



Virtual Office News Reprint

The *Only* Practice Management/Technology Newsletter
for Financial Advisors

June 2006—Volume IV, Issue 6

Financial DNA *by David J. Drucker*

Financial DNA Resources is a tough business to get a handle on — at first.

I had heard it was one of those firms offering advisors a risk assessment tool. We've all experimented with these... our clients take a 20-question multiple choice test and we dub them "risk avoiders" or "risk obsessives" or some such thing so we can build them a better portfolio. What I wasn't prepared for was the breadth and depth of the [Financial DNA©](#) process, which is why I will be devoting two columns to this application service provider.

This company bills its service as a "wealth mentoring process" employing the "Financial DNA Discovery Process." This Process contains three stages. The first is a combination of "Path 4 and 6 Profiles," or a summarization of the subject's key "hard-wired" behavioral traits.

The second part is the "Financial Directions Appraisal," which indicates the subject's learned financial behavior, in contrast to the "predicted natural behavior" uncovered in the first part of the Process. In this second step, 63 areas of behavior are measured and the advisor finds out what his client's financial preferences are, which may be different from what his hard-wired (Path 4/6) behavior would indicate.

The third step is the "CompleteINSIGHT Appraisal," a process of more accurately envisioning life goals using the foundation provided by the first two parts. Says Hugh Massie, Financial DNA's founder, "This is getting to know what a client's purpose, passions and values are, which makes it easier to prioritize his goals."

The authority with which Financial DNA Resources backs up its Discovery Process is its people. Massie has logged time with Arthur Andersen, in its Sydney, Singapore and Bangkok offices; he is the Director of International Operations of RightPath Resources, Inc., a U.S. company providing leadership, people development and hiring solutions; and he is President of Coddington Group which he founded in Sydney, a company that initially engaged in financial planning and investment services and now provides advisory and mentoring services to individuals and businesses in a way that blends a human behavior focus with practical financial and business solutions.

Massie's partners in the U.S., Australia and Canada represent a wide range of experience and quali-

Financial DNA... *Continued*



Hugh Massie

fications including financial and management consulting, leadership coaching, personnel staffing, financial analysis, banking, international capital, brokerage, and accounting.

It is the depth of the Financial DNA Discovery Process that distinguishes it from simpler risk-only assessment tools. “We’re looking at the life behavior of the whole person,” says Massie, “not just risk.”

For a better understanding of Financial DNA, compare it to a typical risk assessment tool like [Finametrica](#), which I’ve given positive reviews in the past. Says Massie, “I could see an advisor using both our tool *and* Finametrica because they’re so totally different. Some think Financial DNA is a “high-end” version of Finametrica because of its comprehensive nature, but Massie says he has advisors using the Discovery Process with the middle market, as well.

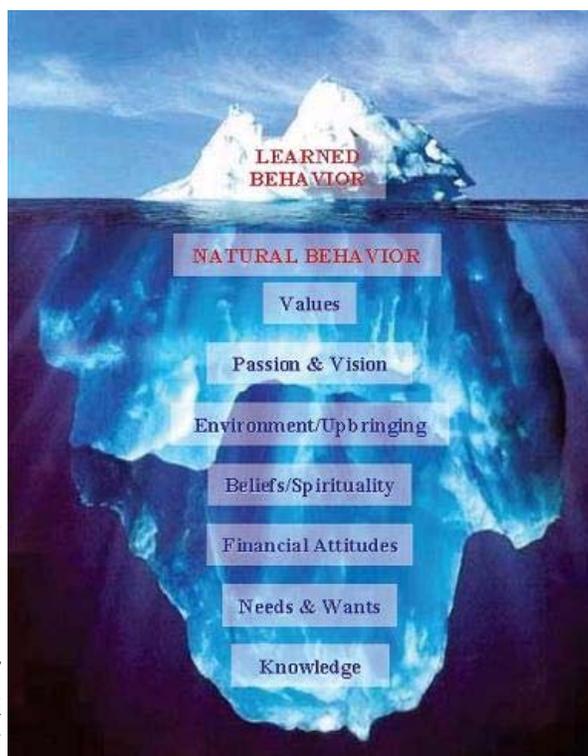
Part 1 of the Process — the Path 4 and 6 Profiles — will be particularly valuable to the advisor who wants to predict his client’s behavior under stress. Most of us have had the experience of using some type of risk assessment tool to gauge what we think is a client’s risk tolerance in order to construct a portfolio for her that meets her long-term return requirements without exceeding her appetite for risk — only to find out in an extended bear market that her true reaction to sliding equity values is much less tolerant than we expected.

“A camel cannot see its own humps,” says Massie. “We must find out where the client’s go-to point is under pressure when learned behaviors go out the window. That’s when the client reverts to his ‘hard-wired’ behavior.” If we can accurately measure that hard-wired behavior, he says, we can do a better job for our clients, not to mention avoid the client’s hysteria when things aren’t going his way.

The problem is... a client’s natural behaviors don’t always reveal themselves initially. These are the behaviors shaped during the first three years of a person’s life, says Massie. Learned behaviors and education are important, too, he says, but if you coach a client to understand what risk is about and build a portfolio based on that understanding, you could ultimately do the client a disservice. A client’s “financial personality,” says Massie, is driven by his natural — not learned — behavior (see Figure 1).

So the Path 4 and 6 Profiles are designed to uncover one’s natural behavior, not just their “risk profile.” I took Parts 4 and 6 myself, to give me a better idea of how

Figure 1



Financial DNA... *Continued*

they work. (You can see my Path 4 Profile [here](#)).

This is how the typical advisor would use these profiles, i.e., do his own first, and then, those of his clients. “Most clients enjoy doing this,” says Massie. “You don’t have to be a psychologist; clients just like to be understood.” As Financial DNA Resources does training with advisors, they can show an advisor how to get his clients to talk if that’s an area the advisors needs help with.

But let’s explore the Path 4 output and see what we find. Part 4 measures and graphs an individual’s position on four spectrums defined as 1) Accommodating vs. Directing (“Control and Agenda”), 2) Reserved vs. Engaging (“Interaction”), 3) Objective vs. Harmonious (“Conflict and Pace”) and 4) Spontaneous vs. Methodical (“Order and Detail”).

Each person fits one of 16 Path 4 profiles. (The more profiles, the better the fit). My profile is the “Strategic Thinker,” the same as Massie’s. The structure of the Path 4 report tells you what you need to know about yourself and how to interact with people (clients) who are different from you. For example, my report tells me my “Typical Strengths” are that I’m goal-oriented, precise, analytical, assertive, confident, prepared, and I insist on quality results. It also lists my “Typical Struggles” as sometimes coming across as rigid, critical and judgmental (me?).

This gets fine-tuned further as we proceed through the report and find a section entitled “Strategic Thinkers in the Financial and Business Advisory Process” listing my:

- Approach to the financial advisory process
- Decision making style
- Investing style
- Financial goals
- Money management style
- Transaction and investment variety
- Financial fears
- Research style
- Measure of success
- Self awareness
- Stress
- Preferred relationship with advisors
- Required style of financial advisor
- Communication style
- Disposition to trust

This is very helpful information to have on a new (or existing) client. I could see it expediting the relationship building process tremendously by helping the advisor avoid problems (e.g., mismatched communication styles) and allowing the advisor to take advantage of bonding opportunities (e.g., with information divulged in Required Style of Financial Advisor).

So, if I was your client — a Strategic Thinker — you would learn that I am primarily oriented towards goals and tasks and prefer having ample time to think through and focus on the transaction at hand.

Financial DNA... *Continued*

However, I am capable of collaborating with you and others if that's what's necessary to produce results. I do require comprehensive detail, so make sure your recommendations are backed up by quality research.

Each of the 16 profiles is different in regard to "Required Style of Financial Advisor" which is, in itself, just one type of information you receive on your client. Any advisor who's had problems with some of his clients will realize this is potentially valuable stuff. And those advisors who find they build relationships more easily can probably do so even faster with this kind of information.

An ancillary and useful tool Financial DNA gives you is the Advisor Client Matrix, which looks like this:

		Client															
		Administrator	Analyzer	Cautious Thinker	Deep Thinker	Detailist	Director	Driver	Encourager	Harmonizer	Motivator	Networker	Researcher	Strategic Thinker	Stylish Innovator	Supporter	Adapter
Advisor	Administrator	Green	Yellow	Yellow	Yellow	Yellow	Red	Red	Green	Green	Red	Yellow	Yellow	Red	Red	Green	Green
	Analyzer	Yellow	Green	Red	Green	Yellow	Yellow	Yellow	Red	Red	Yellow	Red	Yellow	Green	Green	Red	Yellow
	Cautious Thinker	Yellow	Red	Green	Green	Yellow	Yellow	Yellow	Green	Green	Red	Yellow	Yellow	Yellow	Yellow	Green	Green
	Deep Thinker	Yellow	Green	Green	Green	Green	Red	Red	Yellow	Yellow	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow
	Detailist	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Green	Red	Yellow	Yellow	Yellow	Yellow	Green	Yellow
	Director	Red	Yellow	Red	Red	Red	Green	Yellow	Red	Red	Green	Yellow	Red	Red	Red	Red	Red
	Driver	Red	Yellow	Red	Red	Red	Green	Yellow	Red	Red	Green	Yellow	Red	Green	Yellow	Red	Red
	Encourager	Green	Red	Green	Yellow	Yellow	Red	Red	Yellow	Yellow	Green	Green	Red	Red	Yellow	Green	Green
	Harmonizer	Green	Red	Green	Yellow	Green	Red	Red	Yellow	Yellow	Green	Green	Red	Red	Yellow	Green	Green
	Motivator	Red	Yellow	Red	Red	Red	Green	Yellow	Yellow	Green	Green	Red	Yellow	Yellow	Yellow	Red	Yellow
	Networker	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Red	Red	Red	Yellow	Yellow	Yellow
	Researcher	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green	Red	Yellow	Yellow	Yellow	Green	Green
	Strategic Thinker	Red	Green	Yellow	Yellow	Yellow	Yellow	Green	Red	Red	Red	Red	Red	Green	Yellow	Red	Red
	Stylish Innovator	Red	Green	Yellow	Yellow	Yellow	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Red	Yellow
	Supporter	Green	Red	Green	Yellow	Green	Red	Red	Green	Green	Red	Yellow	Green	Red	Red	Green	Green
	Adapter	Green	Yellow	Green	Yellow	Yellow	Red	Red	Green	Green	Yellow	Yellow	Green	Red	Yellow	Green	Green

Minimal modification required

Some modification required

Significant modification required

Just find yourself on the left side of the matrix and look across it to see how naturally you're going to relate to different client profiles. As a Strategic Thinker, I will naturally relate easily to other Strategic Thinkers. However, I will need to significantly modify my approach to, say, a Harmonizer. Remember, on the Objective vs. Harmonious spectrum, I scored a 31. Says Massie, "anything less than 40 or more than 60 is considered a very strong predictor." When I get my client's report that shows he's a Harmonizer, I get the kinds of detail mentioned above that help me adapt my style to his profile...

...if I choose to. I always have the option of saying I'll only work with Analyzers, Drivers, Researchers, and other Strategic Thinkers — in other words — those profiles that require minimal or no modi-

Financial DNA... *Continued*

fication to my style of thinking, behaving, and relationship building. “Eighty percent of success in life is around emotional intelligence, so that’s what we’re trying to discover about our clients,” says Massie.

So how does the Path 6 Profile complement the Path 4 Profile? Massie says, “The Path 6 Profile is ‘the goldmine;’ if Path 4 is an X-ray, Path 6 is an MRI scan.” In fact, in using these tools, you’ll probably find yourself looking at Path 6 results and *then* reviewing Path 4 results (even though I’ve tackled them in the order in which I took the assessments).

Let’s start by looking at my own Path 6 Profile [here](#). Similar to the Path 4 results, the Path 6 report tells us where I fall on six behavioral spectrums:

- Compliant vs. Dominant
- Introverted vs. Extroverted
- Detached vs. Compassionate
- Unstructured vs. Structured
- Cautious vs. Adventurous
- Concrete vs. Abstract

For the record, I’m moderately dominant and somewhat highly introverted, detached, structured, adventurous and abstract in my thinking. These are neither good nor bad behaviors. They’re all raw material for understanding a person and building relationships with him.

Path 6 breaks down each of these behaviors into “subfactors.” For example, my dominance trait is explained further by scored indicating I’m somewhat assertive and blunt and highly independent. Subfactor scores on the Detached vs. Compassionate scale show I’m not particularly sympathetic, supportive or tolerant (gee, isn’t my wife lucky?).

More important, though, is how these subfactors are used to “align” the business environment between the advisor and client. In fact, I score so high on the independent scale that I probably wouldn’t be what most advisors call a “Delegator” client; I’d probably be one of those upper-middle-income people who works with an hourly advisor — a client just looking for a second opinion.

At least, that’s what you might predict looking at that scale alone. In reality, I don’t do any of my own investing anymore. And you might be able to figure that out if you look at my Adventurousness and Innovation scores, which explain why I’m quick to outsource investing and use the free time to pursue creative ventures, like this newsletter.

Humans are complex creatures. The Path 4 and 6 Profiles can help you understand them better. Next month, we’ll tie together the first step in the Financial DNA Discovery Process — Paths 4 and 6 — with the final two steps, and we’ll tell you how to purchase and use these services.

Financial DNA—Part II *by David J. Drucker*

You may recall I started out last month's piece on Financial DNA by saying, "What I wasn't prepared for was the breadth and depth of the [Financial DNA](#)© Process, which is why I will be devoting two columns to this application service provider." Hence this column in which we'll tell you how the rest of the Financial DNA Process works.

As I explained in May, the Financial DNA Process is a system for getting to know your client, not just his "risk tolerance," but his communication styles and behaviors around investing and other financial matters. The Process contains three stages. The first is a combination of "Path 4 and 6 Profiles," or a summarization of the subject's key "hard-wired" behavioral traits. Next is the "Financial Directions Appraisal," which indicates the subject's learned financial behavior, in contrast to the "predicted natural behavior" uncovered in the first part of the Process. And the third step is the "CompleteINSIGHT Appraisal," a process of more accurately envisioning life goals using the foundation provided by the first two parts.

In Part I, we examined the Path 4 and 6 Profiles. In Part II, we'll take a look at the Financial Directions Appraisal and the CompleteINSIGHT Appraisal.

We saw that the Path 4 and 6 profiles are a starting point for discovering your client's (or your own) perspectives on making life and financial decisions. Readers will recall that I offered up my own Path 4 and 6 profiles showing that I'm a "Strategic Thinker" (one of 16 behavior types) who can synthesize a broad array of facts, events and concepts in developing long-range plans. As my planner, you would expect me to see the big picture rapidly, but I would expect you to supply well-researched ideas. This could be helpful for a planner to know, 'eh?

So how do the next two Appraisals complement the Path 4 and 6 profiles? The Financial Directions Appraisal highlights your client's learned behavior as opposed to Path 4 and 6 "hard-wired" behavior. In other words, it is less concerned with the client's "DNA" and more concerned with her experience, values and education in financial decision-making. *Think of it this way: Paths 4 and 6 are about building the relationship; the Financial Directions Appraisal is about building the financial plan.*

The Financial Directions Appraisal can be taken either online or on paper, and requires 45 to 60 minutes, or about the same amount of time required for the Path 4 and 6 appraisals, together. Its output is a "Financial Behavior Analysis" that seeks to reconcile the learned behaviors it uncovers with the Path 4 and 6 predicted "natural" behavior. Where there is alignment between the two, the individual has experienced positive growth; where there is mis-alignment, there may be blind spots requiring further development. That's where you come in as a financial advisor prepared to educate his client.

One output of the Financial Directions Appraisal is the Financial Directions report (click [here](#) for a sample). This report represents the culmination of the Stage 1 and 2 work and finally reveals the client's complete Financial DNA — all 18 strands of it, ranging from need for control to style of advisory relationship in which the client will be most effective to the asset classes he is most inclined to use.

Facilitating your use of this report with your client are other tools that come with the Process, such

Financial DNA... *Continued*

as 1) The Financial Behavior Analysis, 2) Presentation Slides, and 3) The Accelerate Your Financial Plan worksheet.



16. **Loss DNA Strand.** This articulates your natural reaction to financial loss

Your reaction to losses is to:

a) avoid	L	M	H
b) become emotional	L	M	H
c) focus on the upside interest	L	M	H

17. **Asset DNA Strand.** This defines the asset classes which you are most strongly inclined towards.

Your preferences are likely to lean towards the following asset allocation:

a) equities	L	M	H
b) property	L	M	H
c) cash/bonds	L	M	H
d) alternative asset classes	L	M	H
e) socially responsible	L	M	H
f) adventure	L	M	H
g) international	L	M	H
h) lifestyle	L	M	H

18. **Investment Propensity DNA Strand.** Defines your preferences in terms of investment strategies.

Your preferences are likely to lean towards the following investment strategies:

a) growth	L	M	H
b) aggressive	L	M	H
c) value	L	M	H
d) security	L	M	H
e) income	L	M	H
f) diversification	L	M	H

The CompleteINSIGHT Appraisal completes the Financial DNA Process by seeking to uncover key aspects of the client's personality as pertain to building a quality life. This is very in-depth and time-

Financial DNA... *Continued*

intensive work, entailing ten separate appraisals, each requiring 20 to 40 minutes to complete:

- Passion and vision
- Personal environment
- Values
- Future needs and wants
- Futurity
- Current financial position
- Financial behavior
- Financial astuteness
- Investment products and strategies
- Financial mind-set

Working through these appraisals (all, or just those the advisor thinks are necessary), is part of what Hugh Massie, Financial DNA's president, calls "quality life goal visioning," or the process of implementing a Quality Life Financial Plan.

Massie says the two (of these ten) profiles *he* mainly works with are the Passion and Vision Profile and the Values Profile. Looking at the Quality Life Financial Plan workbook (sample [here](#)) in which these profiles are reported, it is the advisor's job to "facilitate" the information revealed in the profiles. (Financial DNA Resources provides additional tools for the facilitator, such as the "Accelerate Your Life Purpose" worksheet).

"The outcomes of the discussions are documented in the Quality Life Financial Plan workbook," says Massie, which is also used to document the results of the various exercises through which an advisor can take his client in implementing the full life planning program.

Now we're getting into a higher echelon of advice where the advisor may want to avail himself of some advanced training, specifically, the Certified Wealth Mentor Program. It's no secret that a subset of advisors throughout the financial services industry have gravitated to a version of financial planning that spends more time on the client, as a person, and the Certified Wealth Mentor Program falls into that camp as another way to achieve the expertise needed to go down that road.

It's also a great way to gain access to the company's many tools — those discussed above and others that would require additional space to cover — all at one time. Advisors have also used this training to broaden their service offerings, getting into new areas of planning such as family and business succession planning, philanthropy and planning giving programs and quality-of-life programs aimed at corporate executives. To find out more about this training, click [here](#).

As you can see, the three stages of the Financial DNA Process constitute a total turnkey system that integrates the client's behavior, life purpose, and money into a quality life financial plan.

Many of the objections to "life planning" over the years have centered around advisors' reluctance to "play psychologist" or the need for extra training. My personal belief is that just about any advisor can do life planning if he or she has the right tools to guide him along. The Financial DNA Process

Financial DNA... *Continued*

is one such tool, and certainly one of the best ones I've seen.

Why go to this much trouble? Simple. To build "stickier" relationships and higher-value relationships. The closer you get to a person's DNA, the closer the bond you form with them. Bring this service to a valued client and you'll be providing an experience unmatched by the vast majority of your competition.

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