

Coach's Corner

Our latest commentary to help you elevate the success of your practice

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"Cash Is No Longer King Today"

By: David Richman | September 21, 2023

Many investors have become complacent sitting on the sidelines due to the high yields they've been earning on cash. Complacency is a strong driver of inertia, perhaps the strongest of all.

How can you break through their inertia and inspire prospective clients to step out of cash and play the long game? Consider using a thesis inspired by Nisha Patel, Managing Director and Head of SMA Portfolio Management at Parametric: "Cash is no longer king today."

Advisor: "Your decision to sit in cash has worked out well. Looking forward, we believe **cash is no longer king today.**"

Prospective Client: "What are you talking about? Given my current yield, how can you say it's not king?"

Advisor: "While it may be comfortable to sit in cash right now, there is an opportunity cost in staying there. As we likely near the end of the Federal Reserve's interest rate hikes, history tells us now might be the right time to play the long game."

Prospective Client: "How so?"

Advisor: "There are two things to review—locking in yields for longer and duration."

"Given the high tax-exempt yields out in longer maturities, investors can lock in higher income for an extended period of time. Compare that to achieving a temporary high yield in cash, which has a high reinvestment risk and is not locked in beyond that short-term time frame."

"Adding duration makes sense as historically there has been significant upside price appreciation potential when yields fall as the Fed starts to cut rates, to stimulate the economy during a slow period."

Using a thesis—a timely, pithy soundbite that connects the dots to the advice you are delivering to your clients — can help you bust through a prospective client's inertia and shake their complacency.

Bottom line: A well-crafted thesis, such as "cash is no longer king today," can help you articulate your thoughts with confidence and clarity and inspire prospective clients to follow your lead.

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