Hello. I'm Remy Blair with Asset TV. I'm joined by James Johnson, Associate Vice President of Investments at the Optimal Service Group of Wells Fargo Advisors. Today we'll discuss why advisors should think more like an institution and less like a human. Thank you so much for joining me today.

Thanks for having me.

Well, when it comes to managing finances, we need to remember that both advisors and clients are human. So what do you think is the most challenging aspect when it comes to emotions and investing?

Right, and so I would say it's probably easier said than done, and a couple of decisions that people may tend to trip up on that institutions don't is, one, maybe following the hot dot a lot of times. We see that happen. For instance, we're in the longest bull market on history right now, and a lot of people think that, hey, I might as well keep going. I might as well go ahead and put my money here now.

And so what we like to do is to be able to share that, hey, focus on that plan, stick to the one you have in place, because frankly, no one crystal ball works that well. And another decision that some folks trip up on also is maybe what's that appropriate risk tolerance or time horizon, right?

And so institutions make the same mistakes as well. What is it that you're looking to do? How risky do you want your portfolio to be? And so what we do at the institutional level is, we go in and conduct a risk tolerance assessment, which is pretty much like a survey for the board members to fill out, answer questions like, how much do I want the portfolio to go down or how comfortable do I feel before they're going down in a certain amount of time?

And so what we do is we aggregate or average those answers and then go ahead and find that happy medium to be able to invest and get the appropriate risk tolerance. And so some of those questions can be asked of individuals and families as well. Advisors can definitely ask them those questions, if they don't have the software in place to be able to run those kind of scenarios for them.

And I'm sure as an advisor, you have certain steps you take to think more like an institution and be careful about erring on the human side. But at the same time, Is there a one-size-fits-all or does it really depend on the client?

Well, I'll speak from our experience. We take a customized approach to each client. No one, we believe, is the same. Each scenario and each situation is different, and so we want to be able to put the appropriate plan in place that is unique to each different situation.

And so when it comes to institutions, it's the same thing. Everybody has different goals and objectives that they want to meet. And we want to be able to get the appropriate plan in place to do that. And so how we would do that, though, with institutions is, the steps are a bit more multifaceted than you would think. than they usually are for an individual.

And so not to get too deep in our consulting process, but as the consultants, we would work with the staff and/or management and come up with a plan that we would present then to the investment committee, which is a subset of the larger board.

But all the work that goes in that, that's just one recommendation. That's just one step. The next one would have to be, present that same piece to the larger entity, to the larger board. And they may or may not like what we have to say.

And so it could end up going back to the drawing board. But end of the day, those folks are fiduciaries of assets that are not theirs. So most of them are not theirs. And so they have to act pretty much in perpetuity, specifically speaking on endowments.

And so the things they have to do, they're liable for those assets, and so they have to make the appropriate decisions to where they can still go to bed at night and not feel as if they made a mistake when making decisions for someone else.

And when people hear the term being less human, they might assume that you're talking about AI or removing the human element of it. But no, it's about the advisor. So could you tell me about how technology is also being helpful and being utilized by your organization, for the advisor?

Right. And so for us, specifically, Wells Fargo Advisors has a proprietary system called Envision. And so it runs just kind of the Monte Carlo simulation, historically. So luckily, we're not doing it by hand like they did in the old days. But it runs scenarios and stress tests different situations based on the goals and needs that individual may input on the subset of the conversation.

And from there it gives out different recommendations on portfolios and what goals you can or you may not meet. And so we use that specifically for our clients. And there's others out there that-- there's plenty, I'm sure, to use that other firms may have access to.

But a lot of times, for folks who do not have access to that, it's a matter of asking yourself those questions that I mentioned with the risk tolerance assessment. Do I need this money tomorrow or this year or 10 years from now? Things like that to be able to go back to when it comes five, seven years from now, when you're wondering what should I do next, you have that blueprint in place, typically to go back into and see what it is you should be able to do.

You mentioned the word blueprint. So I'm curious about the steps that go into this. For your average client that comes to you, what are some of the steps that you take when assessing their profile?

So I'll maybe first focus on the institution. And so blueprint would be their equivalent of an investment policy statement. And what that entails is the spending needs for them. That's the strategic asset allocation, how far you can and can not deviate from that, and of course, there may be some other-- if it's a government entity, you'll talk about state laws, what you can or cannot invest in.

And so how that translates over to the individual is, a lot of times you won't see an investment policy statement in place, but that doesn't mean that you don't have something similar to it, that kind of plan in place to be able to stick back to.

And so at the end of the day, we like to tell individuals, say, hey, think of your money as if you were investing it for someone else. If you were liable for this money, if you were a fiduciary for these assets, how would you invest it? And so is it, would you be more risky, would you be less risky?

And so bottom line is, on the out front of the conversation, you want to be able to have that blueprint or investment policy statement in place to be able to know. And from institutional standpoint, people are able to-- once board members roll over and change, and committee members change in the future, they can go back and pick up that statement or blueprint 10, 20 years from now and say, hey, OK, this is exactly what I'm supposed to do.

This is how I know this institution wants to invest. And individuals can do the same as long as they stick to the plan.

And James, last but not least, before I let you go, from a perspective of an advisor, we know that trends are changing all the time. And I'm sure clients come to you when they see certain trends on the horizon. Or there might be a little blip on the radar. So from an advisor perspective, what do you advise to clients? And also, as an advisor, I'm sure that you have to be nimble and stay with the times. So share your insights.

Absolutely. So thanks to the democratization of investing, information has never been more available in history than it is today, which means how you practice, how advisors practice, those become more and more ubiquitous. And so we're constantly finding ways to be able to set yourself apart and become the leader of the pack.

And so not to give away too many of our trade secrets, but our middle name is optimal. We believe our service is unmatched to any other advisor or entity, based on how we service our clients. And so we set the processes in place to be able to make it more and more efficient for the folks on our team to be able to do that.

And so if there were anything that I would see, how to be able to take advantage of the trends and moving forward and get a competitive edge, I would be focused more so in-house and see how the efficiencies are ran with in-house, and then how you can maybe service the client better.

Well, this is a very important discussion, and as you mentioned, with everyone having access to information, I'm sure it's important to have advisors who can really dissect that information and help their clients out as well.

Absolutely. It is.

James, thank you so much for joining me today.

Thank you for having me.

Thank you. And thank you for watching. I was joined by James Johnson, Associate Vice President of investments at the Optimal Service Group of Wells Fargo Advisors. From our studios in New York, I'm Remy Blair for Asset TV.