

Really, Really Personal Financial Planning

A way to make more money while making client relationships more meaningful.

By Andrew Gluck

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If you are trying to attract new clients or serve your current clients better, Financial DNA may be the answer. This system is intelligent, insightful and valuable. Advisors and their clients are both likely to have deeper, more meaningful relationships by using this system.

So what's wrong with it? Why haven't you heard of Financial DNA? And if it's so revolutionary, why hasn't it had more of an impact on the profession since being introduced nearly five years ago? You'll probably find the answers in the mirror. That's right. You are to blame.

You're so busy running your business and chasing after new clients that you wouldn't know a brilliant client process if it walked right up to you and stared you in the eye. You have such a short attention span and are so overloaded with information that you don't have the time or discipline to identify and research the few genuinely great ideas that you come across.

You poor, misguided soul, you are exactly like me!

I first ran into Hugh Massie about five years ago at an FPA conference, when he was launching Financial DNA. He told me that he had come up with a new system for managing client relationships. But I am so bombarded with ideas to write about for this column that I didn't take the time to research Financial DNA, partly because it was so complex. Now that I have taken the time to look at it, I realize that Financial DNA is a valuable system for improving client engagements.

Massie's journey has surely been a lonely one. It's incredibly frustrating to have ideas that people are too busy or shortsighted to spend time understanding. It's as if you had discovered buried treasure on a remote island, and you're standing on the shore, waving your arms, and you're jumping and yelling. "Here! It's this way! Follow me!" But boats, helicopters and airplanes all pass you by because you're off their route and they have another destination.

Massie's riches lie in the Financial DNA client personality assessment system. It's called DNA because it reveals your hardwired attitudes about money and what kind of client you are going to make for an advisor. And like DNA, it is a complex system. Just as deoxyribonucleic acid contains the genetic instructions used in the development and functioning of people and provides a blueprint for human physical characteristics and behavior, your Financial DNA explains your natural behavior with regard to financial matters, your innate programming from birth to around the age of three.

And just as genetic testing can reveal your predisposition to contract colon cancer, find out why you're allergic to dairy products or explain why you are overweight like your mother, Massie's Financial DNA assessments are designed to reveal why you need to see detailed research before making investment decisions, show the reasons why you prefer stocks over bonds and explain your penchant for cold, hard facts delivered by an advisor with a clinical approach rather than a warm, fuzzy and hand-holding advisor with a gentle manner.

Taking A Strand

Financial DNA is introduced to clients via two assessments, mysteriously dubbed Path 4 and Path 6. While the names do nothing to describe what is measured, those in the know learn that Path 4 examines your personality based on four factors, while Path 6 measures six factors. Are you accommodating or directing? Reserved or engaging? Objective or harmonious? Spontaneous or methodical? Each of these four factors is scored based on the ten-minute Path 4 assessment. Your Path 4 score is determined by answers to 36 questions. Four words, such as "lighthearted," "energetic," "driving" and "structured" are shown to you and you are asked to gauge which describes you the best and worst.

The Path 6, comprising 20 questions, puts you under pressure because each question poses just three words, and you must decide how well each of the three words describes you. And the three words are similar in definition, which is what makes this assessment's results more revealing. The Path 6 provides a more refined measurement of your personality than the Path 4, and scores are based on six factors: whether you are dominant or compliant, introverted versus extroverted, compassionate or detached, structured or unstructured, cautious versus adventurous, or concrete rather than abstract.

The two assessments can be given one after the other and take a total of 20 or 30 minutes to administer. Clients can take them online, but Massie says more than half of the advisors administer them in their offices. The results of these two assessments, Massie says, can give you important insight into a client that might not otherwise be discernible.

Clients receive a takeaway report with each assessment. The Path 4 report shows your score on each of the four factors as dots on a grid. The four dots are linked by straight lines, forming a chart with a distinct pattern. The chart displays your blend of the four factors measured by the Path 4 (Figure 1).

Your four-factor profile is compared with 16 prototypical profiles. Massie has written a 12-page report describing each of the 16 prototypical profiles. You are provided with a report based on the prototypical profile that best matches the pattern formed by your four

dots on the grid. The report provides analysis of your personality characteristics and behavior in terms of your strengths, struggles, investing style, financial fears, communication style and more (Figure 2).

The Path 6 report provides a more direct assessment of your financial personality. It shows scores for each of the six personality traits measured in this assessment and describes your personality in greater detail based on your scores. For instance, say that you get a score of 63 in measuring whether you are dominant versus compliant. Since that would indicate you are a fairly dominating personality, you would be further described as blunt, assertive and independent in the report. Such details are provided based on your scores for all six factors. In addition, a section describing your ideal investing environment describes the type of advisory relationship that would work best for you, and further details are provided on your scores for each of the six factors.

Personality Financial Planning

Personality assessments are not completely new to financial advisors. Myers-Briggs, Enneagrams, and Kolbe assessments have been administered for years by a small group of advisors as an aid in hiring new employees. Financial DNA, however, is different because it is the most comprehensive set of assessment tools created to help advisors in serving their clients. Understanding a client's financial personality can have an important impact in the way you relate to a client and the advice you provide.

"People who are more outgoing, extroverted people like to be seen to look good," says Massie. "They like to have fun and want people to remember them. They like to be the center of attention and they like to be liked.

"Such individuals are more likely to spend money in restaurants, on clothes and on vacations. They are more lifestyle-oriented."

Massie contrasts such personality types with introverts. "Introverted people are more likely to be thinkers and live much more from within," says Massie. "They tend to be worried about 'Have I got enough?' and they have a lot less need for glamour. They're more likely leading a private life."

Financial DNA aims to identify not just gross personality characteristics, like extroversion, but more subtle ones, such as the way people think about financial problems. "If you know that somebody is unstructured, you aren't going to provide them with a lot of information," says Massie. "Whereas if they're structured, you're going to provide them with a lot of detail, and they won't trust you until you do that."

And that is where Financial DNA can allow an advisor to consider a client's personality in a financial planning engagement. "If the client is extroverted, you've got to make the whole process fun, engaging, lighthearted and entertaining," he says. "However, an introverted person does not want a long meeting. Knowing your client's Financial DNA lets you tailor the whole communication process and information flow, and it helps clients feel understood because you actually know what they instinctively want."

Perfect To Make A Practice

Financial advisors face the challenge of commoditization of their services. Technology makes it much easier to give a client advice on asset allocation, mutual funds and other key aspects of a financial plan. In fact, clients can get this advice directly from brokerages now with little or no help from a broker.

Financial DNA provides a system for differentiating your services. By delving deeper into a client's personality—specifically, the client's attitudes about money and the behaviors that are likely to result—you provide a human component to your advice that will be valued by clients. By asking a client to tell you about himself in a systematic fashion, you truly demonstrate a willingness to put the personal component in a personal financial plan.

Financial DNA is not just for any type of advisory firm, however. If you're not interested in providing financial planning services, then it is likely not for you. If your practice is geared to transaction-centered relationships, you don't need this tool. However, if you are interested in deeper client relationships, it could be a basis for creating a more thoughtful planning process.

Massie says advisors who are trying to transition from commissions to fee-based relationships with clients often find Financial DNA most helpful, which makes sense. Advisors making this transition must find a way to create different levels of service to clients. You may choose to provide Financial DNA assessments only to your "A" clients that pay you the most fees. Or perhaps you would reserve Financial DNA's most in-depth assessment tools for your most valued clients.

Half A Helix Better Than None

What's astounding is that so few advisors over the last five years have embraced the Financial DNA system, and those who do embrace it mostly just go for small slices of a client's DNA rather than the whole double helix. According to Massie, about 1,000 advisors have used the system. Of that number, he says, 85% are using just the Path 4 or both Path 4 and Path 6.

That means only 15% of advisors go beyond the two introductory assessments to get to the two more probing tools, the Financial Directions Profile and Quality Life Insights Profile. These two assessments yield the most important data about clients and are likely to help lift an advisor to an entirely new level in a client relationship. The Financial Directions assessment takes about 30 minutes for a client to complete. That's on top of the 30 minutes it will take to complete the Path 4 and Path 6 assessments. But it will tell the client—and advisor—information unique to each individual client.

The Financial Directions report tells you whether the client wants you to provide guidance based on facts or emotion, and whether a client is likely to be confident of his financial decisions after being given advice in the style he prefers. It spells out whether a client wants to focus on budgeting, administration, order or saving. You learn whether a client is motivated to create only enough wealth to achieve life's basics or would like to be recognized as successful and be seen as making an important social contribution. You have insight into how strongly a client wants to avoid losses, whether the client is likely to become emotional after sustaining a loss or

whether he is likely to focus on the upside in the face of a loss.

In addition, the Financial Directions Profile Report is combined with the results of the Path 4 and Path 6 assessments to provide a Financial Behavior Analysis Report. This report combines the hardwired personality traits that you were born with or developed by age 3 with financial behaviors and attitudes that you have learned. Massie says the hardwired personality characteristics are compared to learned behaviors in search of gaps. For instance, if a client's Path 4 and Path 6 reports indicate he does not want to take risks but his Financial Directions assessment reveals a penchant for risky investments, the gap between the natural hereditary and learned attitudes would merit discussion with the client. Of the 63 traits measured by Financial DNA, Massie says five to 12 gaps are usually discovered between people's hardwired attitudes about money and their learned attitudes.

Yet despite the trove of information revealed, the great majority of advisors using Financial DNA never get to the Financial Directions Report and still fewer ever utilize the Quality Life Insights assessment. Why? "It requires a behavioral change," says Massie. Advisors Are Genetically Flawed

Being human, advisors are genetically flawed. Learning new methods and having the discipline to practice them is difficult. The vast majority of advisors will never develop the habits needed to utilize the Financial DNA assessment system. In fact, my guess is that the vast majority of advisors reading this article will not have the attention span and discipline to finish reading it and find out more about the system. And an even smaller number will follow through and actually implement it. It requires a major commitment and willingness to change your practice in a significant way.

Massie says the Path 4, Path 6 and Financial Directions assessments take one hour for clients. But you have to bet that when a client visits your office, you will end up eating lunch with him or spending time talking with him. Massie says reviewing the results of these three assessments takes about an hour. But you have to bet that you will be interrupted, need to answer the phone, or will check your e-mail while trying to analyze the assessments' results, and it might take two or even three hours to analyze the reports and jot down notes about issues you want to probe further with a client. For advisors who already spend time in plan preparation, the added work is less of an adjustment but requires adjustment nonetheless.

Moreover, using the system requires training. To administer the Path 4 and Path 6 assessments, you must take a two-hour Webinar. This costs \$200 and certified financial planner professionals who take it receive two continuing education credits. To administer the Financial Directions assessment, you must attend a two-day training session, Wealth Mentor I, which is administered quarterly in Atlanta and costs \$2,000. The Wealth Mentor II program is also offered quarterly and allows advisors to offer the full assessment program, including the Quality Life Insights Profile, a six-part financial personality assessment that provides an 82-page report with very specific details that an advisor uses to build a financial plan for a client.

Andrew Gluck, a longtime writer and journalist, is CEO of Advisor Products Inc. (<http://www.advisorproducts.com>), a Westbury, N.Y., marketing company serving 1,800 advisory firms.