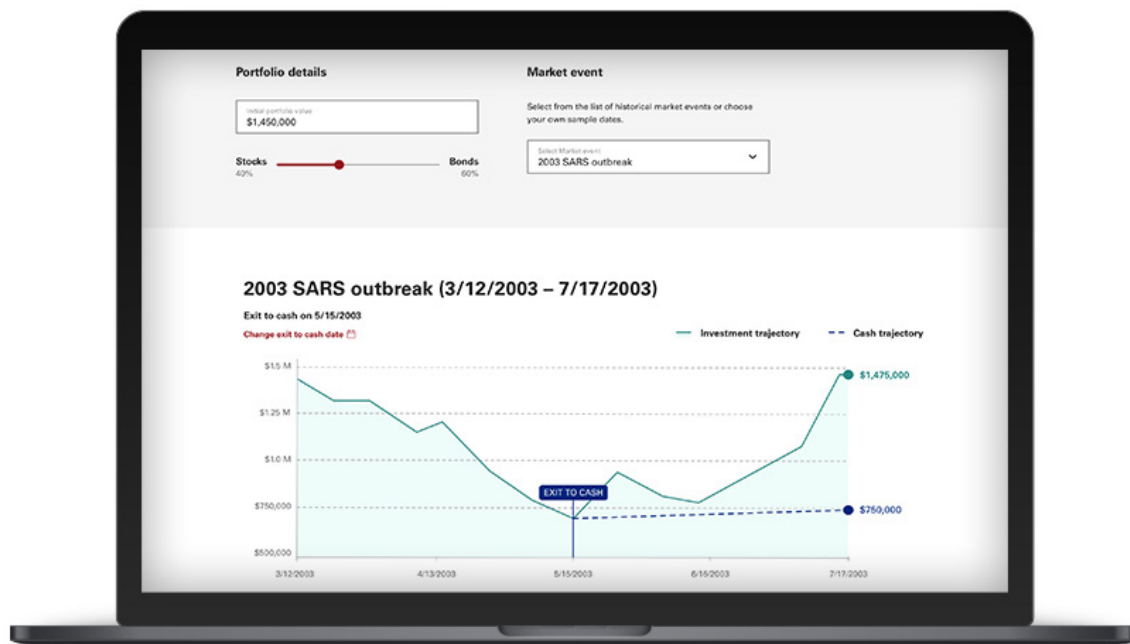
The second you make an investment decision, you can access discrete counterfactuals of how differently your results would be, given a different action.

But what about an "alternate timeline" tool for behavioral decisions? That's your opportunity to keep track of decisions made or not made—and map out the actual outcomes versus potential outcomes from a different, hypothetical path. When you talk your client out of a potentially costly impulse, quantify it and articulate your value as a behavioral coach.

## Audit checklist

- Use downturns as a real-life barometer of clients' actual risk tolerance (versus what they might have stated during a bull market), discuss with them, and adjust strategy appropriately.
- Track decisions made and options not taken on behalf of clients; compare what actually happened with hypotheticals. Articulate the value you delivered as a behavioral coach.
- In that same spirit, practice introspection and examine what you might do differently with the knowledge and experience you just gained.

**Consider using Vanguard's Market Hindsight tool to illustrate for clients the potential outcomes of specific investment decisions.**



**To learn more about this topic, download the Vanguard report *Right Mindset, Wrong Market: Understanding investor decision-making and coaching for success***

**Connect with Vanguard®**

**[advisors.vanguard.com](https://advisors.vanguard.com) • 800-997-2798**



All investing is subject to risk, including possible loss of principal. Diversification does not ensure a profit or protect against a loss.

Tax-loss harvesting involves certain risks, including, among others, the risk that the new investment could have higher costs than the original investment and could introduce portfolio tracking error into your accounts. There may also be unintended tax implications. We recommend that you carefully review the terms of the consent and consult a tax advisor before taking action.

There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

Vanguard is owned by its funds, which are owned by Vanguard's fund shareholder clients.

**Vanguard®**

**The Value of Ownership**

© 2024 The Vanguard Group, Inc.  
All rights reserved.

FABCFG3A 102024

**Investment Products: Not a Deposit • Not FDIC Insured • Not Guaranteed by the Bank • May Lose Value • Not Insured by Any Federal Government Agency**

For institutional and sophisticated investors only. Not for public distribution.

## Important Information

VIGM, S.A. de C.V. Asesor en Inversiones Independiente ("Vanguard Mexico") registration number: 30119-001-(14831)-19/09/2018. The registration of Vanguard Mexico before the Comisión Nacional Bancaria y de Valores ("CNBV") as an Asesor en Inversiones Independiente is not a certification of Vanguard Mexico's compliance with regulation applicable to Advisory Investment Services (Servicios de Inversión Asesorados) nor a certification on the accuracy of the information provided herein. The supervision scope of the CNBV is limited to Advisory Investment Services only and not all services provided by Vanguard Mexico.

This material is solely for informational purposes and does not constitute an offer or solicitation to sell or a solicitation of an offer to buy any security, nor shall any such securities be offered or sold to any person, in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities law of that jurisdiction. Reliance upon information in this material is at the sole discretion of the recipient.

Securities information provided in this document must be reviewed together with the offering information of each of the securities which may be found on Vanguard's website: <https://www.vanguardmexico.com/institutional/products/en/list/overview> or [www.vanguard.com](https://www.vanguard.com)

Vanguard Mexico may recommend products of The Vanguard Group Inc. and its affiliates and such affiliates and their clients may maintain positions in the securities recommended by Vanguard Mexico.

ETFs can be bought and sold only through a broker and cannot be redeemed with the issuing fund other than in very large aggregations. Investing in ETFs entails stockbroker commission and a bid-offer spread which should be considered fully before investing. The market price of ETF Shares may be more or less than net asset value.

All investments are subject to risk, including the possible loss of the money you invest. Investments in bond funds are subject to interest rate, credit, and inflation risk. Governmental backing of securities applies only to the underlying securities and does not prevent share-price fluctuations. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings.

**There is no guarantee that any forecasts made will come to pass. Past performance is no guarantee of future results.**

Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility. Stocks of companies are subject to national and regional political and economic risks and to the risk of currency fluctuations, these risks are especially high in emerging markets. Changes in exchange rates may have an adverse effect on the value, price or income of a fund.

The information contained in this material derived from third-party sources is deemed reliable, however Vanguard Mexico and The Vanguard Group Inc. are not responsible and do not guarantee the completeness or accuracy of such information.

This document should not be considered as an investment recommendation, a recommendation can only be provided by Vanguard Mexico upon completion of the relevant profiling and legal processes.

This document is for educational purposes only and does not take into consideration your background and specific circumstances nor any other investment profiling circumstances that could be material for taking an investment decision. We recommend getting professional advice based on your individual circumstances before taking an investment decision.

These materials are intended for institutional and sophisticated investors use only and not for public distribution.

Materials are provided only for the recipient's exclusive use and shall not be distributed to any other individual or entity. Broker-dealers, advisers, and other intermediaries must determine whether their clients are eligible for investment in the products discussed herein.

The information contained herein does not constitute an offer or solicitation and may not be treated as such in any jurisdiction where such an offer or solicitation is against the law, or to anyone for whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so.

THESE MATERIALS ARE PROVIDED FOR THE EXCLUSIVE USE OF RECIPIENT AND CONTAIN HIGHLY CONFIDENTIAL INFORMATION, WHICH SHALL NOT BE REPRODUCED OR TRANSMITTED TO ANY THIRD PARTIES WITHOUT VANGUARD'S PRIOR WRITTEN CONSENT. THE CONTENTS OF THESE MATERIALS SHALL NOT BE UNDERSTOOD AS AN OFFER OR SOLICITATION TO BUY OR SELL SECURITIES IN BRAZIL AND VANGUARD IS NOT MAKING ANY REPRESENTATION WITH RESPECT TO THE ELIGIBILITY OF ANY RECIPIENT OF THESE MATERIALS TO ACQUIRE THE INTERESTS IN THE SECURITIES DESCRIBED HEREIN UNDER THE LAWS OF BRAZIL. SUCH SECURITIES HAVE NOT BEEN REGISTERED IN BRAZIL AND NONE OF THE INTERESTS IN SUCH SECURITIES MAY BE OFFERED, SOLD, OR DELIVERED, DIRECTLY OR INDIRECTLY, IN BRAZIL OR TO ANY RESIDENT OF BRAZIL EXCEPT PURSUANT TO THE APPLICABLE LAWS AND REGULATIONS OF BRAZIL.

THIS DOCUMENT WAS SENT BY VANGUARD SPECIFICALLY TO ITS RECIPIENT AND CONTAINS HIGHLY CONFIDENTIAL INFORMATION, WHICH SHALL NOT BE REPRODUCED OR TRANSMITTED TO ANY THIRD PARTIES WITHOUT VANGUARD'S PRIOR AND WRITTEN CONSENT. THE CONTENTS OF THIS MESSAGE SHALL NOT BE UNDERSTOOD AS AN OFFER OR SOLICITATION TO BUY OR SELL SECURITIES IN BRAZIL.

This document is provided at the request of and for the exclusive use of the recipient and does not constitute, and is not intended to constitute, a public offer in the Republic of Colombia, or an unlawful promotion of financial/capital market products. The offer of the financial products described herein is addressed to fewer than one hundred specifically identified investors. The financial products described herein may not be promoted or marketed in Colombia or to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555/2010 and other applicable rules and regulations related to the promotion of foreign financial/capital market products in Colombia.

The financial products described herein are not and will not be registered before the Colombian National Registry of Securities and Issuers (Registro Nacional de Valores y Emisores - RNVE) maintained by the Colombian Financial Superintendency, or before the Colombian Stock Exchange. Accordingly, the distribution of any documentation in regard to the financial products described here in will not constitute a public offering of securities in Colombia.

The financial products described herein may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations; provided that, any authorized person of a firm authorized to offer foreign securities in Colombia must abide by the terms of Decree 2555/2010 to offer such products privately to its Colombian clients.

The distribution of this material and the offering of securities may be restricted in certain jurisdictions. The information contained in this material is for general guidance only, and it is the responsibility of any person or persons in possession of this material and wishing to make application for securities to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for securities should inform themselves of any applicable legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This document and its content should not be considered as an offer, if it were the case the offer of the securities described herein would be made in accordance with general rule No. 336 of the Financial Market Commission (Comisión para el Mercado Financiero). The securities described herein are not registered under Securities Market Law, nor in the Securities Registry nor in the Foreign Securities Registry of the Chilean Financial Market Commission, and therefore such securities are not subject to its oversight. Since such securities are not registered in Chile, the issuer is not obligated to provide public information in Chile regarding the securities. The securities shall not be subject to public offering unless they are duly registered in the corresponding Securities Registry in Chile. The issuer of the securities is not registered in the Registries maintained by the Chilean Financial Market Commission, therefore it is not subject to the supervision of the Chilean Financial Market Commission or the obligations of continuous information.



*El presente documento y su contenido no deberá considerarse como una oferta, en su caso la oferta de los valores aquí descritos se realizaría conforme a la norma de carácter general No. 336 de la Comisión para el Mercado Financiero. Los valores aquí descritos, al ser valores no inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores extranjeros que lleva la Comisión para el Mercado Financiero, no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores. Los valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente. El emisor de los valores no se encuentra inscrito en los Registros que mantiene la Comisión para el Mercado Financiero, por lo que no se encuentra sometido a la fiscalización de la Comisión para el Mercado financiero ni a las obligaciones de información continua.*

The securities described herein have not been registered under the Peruvian Securities Market Law (Decreto Supremo No 093-2002-EF) or before the Superintendencia del Mercado de Valores (the "SMV"). There will be no public offering of the securities in Peru and the securities may only be offered or sold to institutional investors (as defined in Appendix I of the Institutional Investors Market Regulation) in Peru by means of a private placement. The securities offered and sold in Peru may not be sold or transferred to any person other than an institutional investor unless such securities have been registered with the Registro Público del Mercado de Valores kept by the SMV. The SMV has not reviewed the information provided to the investor. This material is for the exclusive use of institutional investors in Peru and is not for public distribution.

The financial products described herein may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda. Additionally, non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorized to do so under applicable Bermuda legislation. Engaging in the activity of offering or marketing the financial products described herein in Bermuda to persons in Bermuda may be deemed to be carrying on business in Bermuda.

Vanguard Mexico does not intend, and is not licensed or registered, to conduct business in, from or within the Cayman Islands, and the interests in the financial products described herein shall not be offered to members of the public in the Cayman Islands.

The financial products described herein have not been and will not be registered with the Securities Commission of The Bahamas. The financial products described herein are offered to persons who are non-resident or otherwise deemed non-resident for Bahamian Exchange Control purposes. The financial products described herein are not intended for persons (natural persons or legal entities) for which an offer or purchase would contravene the laws of their state (on account of nationality or domicile/registered office of the person concerned or for other reasons). Further, the offer constitutes an exempt distribution for the purposes of the Securities Industry Act, 2011 and the Securities Industry Regulations, 2012 of the Commonwealth of The Bahamas.

This document is not, and is not intended as, a public offer or advertisement of, or solicitation in respect of, securities, investments, or other investment business in the British Virgin Islands ("BVI"), and is not an offer to sell, or a solicitation or invitation to make offers to purchase or subscribe for, any securities, other investments, or services constituting investment business in BVI. Neither the securities mentioned in this document nor any prospectus or other document relating to them have been or are intended to be registered or filed with the Financial Services Commission of BVI or any department thereof.

This document is not intended to be distributed to individuals that are members of the public in the BVI or otherwise to individuals in the BVI. The funds are only available to, and any invitation or offer to subscribe, purchase, or otherwise acquire such funds will be made only to, persons outside the BVI, with the exception of persons resident in the BVI solely by virtue of being a company incorporated in the BVI or persons who are not considered to be "members of the public" under the Securities and Investment Business Act, 2010 ("SIBA").

Any person who receives this document in the BVI (other than a person who is not considered a member of the public in the BVI for purposes of SIBA, or a person resident in the BVI solely by virtue of being a company incorporated in the BVI and this document is received at its registered office in the BVI) should not act or rely on this document or any of its contents.

Vanguard represents and agrees that it has not offered or sold, and will not offer or sell, any ETFs or Mutual Funds to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. Neither Vanguard ETFs or Mutual Funds nor issuer are or will be registered with the Superintendency of Financial Services of the Central Bank of Uruguay to be publicly offered in Uruguay.

This document is not intended to provide tax advice or make and exhaustive analysis of the tax regime of the securities described herein. We strongly recommend seeking professional tax advice from a tax specialist.

Data provided by Morningstar is property of Morningstar and Morningstar's data providers and it should therefore not be copied or distributed. Morningstar and its data providers are not responsible for any certification or representation with respect to data validity, certainty, or accuracy and are therefore not responsible for any losses derived from the use of such information.

Vanguard Mexico is not responsible for and does not prepare, edit, or endorse the content, advertising, products, or other materials on or available from any website owned or operated by a third party that may be linked to this email/document via hyperlink. The fact that Vanguard Mexico has provided a link to a third party's website does not constitute an implicit or explicit endorsement, authorization, sponsorship, or affiliation by Vanguard with respect to such website, its content, its owners, providers, or services. You shall use any such third-party content at your own risk and Vanguard Mexico is not liable for any loss or damage that you may suffer by using third party websites or any content, advertising, products, or other materials in connection therewith.

**Connect with Vanguard®**

**Vanguard®**

© 2025 The Vanguard Group, Inc.  
All rights reserved.