

“Know the Client, Do the Plan”

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True financial planning is an on-going process and not a one time activity. This is the mind-set that needs to be developed by financial planners in all aspects of their business from marketing to delivering services on an on-going basis.

Building a Client Centric Practice

All around the world those financial planners who have successfully built a sustainable business are delivering a comprehensive and holistic service. Those who are truly the leaders have transformed their service in some way to be based on much greater discovery of the client’s behavioral style and what their life plan is. These successful client centric planners are using a process of some kind which adopts what we call the “Understanding People before Numbers” philosophy.

There is no doubt having a structured client centric process enables the planner to connect with his or her clients more easily and accelerate the building of trust which is the foundation of an ongoing relationship. This approach is not just soft or nice to do. The planner is able to regularly charge fees reflective of the value delivered and based on our measurement increase revenues by over 15% per annum.

Further, as indicated by the Value of Financial Planning Study conducted in July 2008 by the US FPA and Ameriprise the clients who feel confident about their future and are on target to meet their goals are those who have benefited from this comprehensive financial planning approach. Ultimately, this is foundational to the sustainability of the financial planners business.

This client centric approach is not just for the high net worth clients. Our practical experience to date is that all clients regardless of their level of wealth can participate in an enhanced behavioral discovery process which uncovers who they are and their life plan.

The Importance of Understanding Behavior

Understanding the financial behavior of the client, and your own as a planner, is foundational to the financial planning process. Many would agree that in terms of importance this is 80% of building and managing the plan and yet for many planners not even 10% of their time and focus is invested in it. So, how can a planner build a financial plan to which the client will be emotionally committed to if they do not know who the client is, and the client does not know who they are?

Everyone has a Financial DNA[®], being their unique ‘financial personality’ comprised of their natural “hard wired” behavior and their financial preferences which have been influenced from their environment, experiences and education. All of this then shapes their core life motivations and attitudes towards money. In essence, how a person will make financial decisions is very closely aligned to the core of who they are. Successful advisors are able to firstly find this small zone and then develop financial strategies around their client’s innate preferences and behaviors,

rather than using a packaged external model. In this zone, the client's emotions can be better managed for rational decision-making.

"How I got here is pretty simple in my case. It's not IQ, I'm sure you'll be glad to hear. The big thing is rationality...It gets into the habits and character and temperament, and behaving in a rational manner." - Warren Buffett in Fortune Magazine, July 20, 1998

Without a structured process getting to "truly know" clients could take 10 years or more and unlimited budgets. To be successful financial planners need to look beyond traditional risk profiling processes as they capture only a small part of who the clients is, and usually only in the current situation. The financial planner needs to be able to reliably predict how a client will behave during positive times, excitement and windfalls, as well as disrupted and stressful times. Further, the planner needs to be able to understand and then navigate the behavioral differences of a couple or family. This will be crucial to helping them and the client stay on course.

Using a Structured Behavioral Based Client Discovery Process

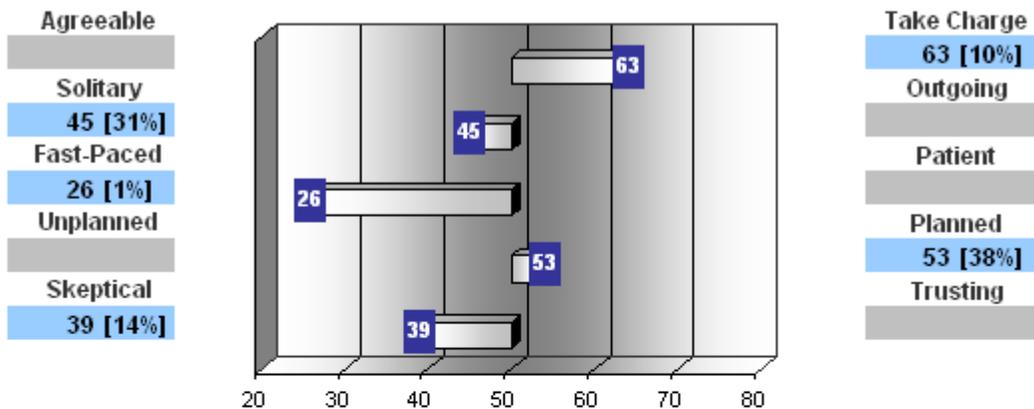
"Assessing someone's Financial DNA allows me to understand the client immediately. It cuts through years of getting to know the client." Kathleen Lenover, CFP - Forbes Magazine July 21, 2008

The Financial DNA Discovery process is a scientific and validated system that comprehensively uncovers the life and financial behavior of the client.

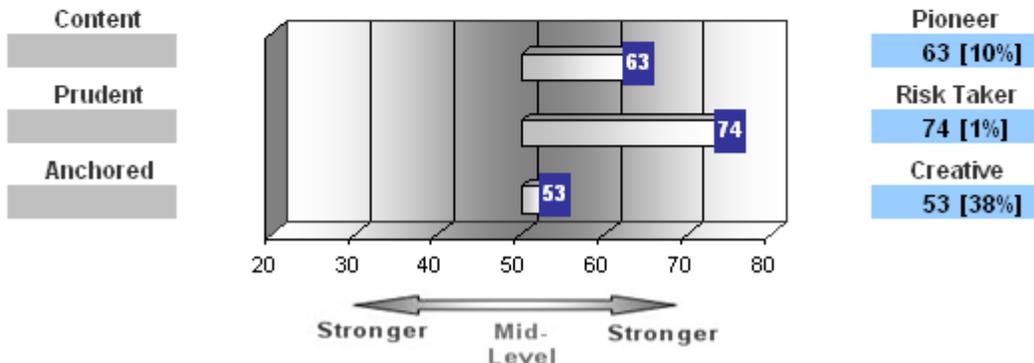
The process starts by both the advisor and client taking the Financial DNA Core Life Motivations Profile. This profile only takes 10-15 minutes to complete online. When the profile is completed a personalized 8 page Financial Planning Report in a user-friendly format will be instantaneously produced. The report provides analysis of 8 primary factors and 24 sub-factors of natural behavior which is relevant to the client's life and financial decision-making. There are additional Financial DNA profiles which go deeper into the client's financial and investment preferences, life purpose and a range of other specific areas, such as family wealth transfer.

For example, you can see below a profile graph for an entrepreneur client who is a "Strategist", which is one of 10 unique Core Life Profiles.

Core Financial Life Drivers



Financial Life Planning Drivers



This approach provides very accurate and objective measurement of the client’s behavior without the bias of human assessment, judgment and blind-spots that come from simply asking questions in the traditional way. It is like putting the client through an “MRI Scan”.

Financial planners will typically use Financial DNA up-front in the planning process. This is usually after the first meeting when the client has committed to the financial planning process. Also, Financial DNA can be used at transition points when major life and financial decisions have to be made. For example, situations like buying a new asset, retirement, sale of a business or wealth transfer. This enables a more tailored financial plan to be prepared. In some cases, Financial DNA is completed even before the first meeting so that the planner can accelerate the discovery process.

A question often asked is will the client participate in a behavioral discovery process like Financial DNA? All clients have a desire to be “understood” and treated uniquely. Further, every person enjoys talking about themselves and this type of discovery will liberate the client to do so which truly opens up the self disclosure for building the plan.

The Behaviors Uncovered by Financial DNA

The uniqueness of the Financial DNA profiles is two-fold. Firstly, the depth and breadth of the behavioral discovery with specific application to the financial planning process. Secondly, the

ability of the process to uncover a person’s natural hard wired behavior. Why is uncovering the natural behavior so important?

For many, their true financial behavior will have been masked by the good times when markets and the economy have been riding high and there has been no financial chaos. The decision making patterns for many of us can change radically when the good times turn to bad. Why does this happen?

When under pressure a person’s natural instincts take over. This is what we call the natural “hard hard-wired” behavior. Or put another way the default behavior. This behavior is fixed into a person’s make up from the age of 3 years old and is the core of their “DNA”. Whilst a person’s overall personality may evolve as they go through life, there will be certain core behavioral traits which based on our extensive research do not change. These behaviors are often more clearly demonstrated when the person is under stress. In fact, when a person is under stress these natural instincts instantaneously take over and for many they have little control over it. It just happens. This is why they often see a high degree of emotional decision-making which is not rational. For those who are highly aware of themselves, are financially educated and experienced, have a sound relationship with money, and further have developed a high level of emotional intelligence this will be less so. However, even then there will still be the natural drive to behave a certain way.

Now making the discussion more concrete, the profile for the entrepreneur client has revealed two very dominant behavioral factors (out of eight), being “fast paced” and “risk taker”. Based on these factors of natural behavior the Financial Planning Report shows this client’s core “Quality Life Behavioral Attitudes” to be:

	Core Life Attitude 1 Fast-Paced	Core Life Attitude 2 Risk Taker
Communication	Get to the point	High returns
Quality Life Outlook	Change	Adventure
Activity Passion	Task focus	Being venturesome
Life Values	Logic	Take your chances
Strength	Rational	Has courage
Blind-spot	Impatient	Takes unnecessary risks
Wealth Creation Philosophy	Calculated	Optimistic
Money Attitude	High returns	Risk taker
Financial Goal Setting	Dynamic	Opportunistic
Planned Giving Motivation	Seeing outcomes	Create new opportunities

What has been seen from extensive research and experience over the past 8 years is that a person's inherent life motivations based on their natural behavior will have a large bearing on the financial decisions they make. That is whether a person spends or saves, how goals are set, lifestyle needs, risk tolerance and other investment behaviors. In many ways, a person's life and financial choices are highly intertwined. So under stress, these instinctive decision making patterns will emerge more clearly.

Further, the Financial Planning Report will show for this entrepreneur client the following "Financial Planning Insights":

Financial Planning Insights	
Sets the Agenda:	<i>HIGH</i>
Relationships:	<i>LOW</i>
Results:	<i>HIGH</i>
Risk Propensity:	<i>HIGH</i>
Risk Tolerance:	<i>HIGH</i>
Setting Goals:	<i>HIGH</i>
Pursuing Goals:	<i>HIGH</i>
Comfort with Change:	<i>HIGH</i>
New Idea Driven:	<i>HIGH</i>
Financially Organized:	<i>MEDIUM</i>
Need for Information:	<i>MEDIUM</i>
Spender:	<i>MEDIUM</i>
Need for Control:	<i>HIGH</i>

One area that is always addressed in the context of making financial decisions is that of risk tolerance. Based on our research what we have seen is that a person's propensity to take risks is often different to their tolerance to live with the consequences thereof. This is particularly important because in good times many people have a much greater propensity to take risks that they will not be able to live with under more stressful times. Having specific insights into the client's tendency to take risks and their true risk tolerance under pressure is critical to the planner being able to provide the proper guidance.

Blending Behavioral Discovery to Building the Financial Plan

A common complaint of behavioral profiles is the "so what?" factor. That is the information is nice to know but what do we do with it? Integral to the power of Financial DNA is how the in-depth behavioral information that is generated from the profiles is automatically compiled into a Financial Behavior Analysis and an Inside Out Portfolio. This structured analysis then provides a documented framework for the planner to:

1. Ask powerful questions in addressing with the client their key financial behaviors and preferences for making aligned financial decisions; and

2. Develop an Investment Policy Statement recognizing both the clients behavioral attitudes toward a portfolio structure and what is more rationally required to achieve a “number” based on the more traditional “outside-in” approaches (Modern Portfolio Theory, Monte Carlo Simulation and other calculation processes).

How Financial DNA is Used in Managing the Financial Planning Process

Financial DNA provides the financial advisor with a clear framework for undertaking the discovery in a similar way with each client, yet enabling the client to be treated uniquely. Further, the process provides something tangible and measurable for the advisor to come back to as they manage the client and their financial plan on an on-going basis.

In managing our mentioned entrepreneur client, a key part of the Financial Planning Report is the following Relationship Management Summary:

Your Unique Strengths		Your Unique Struggles
Initiating, wants to set the agenda	Operates well in conflict	May be controlling and not know it
Places high priority on achieving goals	Works at a fast pace	Underestimates work needed to achieve goals
Speaks directly	Analyzes before deciding	Sometimes too impatient
Sees the strategic/future potential	Conducts research to determine facts	Perfectionistic to avoid mistakes

Your Relationship Essentials	
Remember my need for control	Use summaries, bullets, and key points
Give direct answers; get to the point	Anticipate my immediate responses and quick fixes
Move quickly to the bottom line	Honor my need for structure, schedules, rules
Offer options so I can decide	Look for ways to minimize the risks

Now the advisor has the insights to adapt his or her own behavior recognizing the different Unique Strengths and Struggles of the client. Further, the Relationship Essentials provide the communication keys for interacting on the client’s terms from the start of the financial planning

process and how information should be provided in a way in which the client will best understand it.

Implementation

Financial planners do not need to be trained to become behavioral specialists to use Financial DNA, but simply should be open to becoming more behaviorally aware. With a structured process such as Financial DNA and the clear results that can be produced, there will be a natural progression to a deeper level of discovery. Whilst there is some increased up-front effort, relatively immediate benefits can be achieved for an improved planning foundation and also increased trust leading to retention.

In getting started, you can learn more about how Financial DNA is used in the financial planning process by reading Hugh Massie's book: "Financial DNA – Discover Your Unique Financial Personality for a Quality Life." This book facilitates how to use the process effectively and demonstrates how the planner can ask powerful questions to give the client a new powerful life experience. Further, the book helps the process of how understanding the client can be standardized in a very easy and systematic way. It defines the true way to go about doing the financial planning for the clients from the inside out.

About the Author:

Hugh Massie, ACA, DFP is the President and Founder of Financial DNA Resources. In his work as a financial behavior consultant, Hugh liberates and empowers investors, families and organizations internationally to implement committed wealth creation decisions aligned to the core of who they are. Hugh and his team have trained over 4000 advisors in 8 countries on how to use Financial DNA.

For more information about how Financial DNA works, please visit our international home site: www.financialdna.com