

# Helping You Live Your ONE BEST FINANCIAL LIFE™

## WHEN TWO GEESE EQUAL A BLACK SWAN

In the aircraft industry, thousands of normal take-offs and landings occur every day, tens of thousands every week and millions every year. As passengers, we take it for granted that we will be transported to our final destinations safely. We rely on the skills and training of our airline crews to handle the normal and expected turbulence, storms, malfunctions, and the like.

We fly in reasonable comfort knowing that even rare events, such as a near miss in midair or even the recent pilot death in mid-flight, have been anticipated, planned for, and crews trained on, by the airline industry. The airline industry even plans for the truly unexpected event, the one that represents a “Black Swan” far outside the normal experience. “Black Swans” are defined as follows:

- 1 | The event is a surprise and was assumed to have a low or no probability of ever occurring.
- 2 | The event has a major impact on the people affected.
- 3 | After the fact, the event is rationalized by hindsight, as if it had been expected.

### *Perfect Preparation*

Last January 15th, US Airways flight 1549 took off from New York’s LaGuardia airport at approximately 3:26 PM and less than 30 seconds into the flight, ran into a flock of geese. Two of the unfortunate creatures flew into the planes engines, cutting off all power to the aircraft, just a few thousand feet off the ground. We all know what happened next; Captain Chesley B. “Sully” Sullenberg calmly reviewed his options and crash landed the plane on the Hudson River saving all 150 people on board.

The reason Captain Sullenberg was able to perform his amazing feat was that he had simulated it hundreds of times while training. In fact, Captain “Sully” was one of the few pilots who trained others on handling similar scenarios.

Consider the implications of this; pilots train every day to handle scenarios that have only occurred a handful of times in the history of commercial aviation and they train with the expectation that if the unthinkable should ever occur, they will be able to successfully “land the plane”.

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Similarly, the financial services industry has experienced numerous “Black Swan” events over the last 20 years. The following events fit the classic definition above:

- 1 | The 1987 stock market crash
- 2 | The 1998 collapse of Long Term Capital Management (and nearly the entire bond market)
- 3 | The 2000 technology stock crash
- 4 | The collapse in stock prices due to the 9/11 terrorist attacks
- 5 | The recent near collapse of the entire banking system and housing market

The timing of all of these examples was nearly impossible to predict in advance, yet they affected every single person to one degree or another and with the possible exception of the 9/11 attacks, have been explained away as though they can never happen again.

One would think, given the frequency with which these type of improbable and unforeseen events occur, the financial services industry would train advisers on how to guide their clients through these potentially life altering events. You might expect that financial services professionals would have the tools and training necessary to counsel clients on how to “land their plane” and maximize their ability to reach their desired financial destination. You should certainly demand an adviser to be able to model this type of low probability event in advance so that plans and strategies can be created to eliminate potential panic and the inevitable poor results of emotional decision making. In short, clients have the right to expect something better than “hang in there, the markets always come back” while they wonder whether they can still afford to educate their children or enjoy a comfortable retirement.

Blessed with perfect hindsight, we would all be in the perfect investment at the perfect time; or at least a better one than we were in. That is the crux of the black swan: it is unforeseen. When these events occur, we do not see them coming and we are not prepared. We immediately react and often take reckless actions in a highly emotional and irrational state of mind. In short, we “blow it”. Not because we are not capable, it is just simply human nature. When we are not prepared and do not have a plan, we simply react.

### *Navigating The Black Swan*

It is absolutely imprudent to not have a disciplined strategy to “land your plane” knowing that these events, however unlikely and improbable, will indeed occur once again. Unfortunately, most advisers remain ill trained to counsel clients on anticipating and managing catastrophic events. Advisers focus primarily on factors over which clients have absolutely no control such as market performance and investment selection while neglecting to have real, meaningful, and rational conversations about what to do when the black swan does indeed return. They continue to ignore the possibility that helping clients to make wise and reasoned decisions about the factors that they can control will ultimately allow each and every client to successfully enjoy their *One Best Financial Life™*.

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At United Capital, we believe there are three key elements to being highly successful at “landing your plane”

## DISCIPLINE

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Clients need a plan. Our dynamic Master Plan process helps clients evaluate alternatives and make rational and disciplined choices *prior to, after, or even as events are occurring.*

## ALTERNATIVES

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We believe clients should have more choices and flexibility than “what is your risk tolerance?”. We focus on factors clients can control and help them prioritize and make the appropriate trade-offs when necessary.

## A GUIDE

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The single most important factor is having a knowledgeable and experienced guide who understands and is sympathetic to a client’s desires and is able to offer objective analysis, advice and solutions, in a conflict free environment.

We regularly model and plan for low probability but catastrophic events; even worse than the “Black Swans” mentioned above. Our clients have a thorough understanding of their five financial control levers and our advisers can use our Master Planning process to make sure that clients can comfortably achieve those things that they value most... *even when times are the most uncertain.*

We cannot avoid Black Swans. As much as we wish we could predict them, no one can be certain when they will arrive. But when they do, our goal is to be like Captain Sullenberg and guide clients and their families to a safe financial landing. You understand the needs and precious desires of your family better than anyone else. It’s time to take charge of all of your personal control levers and design a plan that gives you real confidence to help you achieve your *One Best Financial Life™.*

*United Capital Financial Advisers, LLC (UCFA), provides advice and makes recommendations based on the specific needs and circumstances of each client. For clients with managed accounts, UCFA has discretionary authority and makes investment decisions based on the specific needs and circumstances of each client. Investing involves risks and clients should carefully consider their own investment objectives and never rely on any single chart, graph or marketing piece to make decisions. Past performance of markets and other data contained in this presentation are no guarantee or indicator of future results. This not a solicitation, recommendation, or an offer to buy or sell any securities. Past performance of markets and other data contained in this marketing piece are no guarantee or indicator of future results.*

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