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ranging from one-off planning service providers like Naomi Scrivener all the way up to turn-key asset management companies like SEI. The Ensemble organization in Rochester, NY seems to be offering something comparable to FocusPoint, and there are firms like Portfolio Solutions in Troy, MI which manage portfolios on a contract basis for multiple advisory firms.

Your challenge, in 2006, will be to, first, recognize whether The Wall is either looming ahead of you or you're already trying to scale it, and recognize that practice management and business operations will require attention and resources that you haven't had to expend in the past. Each advisor will have to evaluate your options and decide whether you believe in organically growing your own business and developing your business management skills with the help of somebody like DeWeese, or delegate them to a firm like FocusPoint or Mosaic.

My guess is that 2006--and quite possibly a year or two beyond it--will be regarded as a time of great opportunity for people in the planning profession, one of those rare periods when will be possible to work with as many clients as you want to. My best advice for the new year is: find a way to make the most of this opportunity while you can--if not for you, then perhaps for the clients who would be a lot better off working with you than the equity-index product salesman down the street. ■

Client Services

Roots of Behavior

Here's an interestingly different approach to your life planning services: a psychological profile geared to personal finances

by Bob Veres

Hugh Massie believes that the life planning activities in the U.S. tend to make a worrisome mistake within the first minutes of the client relationship. "Most of the systems I've seen start the discussion of money with a client earlier than I would want," he says. "Wouldn't it be helpful to know who they are first, and then discuss it from that context?"

As an Australian ex-CPA-turned-financial-planner, you might expect Massie to approach client service issues a little differently from the mainstream here in the U.S. While setting up his planning firm in Australia, he spent a lot of time thinking about the complexities of dealing with the messy and complicated areas that he was opening up with clients. Instead of answers, he kept coming up with questions which differed from client to client. How do they like to be communicated with? Do they want to control the decisions, or delegate them? Are they trusting or naturally suspicious? Do they believe in taking risks? What are their biggest challenges around money, and their biggest strengths?

How could you learn these things before you and the client start building a relationship and you start offering recommendations?

The answer in the emerging U.S. life planning field is somewhat murky: you ask probing questions early and often, and you trust your instincts, the client's honesty and candor, and the passage of time to bring you and the client into a strong mutual understanding. Results can be mixed; many advisors report that only a fraction of their clients are open to this kind of probing, and it sometimes takes years for each side to get a full sense of how best to work together.

Massie decided to create an alternative: a questionnaire and evaluation process that he calls "Financial DNA." As the name suggests, Financial DNA is designed to get to what Massie calls "the natural hard-wired behavior" of a client--and also to let planners see their instinctive biases. "Everybody has things that they do as a result of who they are and their experiences up to around age three," he says. "Usually, people don't know these things about themselves. They might subconsciously have a sense of how they make decisions and think about money, but they don't really know at a conscious level, and they're not aligned to it."

To uncover these root causes of client behavior, Financial DNA starts with two online questionnaires, which Massie calls (inexplicably) Parts 4 and 6

Profiles. (I looked for Parts 1-3, but they apparently don't exist. Nor does Part 5.) Each profile consists of a series of questions, each with four possible answers--the kind of choices where you will frustratingly discover that at least two and sometimes all four will apply to you, so you have to sort which is most and least relevant.

Once the data has been gathered, a client's personality is classified into one of 16 different basic profiles, based on his/her strongest and weakest tendencies. For instance, a client whom Massie would describe as a "Harmonizer" would require a lot of stability in his/her life, and might be great at facilitating whatever plan the two of you come up with. A "Researcher," in contrast, would be highly resourceful and focused on implementing business goals rather than setting them. The "Striver" would be very business focused: the kind of person who sets a goal and chases it.

You can also get the raw scores on each personality trait, in the form of a spreadsheet--called the Insight Dashboard. These give you a fairly detailed breakdown of your client's responses in each subject area, color-coded as high, medium and low. How likely is a client to trust you? Is this person relationship-oriented? Will he or she value the relationship with you, or just the results? Does she enjoy taking chances? Can she live with the consequences?

The risk taking characteristic is split into two pieces for a reason. "Most people focus on the risk tolerance," says Massie. "But there are people in the world who will take chances, but they can't live

with the consequences. You need to know if that going in."

Other potential disparities can be spotted in how clients set goals and stick to them. "You will have people come in and set large goals, but who are never able to pursue them," Massie explains.

I was initially skeptical that a mere questionnaire could elicit these detailed insights, but when I went through the process myself, the analysis turned out to be disturbingly accurate. My own Insight Dashboard told me that I was slightly introverted ("more prone to reflect on things people said rather than accepting them," is how Massie interpreted this, in addition to a certain shyness), and it said that I need evidence that I can trust people before I give them my trust. Also, when I work with a professional, the instrument says that I tend to be more focused on results rather than on the quality of the relationship. "So if I was working with you," Massie told me in a followup interview, "I would emphasize what outcomes we are going to get, rather than on having a warm, cuddly relationship."

The spreadsheet also said that I tend to set very ambitious goals for myself, and have very high visionary, imagination and resourcefulness factors--which Massie interpreted as being highly capable of working with abstract concepts. It said that I'm comfortable with new ideas, but I also have a high need for control. "If I was your advisor, I would let you set the agenda for me," says Massie. "You wouldn't be 100% comfortable with me managing your money on a discretionary basis."

My propensity for risk

was characterized as "medium;" the nice interpretation being that I look carefully before I leap, a more realistic interpretation might be that I don't like speculation. But my risk tolerance came up higher than average, which suggests that I have the ability to live with the consequences of my decisions.

Financial DNA also interprets the questionnaire data according to different issues that may come up in the planning relationship. One is philanthropy: is the client likely to be giving as a social activity, or is she more outcome-focused? Is she looking for a personal touch--a personal thank you or having a building named after her--or is she more interested in accountability as to how the money is spent and the results it achieves?

How does this information segue into the financial planning work? "Once you know how clients think and how they are likely to respond," says Massie, "you can do the portfolio-building from the inside-out. You have a behavior analysis that tells you what kind of portfolio they are most likely to stick with."

This may not always be what the conventional risk tolerance measures would indicate; it might even lead you outside the bounds of normal investment diversification. Massie cites the extreme real-world case of a client who, he says, won't be interested in stocks or bonds, but would be an excellent investor in real estate. "With his characteristics, including his high need for control, he just wouldn't have been happy being invested

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in stocks,” says Massie. “In fact, before he came to us, he never was, regardless of whether they went up or down.”

Beyond that, Financial DNA provides a set of tools which are more like the psychware systems you find at the other service providers, designed to uncover a person’s passions and goals. The Life Goals questions--which you ask clients, rather than have them fill out on paper--is designed to uncover the client’s unique talents, passions, unique gifts, core values and, finally, life purpose.

“These questions are really about moving from what we call a good life to a quality life,” says Massie. “The quality life begins with recognizing your unique gift, what you stand for and what you believe your ultimate purpose may be.”

This worksheet, and a second one called Accelerate Your Financial Plan, are applied in an effort to help clients clarify how you would apply your planning expertise to their lives, and how you and they would work together going forward.

Cost? Financial DNA charges \$95 for the Part 4 and Part 6 Profiles--with discounts available if you’re buying them in bulk. Stage Two, which includes a Financial Directions profile, costs \$200 per client. Advisors normally go through a 2-hour introductory Webinar, which costs another \$200, and if you want more substantial training in the use of the system, there is an optional four-day coaching/facilitating program that costs \$4,000.



“I’d like a well-diversified asset mix that doesn’t include any of those risky stocks and bonds.”

I need to say, as clearly as possible, that the term “Financial DNA” is trademarked internationally, so you can’t legally borrow the term to use with clients. Also, the company’s marketing and outreach are still being ramped up; currently, roughly 120 planning firms around the world are routinely using Financial DNA psychware tools and questionnaires with their clients. Another 3,000 have completed their own profiles and are either still evaluating the service or have used it with a client or two but not on a regular basis.

It seems to me that Massie is approaching the life planning--he prefers to call it “Quality Life Planning”--concept at a 90-degree angle from everybody else. It doesn’t take long to realize that Financial DNA is very different from the Financial Life Planning, Money Quotient, Kinder Institute

approaches that systematize the initial interview but rely on your own evaluation skills to figure out the client’s underlying psychology.

Even so, I don’t think Financial DNA is incompatible with the other systems; it is, as I see it, an add-on instrument that might help you build stable client relationships more quickly. “I believe that if you ask money-related questions too fast in the relationship, that just triggers negative emotions before you’ve found out who they really are,” he says. “I think the normal process, if you will, is to get to know the client over a period of years and gradually become more comfortable becoming more deeply involved in their personal issues. If you can cut down that time from 10 years to a couple of hours, you’re a whole lot better off.”

Check it out for yourself at: WWW.FinancialDNA.biz. ■