Scott Brooks Video Transcripts

VIDEO 10: 3:25

SCOTT: For this next situation, all we're talking about is losses. So, here's the situation: you've hired me, all right, and we've been taking care of your money. What time frame in the future, it doesn't matter; you pick whatever time frame you want, all right? You're coming in for a review and it's a review right after your portfolio has just taken a dip down, and you sit down in my office and you say the following to me: "Scott, you said you hate losses, and we hate losses too, and we hate the fact that our portfolio just experienced the loss. However, the loss we experienced was within the range we expected to happen from time to time, and even though we don't like this loss, we can see that we're still on track to achieve all of our retirement goals. We have the all guaranteed income that we need, that loss didn't affect our income. We're set; we're okay. But, Scott, we want to be clear with you. We wouldn't be comfortable having any more of that loss that we just had. That's as much as we can tolerate and still be able to be comfortable." How much was that loss that you would be able to say that to me? Patty, I'm going to start with you. How much would that loss be?

PATTY: Well, do you want percentage, or do you want money; I mean, dollars?

SCOTT: However you would like to express it.

PATTY: About 20%.

SCOTT: Twenty percent?

PATTY: Uh-huh.

SCOTT: So, 20% of 1.5 million is 300,000. Could you . .

PATTY: Oh, oh, oh . . yeah, I didn't think of it that way. Oh, let's just rethink this. Let's go back to about -- I was going to say five, but I think I'm going to stick with 2%.

SCOTT: Two?

PATTY: So what is that?

SCOTT: That would be about $30,000.

PATTY: That's still kind of high, but I'll stick with 2% for now.

SCOTT: Two percent? Okay. Roy, how about you? how much could you stand to lose before you would become uncomfortable?

ROY: Minus her 2%? No; 5%, probably.

SCOTT: Five percent?

ROY: Yeah, that's the maximum I'd feel comfortable.

SCOTT: There's about a $75,000 variation on that.

ROY: Yeah, that would be the maximum.

SCOTT: You seem uncomfortable with that answer.

ROY: I do seem uncomfortable with that; yeah.

SCOTT: Does it need to be lower than that?

ROY: Yeah it really should. Let's just go with the 2% for both of us, because, you know, we worked too darn hard for our money. I don't want to see it . .

SCOTT: Okay. All right. That's fine; I'm just trying to get a feel for how we need to adjust it. Now what's important about this, is this 2% number that you've given me, okay, let's say I build a portfolio to accomplish those goals, all right? I build a portfolio to take the least amount of risk, to get the returns you want, to accomplish all your goals, and enjoy the rest of your life. Let's say that at some point in time in the future we experience a 2% loss. Now, we experience that 2% loss. Now, you might experience that 2% loss, you might say, gosh I don't like that

2% loss at all, all right? Don't panic. Don't get aggravated. Just pick up the phone and call me and say "Scott, we experienced that loss, and it turns out we're not quite as comfortable with that as we thought we were. Can we adjust it a little bit more?" That's fine, we just got to keep communication chains open with me; keep the channels open. You may experience a 2% loss and go, "Well we've got all our guaranteed income. We're fine." Maybe after it happens maybe you'll be like "Maybe we want to get a little bit more moderate," or something like that. If you communicate with me, remember, I can build it. You just have to give me open feedback so that I can make sure I'm adjusting things to meet your needs, okay? All right.