DNA Behavior®

Financial DNA® Insight Series

Pioneering Factor E-Booklet

DNA Behavior International
July 2015

Financial DNA Insight Series: Pioneering Factor

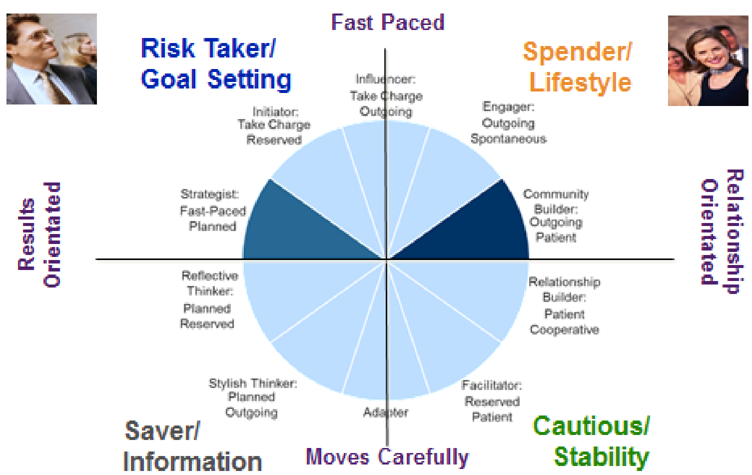
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

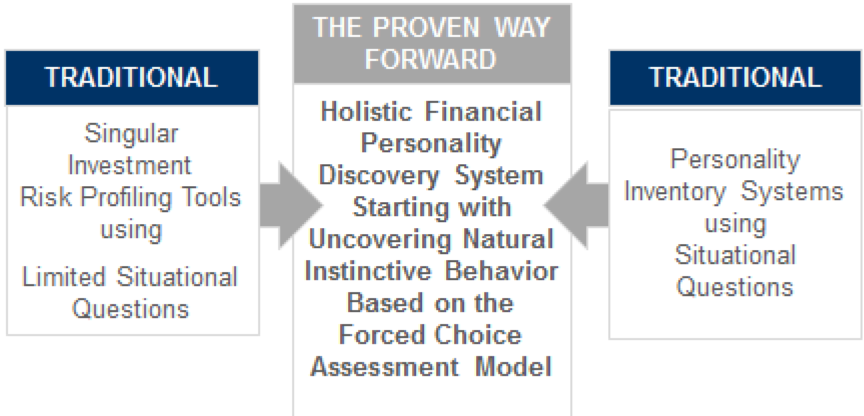
Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client’s financial personality. It closes the gap between the clients’ true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework to guide their client’s on their choices and minimize the impact of emotions.



The Forced Choice Scoring Model is academically proven to be one standard deviation more accurate than Likert Scoring Models (Situational Questions)

The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Pioneering Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and Bias of clients in making critical life and financial decisions.

Introduction to the Pioneering Factor

Every participant in the Financial DNA Natural Behavior Discovery Process has a Pioneering Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

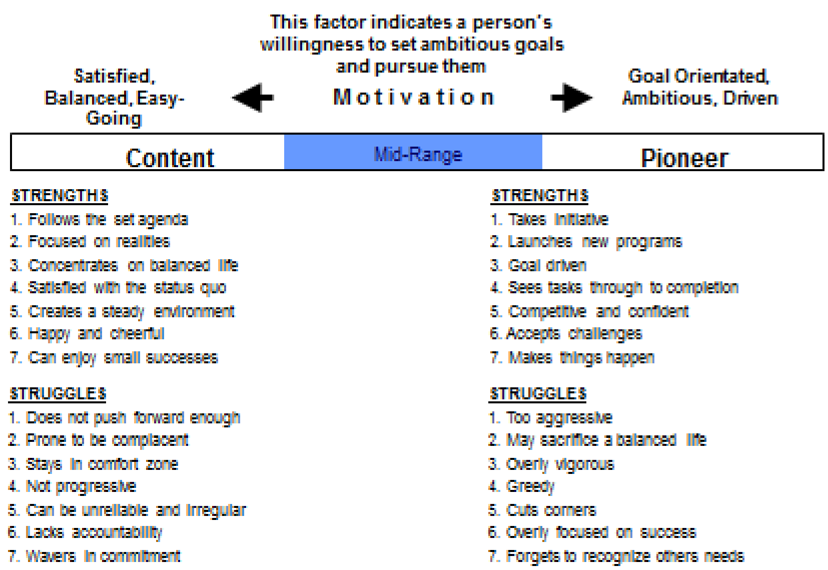
You can review a summary of each of the 8 primary behavioral factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the Pioneering Factor fits into your or your clients' overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts and is seen by others.

It's important to set the Pioneering Factor into context. The Pioneering Factor indicates people's desire to take the initiative, accept challenges and is optimistic of a successful outcome. They approach everything driven to set and reach goals. They are committed to not accepting the status quo.

An interesting thought for this Factor is this: people on the Pioneer side of the Pioneering Factor are committed to 'firsts'; first to develop, introduce, invent, launch, take the initiative and lay the foundations for others to follow in their footsteps. Those on the opposite side of the Pioneering Factor i.e. the Content side are more likely to be the people who are the followers. They will be content to act as the hands and feet of Pioneering colleagues; wanting always to stabilize and steady a working environment and lead a balanced life. Both sides of the Pioneering Factor are equally valid and provide useful input to the financial and business world.

Each of us will have some level of these motivations depending on whether the measured score is on the Pioneer trait side (right-hand side with a higher Pioneering), Mid-Range (between 45 and 55) or on the Content trait side (left-hand side with a lower Pioneering Score).

Our approach is that there are both strengths and struggles from the Pioneer and Content trait sides of the Pioneering Factor. The Pioneering Factor Table below provides a summary of these strengths and struggles from the Pioneer and Content traits of the Pioneering Factor. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the Pioneering Factor.



Becoming more effective and efficient in the role of a financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of their client must learn to adapt their behavior.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias (see Appendix C) which are primarily (but not exclusively) driven by the Pioneer and Content traits. The Pioneer trait drives an Optimism Bias which is associated with people who set lofty goals. The Content trait drives a Status Quo Bias which is associated with people who want their world to remain the same.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and 'blind spots' impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky' write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
"System 1" thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb ("heuristics") and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
"System 2" thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person's behavioral bias be uncovered? Yes. Each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build trust with the client. Remember, clients with a Content trait may not be comfortable to work with a Pioneer trait advisor who is overly optimistic and too focused on goals. The client with the Content trait needs the advisor to manage their need for stability with quantifiable examples. If growth opportunities are presented it needs to be done with realism backed by sound data. In the converse, clients with a Pioneer trait may not be comfortable with a Content advisor who does not push them or themselves hard enough, and is not driven to achieving above average results.

*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich.

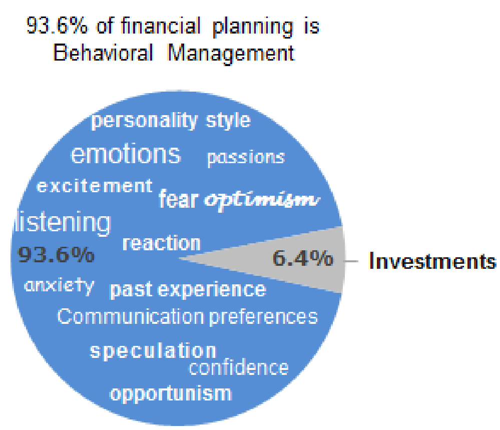
Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. *SOURCE:* [***www.journalfp.net***](http://www.journalfp.net)

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Pioneering Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as a Pioneer take the initiative and are goal driven. They accept challenges and establish new ways for doing business. They are willing to break new ground and are committed to success. They want to be the first with new and innovative thinking; they want to show others that taking the initiative can deliver outstanding opportunities and results.

As with all behaviors there is a flip side; much depends on the reaction others have to Pioneer/Goal Orientated people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'.*



Source: The 93.6% Question of Financial Advisors, Meir Statman, 2000

The History of the Pioneering Factor

Historically, the Pioneering behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (131–200 AD) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans. http://en.wikipedia.org/wiki/Four_temperaments

The Webster Dictionary has one interesting definition of those with a Pioneering Factor:

…. a person who goes before, preparing the way for others, as an early settler or a scientist doing exploratory work…

The Pioneering Factor (Appendix B) illustrates how the Pioneering Factor (though often called by other names) has been recognized since 450BC.

There are numerous examples of pioneers in the financial services industry who led the way for others. The 21st Century owes much to our Pioneers, many of whom have helped to shape the way we live and manage our finances today: For example:-

Warren Buffett
Amadeo Giannini
Henry Kravis
John Pierpont Morgan
Mayer Amschel Rothschild
Muhammad Yunus

Many studies describe the Pioneer spirit as forerunners to the process of founding, forging, breaking new ground or leading the way. They cite the following when describing Pioneers:

- They are passionate in pursuit of their goal
- They tend to pursue a vision beyond their abilities
- They motivate others
- They challenge common assumptions

What all commentators agree is that without Pioneer's organizations would become stagnant, no new paths created, innovation would cease and there would be little or no progress in terms of finding new ground breaking discoveries.

Those on the Pioneer side of the Pioneering Factor are people who go ahead of others to open up the way for those coming after them. In doing this, they create journey maps and action frameworks designed to enable others to a) understand what they are trying to achieve and b) record for prosperity the journey taken to accomplish their Pioneering efforts.

Further, people on the Pioneer side of the Pioneering Factor are Goal Orientated, Ambitious and Driven. They will take the initiative and accept challenges and are often seen by others as someone who will always be able to bring innovative and new methods into a situation. They are willing to resolve issues using less conventional approaches.

In his paper Pioneer Leadership Thinking, Mal Fletcher (2020Plus Social Commentator, Social Futurist and Author) observes:

'Nelson Mandela,' wrote Fintan O'Toole, 'always carries within him the sense of being at the beginning of something rather than at the end.'

Mandela inspired change in a nation locked in institutionalised backward-thinking and he did so because he was more than a politician. He was a Pioneer.

Mal Fletcher continues:

Pioneer thinkers are not static by nature. They're constantly in a state of flux, seeking out fresh approaches and exploring new ways to meet the challenges of their times.

What people need most when they think about the future is not knowledge but hope. They need leaders who are able to do more than identify market trends.

They're looking for leaders who can portray the big-picture narrative that makes sense of the trends. People need leaders who can provide a better worldview which makes sense of the change and turns it into something that adds value to their lives and work.

*When change is happening at an exponential rate, leaders who have a static worldview will have a very limited shelf-life.*http://2020plus.net/LeadershipEditorial-20-Mal-Fletcher-Pioneer-Leadership-Thinking.aspx

In understanding and appreciating how people affect each other when they have different behavioral styles, some may see those on the Pioneer side of the Pioneering factor as extreme in that they sacrifice a balanced life in pursuit of their trailblazing. They can become overly vigorous and enthusiastic in the hunt for what they believe is the only course of action in any given situation. Yet others will be stimulated and excited by their drive and determination to be forerunners, instigate new ways of approaching life, being in the vanguard of all that is new and as yet undiscovered.

In the advisory/client relationship Pioneer's present as Optimistic, Goal Driven and Ambitious. Care needs to be taken to ensure that Advisors understand how to moderate their behavioral style to guard against any chance of bias being introduced into the advisory process. One person's optimism could be another's fear for loss of stability.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.

Content	**Status Quo Bias** Likely to take notice of information which will keep their world the same. Action: Appreciate growth opportunities.	2%  98%	**Optimism Bias** Exhilarated by playing a big game even if they know it is difficult to win. Action: consider the potential sacrifice.	Pioneer

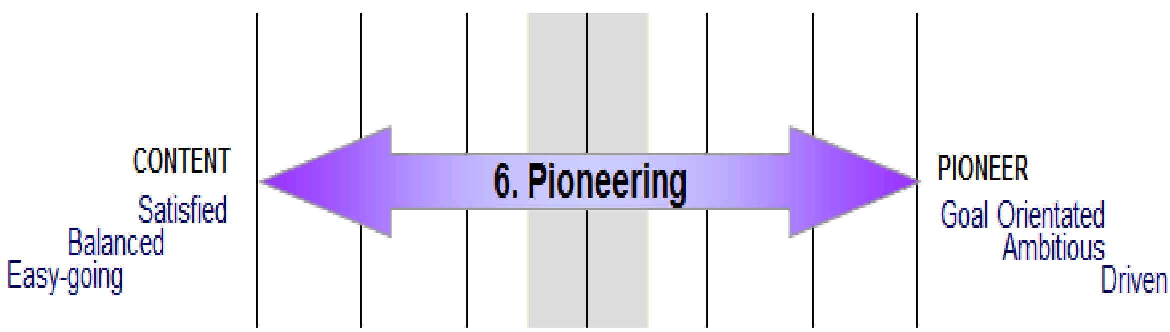
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and “blind-spots”. These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Status Quo bias towards keeping things as they are? The client won’t be comfortable if presented with ambitious opportunities. Remember, if their core driver and bias is maintaining the Status Quo in terms of their current state of financial affairs, the advisor will need to tread carefully and manage expectations and bias if they are to work with the client to increase their wealth.

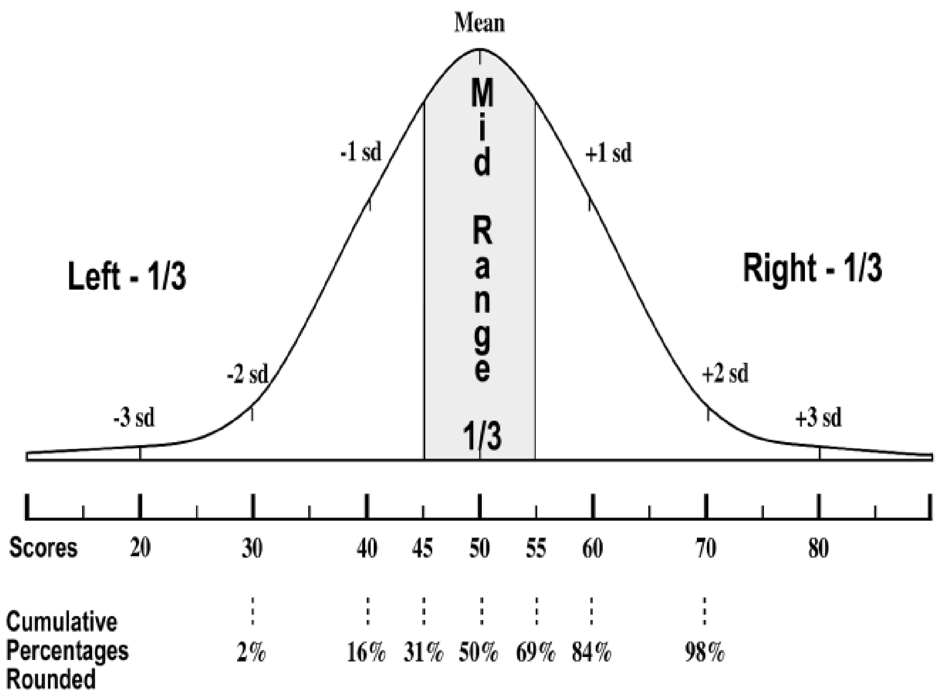
<u>Managing the Pioneering Factor – Pioneer Trait</u>



The Financial DNA Discovery Process also uncovers the sub-factors that form a part of the Pioneering Factor. These are important components of the primary Pioneering Factor that are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While an individual may have the same Pioneering Factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person's strengths and predicting the areas in which they will perform in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths over used without behavioral awareness can become blind-spots.

- Strengths - Behaviors that come naturally and should be used.
- Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
- Mid-Range Scores - Tend to be more flexible in these factors and are easier to move left or right.



How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Pioneering Factor score on the Pioneer side might need to moderate their approach with a client with a stronger Factor score on the Content side.

Pioneer Advisor Strengths and Struggles Sub-Factors: Goal Orientated Ambitious Driven Behavioral Bias: Optimism Bias	Moderating Behavior in the Advisor/Client Relationship	Content Client Strengths and Struggles Sub-Factors: Satisfied Balanced Easy-going Behavioral Bias: Status Quo Bias
Takes initiative Too aggressive	Approach with clear steps. Don't be overly excited about new ventures. Important not to get frustrated if first responses are indifferent. Be aware of the need for balance in their life and don't expect them to overcommit.	Follows the set agenda Does not push forward enough

Launches new programs May sacrifice a balanced life	May not respond well to new or innovative opportunities. They function in the here and now. Invest time into explaining what you are hoping to achieve on their behalf. Don't oversell. Demonstrate what's in it for them.	Focused on realities Prone to be complacent
Goal driven Overly vigorous	They need stability and security and prefer to be presented with financial opportunities that will keep their world the same. May appear listless in the face of your enthusiastic and robust approach. Stay calm and patient when suggesting options for moving forward.	Concentrates on balanced life Stays in comfort zone
Sees tasks through to completion Greedy	May tend to park in the present circumstances and not be open to change and even getting involved in any form of change in their portfolio. They may just be looking for some sort of confirmation. They won't be comfortable with radical or overly ambitious opportunities and the more you show excitement with a client the more likely they are to maintain their present position. Remember to stay balanced when explaining anything	Satisfied with the status quo Not progressive

	and be genuine in terms of what is deliverable.	
Competitive and confident May cut corners	Explain what your intentions; make sure you keep any personal bias under control They will prefer a stable and predictable environment within which to discuss their finances. Demonstrate with plans and examples that you know what you are doing in terms of the opportunities you are suggesting.	Creates a steady environment Can be unreliable and irregular
Accepts challenges Overly focused on success	They want to follow your lead, but don't introduce too many changes. Acknowledge their aversion to risk and loss. Don't rush them to decisions, they are likely to regret later and pull out.	Happy and cheerful Lacks accountability
Makes things happen Forgets to recognize others needs	Listen carefully to the plans for their financial future. Give praise appropriately when they have made sound decisions in the past. Watch for signs of fatigue or distraction and spend time rebuilding confidence and pointing them in the direction that brings	Can enjoy small successes Wavers in commitment

	success.	

The following summary provides an insight into how an advisor with a strong Pioneering Factor on the Pioneer side might communicate with a client with a stronger Pioneering Factor score on the Content side.

Pioneer **Goal Orientated** **Ambitious** **Driven**	**How to Communicate**	**Content** **Satisfied** **Balanced** **Easy-going**
Communication Need: Sets direction Committed Ambitious Follows through Trailblazer Driven **Communication Challenge:** May sacrifice a balanced life Communication Key: Provide the big picture	**Modification/Approach** Remember not everyone can be up to speed with what you are planning. Take time to talk about where you see them fitting in and highlight the value they bring. Acknowledge their need for balance and explain in detail any changes that might take them out of	**Communication Response:** Uncomplaining Not envious Satisfied Does not worry Thankful Comfortable **Communication Challenge:** Prone to be complacent Communication Key: Focus on life balance

	their comfort zone. If the idea of Pioneering gives concern, talk to them about this and allay their fears wherever you can.	

In Summary – Pioneering Factor on the Pioneer side

People on the Pioneer side of the Pioneering Factor can and should be used to initiate, drive and create new pathways. This is their strength and inherent behavior. As leaders they will be comfortable establishing a course of action. They are confident in their approach and understanding of their behavioral style and will be able to follow through and deliver results.

In the advisory/client relationship it is important to understand that not everyone wants to be in the 'big game'. They are looking for stability in their finances. They see wealth creation resulting from careful planning and will not entrust their finances to an advisor they feel is too innovative. Clients may not be as forward thinking or able to offer groundbreaking suggestions like Pioneers. Pioneers are exciting to be around, as long as there is some sense of solid direction in terms of where they are going. They need to provide a clear explanation and route map; then clients may be open to new opportunities.

A measure of caution is necessary at the extremes of the factor. Pioneers can be overly vigorous in pursuit of exciting high return opportunities to fulfill their plans. They willingly sacrifice life balance in pursuit of the next best thing. Thoughtfulness is needed when offering such opportunities to clients; they may not be willing or able to forfeit life balance in pursuit of such prospects. As advisors managing such behaviors, it's important in terms of relationship management to recognize that any form of the Pioneering Factor on the Pioneer side should serve the client and not the Pioneer advisor.

Remember that a Pioneer is a person who is on the cutting edge, someone with the courage and vision to try something new. They will be the first to lead a new initiative or to try something that has never been tried before. Their ability to take the initiative can take businesses over and beyond the expectations others have set. Because of their courage, foresight and inherent Pioneer spirit they are people who prepare the way for others to follow. If managed appropriately in the financial services industry it can enhance business results.

Thomas John Watson, Sr. Chairman/CEO of International Business Machines 1914 to 1956 said this: - *"Once an organization loses its spirit of Pioneering and rests on its early work, its progress stops"*

Managing the Pioneering Factor - Content Trait

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong Pioneering Factor score on the Content side might need to moderate their approach with a client with a stronger Pioneer Factor score on the Pioneering side.

Content Advisor **Strengths and Struggles** **Sub-Factors:** **Satisfied** **Balanced** **Easy-going** **Behavioral Bias:** Status Quo Bias	**Moderating Behavior in the Advisor/Client Relationship**	**Pioneer Client** **Strengths and Struggles** **Sub-Factors:** **Goal Orientated** **Ambitious** **Driven** **Behavioral Bias:** Optimism Bias
Follows the set agenda Does not push forward enough	Understand the clients need to be introduced to exciting new opportunities. Question to establish their investment history in terms of success and failures. Manage their enthusiasm.	Takes initiative Too aggressive
Focused on realities Prone to be complacent	Explain your need to understand the opportunities that excite them and then focus on the clients rather than the 'what if's' or concerns you might have. Question the client in terms of balance. Listen for signs they are pushing too hard. Establish what they are trying to achieve.	Launches new programs May sacrifice a balanced life
Concentrates on balanced life Stays in comfort zone	From the outset build the client advisory relationship by establishing what is dominating their wealth creation. Your ability to balance and point out possible pit falls will ensure the client says is lead towards making sound decisions to deliver their life goals. This is an important building block to satisfy their enthusiasm and optimism.	Goal driven Overly vigorous

Satisfied with the status quo Not progressive	Do not allow your bias for maintaining the status quo to influence the client's needs to be offered exciting opportunities. Use your skills to curb enthusiasm and manage the client's expectations. Advising clients who are Pioneers is a great source of motivation. Engage in what's going on around them; it will be an interesting education for an advisor who is on the Content side of the Pioneering Factor.	Sees tasks through to completion Greedy
Creates a steady environment Can be unreliable and irregular	Don't be seen as an apathetic advisor who doesn't get excited, interested or involved in anything that looks like an initiative. If some of their plans for wealth creation seem too optimistic get the client to break them down into manageable steps forward. This will build a strategy around their plans and ensure they don't cut corners. When advising a Pioneer client stay on top of their needs; they will expect you	Competitive and confident Cuts corners

	to be available to answer questions.	
Happy and cheerful Lacks accountability	You may feel fulfilled and contented in where you are with your financial life but those on the Pioneer side of the Pioneering Factor are constantly looking for the next best thing. Be careful not to judge clients who are keen to accept challenges – this could be bias. Staying cocooned in your own world might mean you get left behind when things around you are changing. Embrace the new and use your ability to be stable to keep others focused and on track.	Accepts challenges Overly focused on success
Can enjoy small successes Wavers in commitment	Take the initiative in areas where you may not feel totally comfortable to do so. As an advisor this is all part of learning how to manage different client behaviors. Be careful not to park yourself in a valley of lethargy. Look for chances to do something that excites you. Look for where the action is and determine to understand even if you don't get involved.	Makes things happen Forgets to recognize others needs

Financial DNA Insight Series: Pioneering Factor

The following summary provides an insight into how an advisor with a strong Pioneering Factor on the Content side might communicate with a client who has a stronger Pioneering Factor score on the Pioneering side.

Content **Satisfied** **Balanced** **Easy-going**	**How to Communicate** ➡	**Pioneer** **Goal Orientated** **Ambitious** **Driven**
Communication Response: Uncomplaining Not envious Satisfied Does not worry Thankful Comfortable **Communication Challenge**: Prone to be complacent Communication Key: Focus on life balance	Modification/Approach Be interested in what they are doing. Try to understand where they are coming from and what their drivers are. Compare them against yours and try to find common areas of conversation. Getting around people whose life tends to be unbalanced may offer opportunities for you to talk to them and to help them rebalance.	**Communication Need:** Sets direction Committed Ambitious Follows through Trailblazer Driven **Communication Challenge:** May sacrifice a balanced life Communication Key: Provide the big picture

<u>In Summary – Pioneering Factor on the Content side</u>

Those on the **Content Side** of **the Pioneering Factor Side** are prone to be complacent. In the advisory/client relationship this can cause frustration to those whose drive is fueled by ambition, opportunities and goals. It's important to identify when Contentment becomes complacency as this could be an indication of their desire to maintain the status quo.

However, it should also be understood that advisors with the Pioneering Factor on the Content side can bring balance and stability to an otherwise over active trailblazing client/advisory environment. In the volatile and ever changing world of finance there is a place for those on the Content side of the Pioneering Factor. They bring stability, they bring caution to over enthusiasm and they bring balance.

Some financial advisors on the Content Side of the Pioneering Factor may not have an issue with their ability to self-motivate but are just unable to be consistently productive and driven. They may simply defer to others who are far more pioneering than they are. Considering matching clients to advisors, therefore, becomes a sensible way to build successful client relationships.

Taken to the extreme people on the Content Side of the Pioneering Factor might stay in their comfort zone and become a blockage to change and innovation. They could fail to offer clients exciting opportunities offering a higher potential for return based solely on their own concerns or even fear; this approach boarders on bias and needs to be managed. Being able to understand behavioral and communication styles is key so that this doesn't happen. If it does, then behavioral understanding will deliver insight into how best to rectify this extreme behavior to the benefit of the individual and the client.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach when the client presents as Optimistic, Goal Driven and Ambitious? They will be driven to reach goals. They will be exhilarated by the chance to 'win' by playing the big game. Their Optimism Bias of enthusiasm and confidence in their own decision making will need to be managed.

Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build trust with the client. Remember, they like to take the initiative; they want to be presented with challenges and goals to achieve. Conversely, their inherent approach to wealth creation may cause them to lose a balanced life. Speak candidly, succinctly, backed with sound data. Manage the client's optimism, expectations and pioneering tendencies with quantifiable examples. Stay on top of your game. Find out what investors are currently interested in and advise and lead your client as they would wish to be led, rather than how you would wish to be advised.

Pioneering Factor – Pioneer Trait Case Study

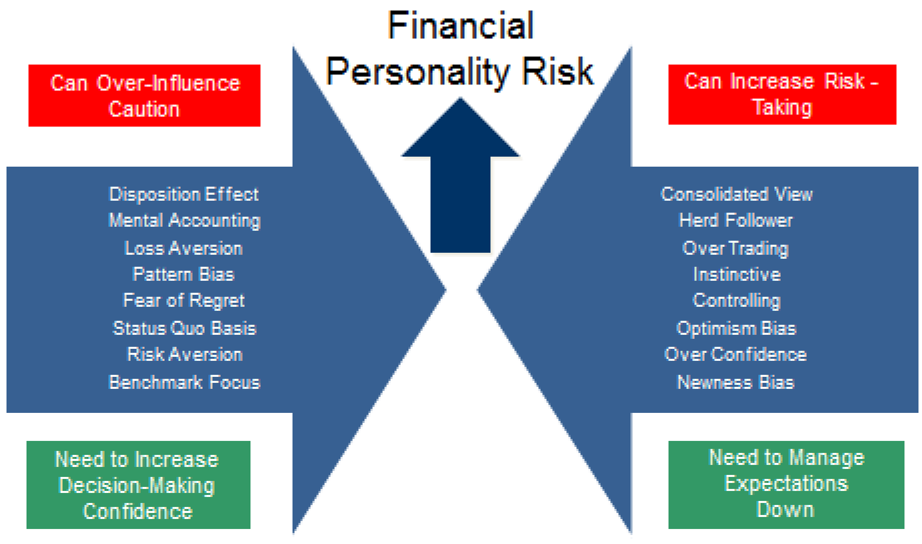
The Challenge: After much thought Kate decided to leave her job with a significant financial advisory firm. She opened her own independent financial planning business. Kate had come to realize that setting up an independent practice could greatly enhance her ability to deliver truly customized, client-focused support and advice. This move also meant she would satisfy her desire to be entrepreneurial. Kate had a strong reputation in the financial services industry and felt confident in her ability to grow her business. She was surprised and unprepared for the number of clients that came through the door. Kate was overwhelmed; not just with the volume but also with the need to keep across all aspects of being an independent sole provider. She had been confident she could manage the transition but now found herself dropping balls in every area of her practice.

Kate realized she was not giving enough thought to her client's individual needs which varied considerably. She had expected to have time to thoughtfully identify the most advantageous opportunities to offer her clients. She wanted to be able to gain a deep knowledge of what the client truly wanted, including asset-class selection and portfolio construction, investment and manager selection and ongoing monitoring and reporting.

Engagement Scope and Approach: Kate's closest friend suggested she engage DNA Behavior International to advise her about how to understand clients and their decision making behavior. Kate also retained DNA Behavior International to help her to hire key staff to support her business and to work with her to understood the importance of knowing when to delegate, and when not to.

DNA Behavior International worked with Kate to select technology solutions that would help her to understand her client's financial personality in advance of the first client meeting. The Financial DNA Discovery process reveals a person's financial personality; their unique style for making life and financial decisions; their risk taking behavior and many other behavioral insights and preferences which influence how decisions are made.

Having completed the Financial DNA Discovery Process for herself, Kate realized that she had a higher comfort level in dealing with clients whose approach to building their wealth was more goal driven. Kate realized that she would need to manage her Optimism bias.



Result: Kate was on the Pioneer side of the Pioneering Factor; full of initiative, able to accept challenges and optimistic about the future. She assumed she had covered every aspect of the setup of her boutique advisory firm, and was surprised to find this was not so. DNA Behavior International helped Kate find a level of balance. They helped her to manage her strengths and also minimize her struggles. With their help she developed processes and systems and also hired key staff with a more content (Status Quo bias) to support her in the business, leaving Kate free to focus on delivering other aspects of service to her clients. Importantly, Kate used her DNA Ultimate Performance Guide to prepare herself more effectively when working with clients or staff.

Your Performance Strengths	Your Performance Struggles
•Takes initiative •Goal driven •Accepts challenges	•May sacrifice a balanced life •Can be overly vigorous

Your Performance Environment Keys

•Provide me with the big picture
•Present me with action plans
•Keep me informed of progress

The broader payoff: Kate understood from DNA Behavior International the importance of managing her Pioneering Factor both as an advisor but also as the business owner. This insight greatly enhanced Kate's understanding of how to be a successful entrepreneur rather than a dash and burn operator.

<u>Pioneering Factor – Content Trait Case Study</u>

The Challenge: Mike was the most senior financial advisor in a successful financial planning firm. He had a large number of clients that had been with him for years. His relationship with them was built on mutual trust and respect. Mike knew his clients looked for stability, predictability and safety in the way they managed their portfolios. This suited Mike as he too preferred constancy and balance.

The company purchased a small, but successful, boutique financial advisory firm. The majority of the clients willingly moved to the new firm. The new clients were allocated to the more senior advisors in order to manage the transition. Mike found himself with a large number of new clients, many of whom were the complete opposite in behavioral style to those he already advised. He became quite unsettled with the clients who were confident, risk takers, with a clear Optimism bias. These new clients wanted exciting opportunities to be presented to them. They expected regular contact with their advisor; they wanted to be kept up to date with what was happening that was interesting in the market. Mike preferred to follow a set pattern of advising; his bias was Status Quo; he was all about balance and staying in his comfort zone.

Under pressure from his Principal Mike needed to understand how to manage this now very diverse selection of clients.

Engagement Scope and Approach: His Principal engaged the services of DNA Behavior International to take Mike through the Financial DNA Discovery process. Further, they selected of number of clients who also agreed to complete the process. The outcomes showed Mike the bias he had towards maintaining the Status Quo and his need for balance and safety in the decisions he made. Additionally the report highlighted how he could moderate his approach to work with a range of clients, many of whom took a different approach to their wealth creation.

Result: Though quite difficult for Mike initially, he soon began to understand how to manage his behavioral Bias so that he did not unduly or inappropriately influence the clients financial decision making. He used is DNA Ultimate Performance Guide to help him prepare in advance of client meetings.

Your Performance Strengths

•Satisfied with the status quo
•Concentrates on balanced life
•Creates a steady environment

Your Performance Struggles

•Prone to be complacent
•May stay in comfort zone

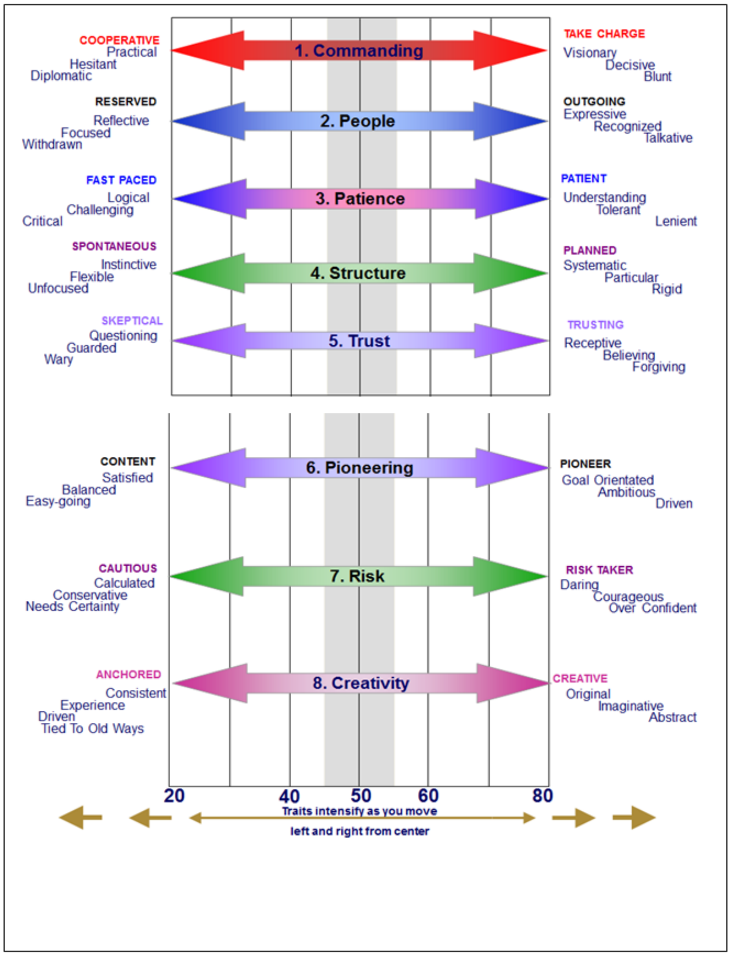
Your Performance Environment Keys

•Focus on my life balance needs
•Keep the conversation easy-going
•Give me the directions to move forward

The broader pay-off: – The Principal used the Financial DNA Discovery process with each of his advisors. This helped to manage the transition of the new clients into the business. Further, it ensured none of the advisors were behaviorally biased in terms of influencing their client's financial decision making.

Financial DNA Behavioral Factors **Appendix A**

Below is a summary of each of the 8 primary behavioral factors measured by the Business DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the Pioneering Factor **Appendix B**

Date	Founder	Pioneering, Daring, Avant-Garde, Unconventional, Double Frontals, Choleric, The Doer, Inquisitive, Self-Starter, Resource Investigator, Plant
c. 450 BC	Classical elements	earth
c. 400 BC	Hippocrates's four humors	black bile
c. 190	Galen's four temperaments	melancholic
c. 1025	Avicenna's four primary temperaments	rheumatism, insomnia, wakefulness, acquired habit, lack of desire for fluids
c. 1900	Ivan Pavlov's four temperaments	melancholic (Weak inhibitory)
c. 1900	Alfred Adler's four Styles of Life	Avoiding
c. 1928	William Marston and John G. Geier DiSC assessment	Conscientiousness
c. 1947	Erich Fromm's four Types of Character	Hoarding
c. 1948	California Psychological Inventory CPI 260	Visualizer
1958	MBTI codes	ISTJ, INTJ, ISTP, INFJ
c. 1958	William Schutz, FIRO-B	See FIRO article for score names.
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Conserving-Holding
c. 1960s	David Merrill, "Social Styles"	Analytical
1964	Blake-Mouton Managerial Grid Model	Impoverished
c. 1966	Temperament by LaHaye	Melancholy
1973	Jay Hall Conflict Management[15]	Leave-lose/win
1974	Thomas-Kilmann Conflict Modes[16]	Avoiding
c. 1984	The Arno Profile System(Five Temperaments)	Melancholy
c. 1995	Worley Identification Discovery Profile	Melancholy
c. 1996	Tony Alessandra Personality Styles	Thinker
c. 1998	Hartman Personality Profile	Blue
c. 2001	Linda V. Berens' four Interaction Styles	Chart The Course

Behavior Bias Connected to Natural Behavior **Appendix C**

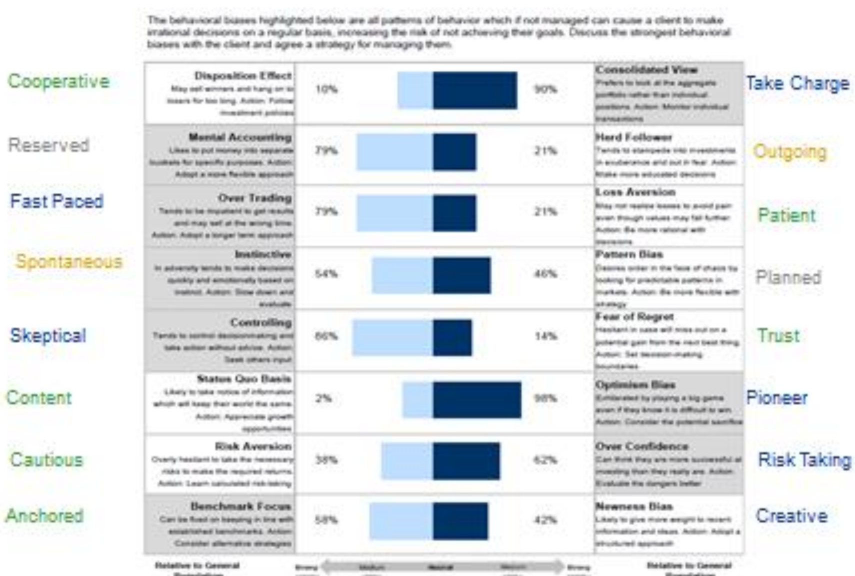
For the first time, advisors can gain predictive insights into their own behavioral finance Bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:
Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well.http://www.investopedia.com/terms/b/bias.asp

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/
Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.
Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:*** *Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance. http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References **Appendix D**

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. - Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy - Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. - "Quantitative Analysis of Investor Behavior Study", 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. - Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams", 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. - "Myopic Investment Management", 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting - The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting - The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic
Johari Window Model And Free Diagrams

Judgment in Managerial Decision Making
Jung, C.G. – “The Essential Jung”, 1983, (Princeton University Press)
Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. - “Prospect Theory – An Analysis of Decisions Under Risk”, 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns - A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – “The Leadership Challenge”, 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business - Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy Of Needs
Massie, H. - “Financial DNA – Discovering Your Financial Personality for Living a Quality Life”, 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect. Winning With People Developing the Leader Within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al- “Reconsidering the use of Personality Tests in Personnel Selection Contexts”. by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – “Personality on the Job”, 1994, (Servant Publications)

Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.

Nudge Theory - Discover The Hidden Influential Factors In People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. - The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality : Guide to the Four Human Natures by John Lopker
Pink, D.H. – “A Whole New Mind”, 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey
Please Understand Me: Character and Temperament Types by Marilyn Bates

Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens
The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour
Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). "Using Personality to Differentiate Between Holland's Occupational Groups" in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis - Eric Berne And Early Theory
Transactional Analysis - Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. -"The Framing of Decisions and the Psychology of Choice", 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition by Olaf Isachse

Financial DNA® Behavioral Insight Series

Commanding Factor E-Booklet

DNA Behavior International
July 2015

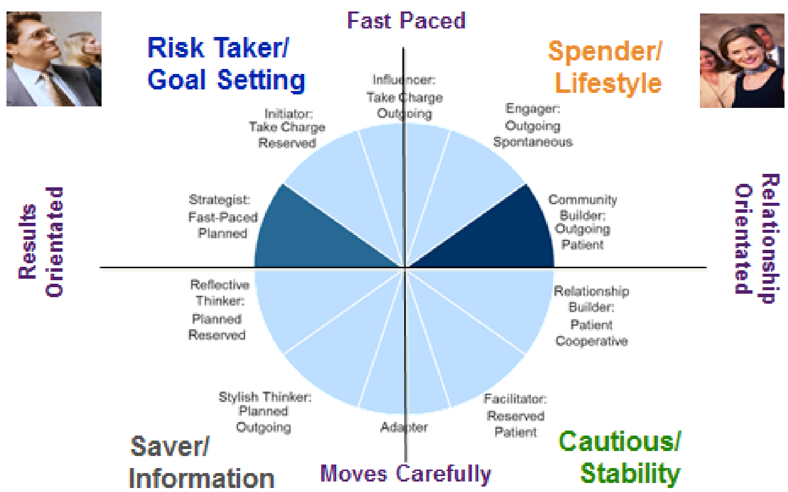
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

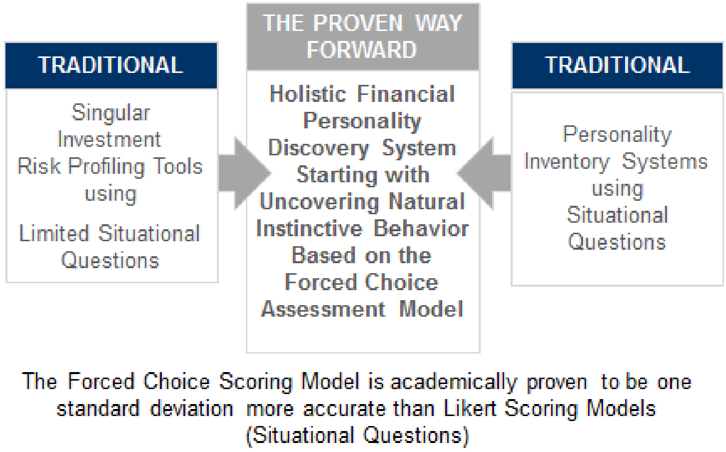
Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client’s financial personality. It closes the gap between the clients’ true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework to guide their client’s on their choices and minimize the impact of emotions.



The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and Bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Commanding Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and Bias of clients in making critical life and financial decisions.

Introduction to the Commanding Factor

Every participant in the Financial DNA Natural Behavior Discovery Process has a Commanding Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

You can review a summary of each of the 8 primary behavioral factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the Commanding Factor fits into your or your clients' overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts and is seen by others.

It is important to set the Commanding Factor into context. The Commanding Factor indicates a person's desire to control the agenda, their willingness to be assertive, and their need to make decisions. The natural performance outcome of the Commanding Factor is the ability to Take Charge, provide vision for the future, strategize and deliver results. These people have confidence in their abilities, and this can appear to onlookers as ego.

Each of us will have some level of these motivations depending on whether the measured score is on the Take Charge trait side (right-hand side with a higher Commanding Score), Mid-Range or on the Cooperative trait side (left-hand side with a lower Commanding Score).

Our approach is that there are both strengths and struggles from the Take Charge and Cooperative trait sides of the Commanding Factor. The Commanding Factor Table below provides a summary of these strengths and struggles from the Take Charge and Cooperative traits of the Commanding Factor. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the Commanding Factor.

This factor indicates a person's desire to control the agenda, willingness to assert, and need to make decisions

Practical, Hesitant, Diplomatic ← **Motivation** → Visionary, Decisive, Blunt

Cooperative	Mid-Range	Take Charge

Cooperative	Take Charge
STRENGTHS	**STRENGTHS**
1. Follows the established agenda	1. Takes the lead, wants to set the agenda
2. Process-oriented	2. Results-oriented
3. Speaks diplomatically	3. Speaks candidly
4. Promotes stability through cooperation	4. Eager to take on new challenges
5. Moves cautiously into new areas	5. Acts with assurance and confidence
6. Likes to focus on one thing at a time	6. Prefers to handle various projects
7. Sees the practical in the present	7. Sees the strategic/future vision
STRUGGLES	**STRUGGLES**
1. Can be unassertive or timid	1. May be opinionated and ignore outside input
2. May tend toward being passive	2. Can assume control without realizing it
3. May be hesitant to speak out	3. May not listen well to others
4. Not inclined to take charge	4. Often avoids routine and details
5. Can underestimate own abilities	5. May be uncomfortable taking direction from others
6. May first consent but later disagree	6. May over commit to what goals can be achieved
7. May not see the strategic/future potential	7. May speak without considering the impact

Becoming more effective and efficient in the role of a financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of their client must learn how to adapt their behavior. Therefore, having personal insight and then the understanding of how to moderate a Commanding Factor desire either to be Take Charge or Cooperative is a key part of the advisory/client relationship.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias (see Appendix C) which are primarily (but not exclusively) driven by the Take Charge and Cooperative traits. The Take Charge trait drives a Consolidated View bias that is associated with the need to look at the aggregated portfolio rather than individual positions. The Cooperative trait drives a Disposition Effect bias that is associated with people who may sell winners and hang on to losers for too long.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and 'blind spots' impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky' write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
"System 1" thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb ("heuristics") and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
"System 2" thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person's behavioral bias be uncovered? Yes. Each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build trust with the client. Remember, clients with a Cooperative trait may not be comfortable to work with a Take Charge trait advisor who is focused on an aggregated portfolio that is, the long term big picture. The client with the Cooperative trait should want the advisor to manage their need for gratification as they cash in winners whilst holding on to losers. If long term growth opportunities are presented it needs to be done with realism backed by sound data. In the converse, clients with a Take Charge trait may not be comfortable with a Content advisor who does not bring exciting, long term opportunities, regardless of individual performance, to them.

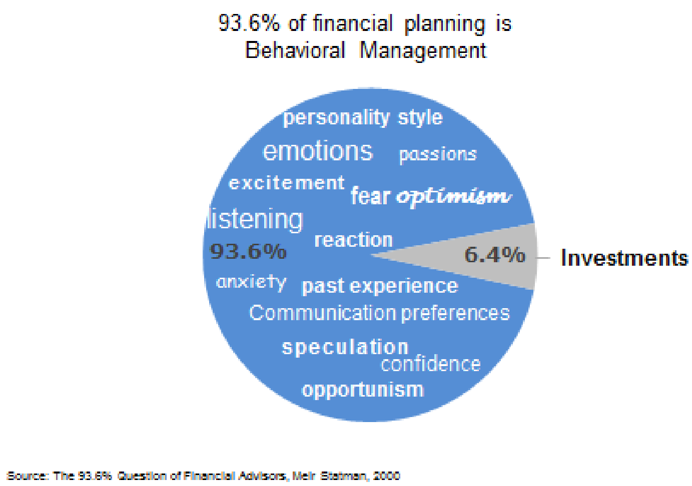
*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. *SOURCE:* ***www.journalfp.net***

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Commanding Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as a Take Charge take the lead, they are strategic and visionary; results driven and you know where you are with them as they speak candidly.

As with all behaviors there is a flip side; much depends on the reaction others have to Take Charge/Cooperative people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'.*



<u>The History of the Commanding Factor</u>

Historically, the Commanding behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans. http://en.wikipedia.org/wiki/Four_temperaments

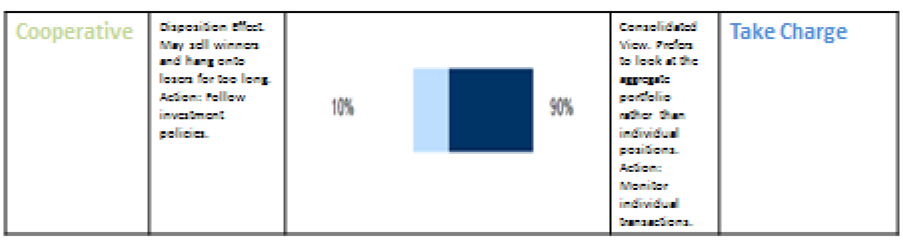
The Commanding Factor (Appendix B) illustrates how the Commanding Factor (though often called by other names) has been recognized since 450BC.

It is important to understand that the Commanding Factor does not equal domineering. A Commanding and Take Charge style is often seen in people who naturally gather and lead others to deliver results; a domineering style uses aggression and inappropriate language and behavior in the hopes of pushing others to deliver results; the real art of applying the Take Charge trait of the Commanding Factor may not come naturally to them, and so they substitute this lack of an inherent ability to lead by domineering. Such an approach could not be deemed an 'emotional fit' in the advisor/client relationship.

This differentiation also supports why DNA Behavior International determined to name the factor for the Take Charge and Cooperative Traits as "Commanding" rather than "Dominance" as used in many other systems.

In the advisory/client relationship those with a Take Charge trait present as results orientated; willing and able to take the lead; eager to accept challenges and skilled at seeing the strategic and future vision of investment opportunities. Care needs to be taken to ensure that Advisors understand how to moderate their behavioral style to guard against any chance of bias being introduced into the advisory process. One person's Consolidate View of investment opportunities could be another's eagerness to sell winners and hold on to underperforming stock.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



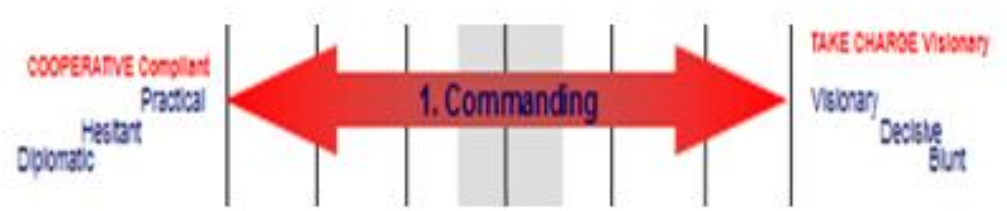
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and "blind-spots". These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Cooperative bias towards selling winders and keeping losers? The client won't be comfortable if only presented with the long term big picture. Remember, if their core driver and bias is rushing to sell winners in terms of their current state of financial affairs, the advisor will need to tread carefully and manage with a high degree of empathy how losses are handled. The client will need to be helped through confronting and then taking their losses as is appropriate to increase their wealth.

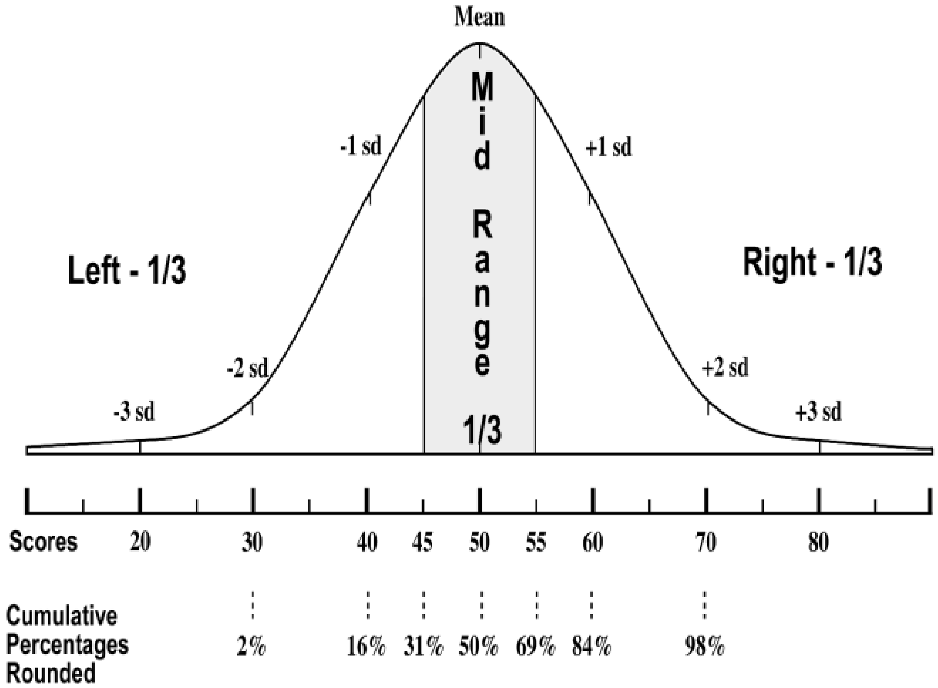
<u>Managing the Commanding Factor – Take Charge Trait</u>



The Financial DNA Natural Behavior Discovery Process also uncovers the sub-factors that form a part of the Commanding Factor. These are important components of the primary Commanding Factor that are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person may have the same Commanding Factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person's strengths and predicting the areas in which they will perform well in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths overused without behavioral awareness can become blind spots.

Strengths – Behaviors that come naturally and should be used.
Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
Mid-Range Scores – Tend to be more flexible in these factors and are easier to move left or right.



How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Commanding Factor score on the Take Charge side might need to moderate their approach for a client with a stronger Commanding Factor score on the Cooperative side.

Take Charge Advisor Strengths and Struggles: **Visionary** **Decisive** **Blunt** **Behavioral Bias:** Consolidated View	**Moderating Behavior in the Advisor/Client Relationship**	**Cooperative Client Strengths and Struggles:** **Practical** **Hesitant** **Diplomatic** **Behavioral Bias:** Disposition Effect
Initiating. Wants to set the agenda. May be opinionated and ignore outside input.	Needs to provide clear information in a friendly, relaxed and conversational way. Then check in to ensure they are understood. Take the time to ask what their hopes and dreams are and how they want to build their wealth to deliver them. Be personally open and vulnerable. Give them space to ask questions; listen and be sensitive to a clients financial questions, there is normally a life issue driving it.	Wants to follow an established agenda. Can be unassertive or timid.
Results oriented. Can assume control without realizing it.	Test their knowledge of financial markets to gain understanding. Use questions and examples to build rapport. Give them step-by-step instructions to avoid any feelings of chaos. Remember their need for process. Provide lower end estimates of returns and keep them diversified. Communicate security and	Process oriented. May tend toward being passive.

	the safety buffers	
Speaks directly. May not listen well to others.	It is really important to set the environment for conversations. Ask them to describe what their future looks like in relation of their finances. Listen to their response to pick up useful indicators that will feed into the advisory process.	Speaks diplomatically. May be hesitant to speak out.
Eager to take on new challenges. Prefers to avoid routine and details.	Curb your enthusiasm to share new opportunities. Remember their need to safely manage their wealth and provide a stable future for their dependents. Offer steady products that have guarantees, or at least are very predictable. Ensure they understand and can see evidence of the activity around the products you suggest; this will add to their comfort.	Promotes stability through cooperation. Not inclined to Take Charge.
Acts with assurance and confidence. May be uncomfortable taking direction from others.	Those with a Take Charge approach are able to cope with risk and appear invincible, and this can create concern in clients. For those in an advisory role who are comfortable taking risk, walk your client carefully through any offerings that could carry risk. Temper your offering	Moves cautiously into new areas. Can underestimate own abilities.

	and stay connected to the client until such time as they have seen evidence of wins. This will help them increase their confidence level. When they see successes they will then learn (as will you) their propensity to navigate and manage risk. Double check their understanding before they commit to a product; re check their understanding in terms of risk.	
Prefers to handle various projects. Underestimates work needed to achieve goals.	Keep the advisory/client approach on a steady and consistent footing; show patience in addressing their concerns, and take time to educate them in investment products. Clearly communicate about risk and product expectations so there are no surprises. Don't introduce too many options too quickly, they need time to focus and absorb options and information at a more measured pace. Too many options without explanation and coaching could lead to confusion and doubt in a client's ability to make decisions.	Likes to focus on one thing at a time. May first consent but later disagree.

Sees the strategic/future potential. May speak without considering the impact.	They will make decisions based on what 'feels' to them to be the safest investment. They are likely only to commit to products that they know, understand and feel comfortable with. It's unlikely they will have formulated long term strategic plans for their future therefore may not look to the long term potential of a product offering. Leading them as though you are a mentor and giving them time to get on the same page as you will deliver more effective outcomes and therefore more committed decisions.	Sees the practical in the present. May not see the strategic/future potential.

The following summary provides an insight into how an advisor with a strong Commanding Factor on the Take Charge side might communicate with a client with a stronger Commanding Factor score on the Cooperative side.

Take Charge Visionary Decisive Blunt	**How to Communicate** ➡	**Cooperative** Practical Hesitant Diplomatic
Communication Need Needs to be in control. Requires options if you are looking for them to make a decision. Results focused. Stay on topic. Only needs key points. **Communication Challenge** May be uncomfortable taking instruction from others. Communication Key: Provide Options	Modification/Approach Create a professional but non-threatening environment. Smile. Provide assurances. Ask for their opinion. Explain the thinking behind change. Show approval/appreciation.	**Communication Response** Diplomatic. Practical. Acquiescent. Prefers to follow with the set agenda. Wants to fit in. **Communication Challenge** Can be unassertive and timid; may not speak up. Communication Key: Encourage input

In Summary – The Commanding Factor on the Take Charge side

People on the Take Charge side of the Commanding Factor are inherently big picture thinkers. They approach life as a Visionary and are Decisive when in possession of all the facts. They know what's best for them in terms of their wealth creation and can sometimes appear overly Direct when talking to others who are less decisive. Because they have a clear road map for their life and their goals, they will take a consolidated view of their investment portfolio focusing on the overall result rather than each transaction.

Take Charge people are often described as authoritative, masterful, assertive, confident, firm, insistent, imposing and impressive. However, when they have a personal insight into how to manage and moderate their behavioral and decision making approach, they can become great influencers and can empower and educate others to develop a vision and strategy for their life and wealth creation.

Conversely, where in the advisory/client relationships the Take Charge factor delivers an approach of autocracy, high-handedness, being overbearing, domineering, bullishness, and controlling, there can be a lack of trust leading to a failure to acquire or retain a client.

It is also important to emphasize that for an advisor to build a successful relationship with their clients they do not have to be naturally Take Charge all the time. However, they must be able to identify the occasions when they need to be. It is important to moderate their Take Charge behavior in order to deliver an effective outcome in the advisory/client relationship.

If those with the behavioral style in the Take Charge range are in leadership or a position of influence, such as an advisory role, switching to a people-centered approach might mean relinquishing control and trusting that others will not abuse this stance but instead see it as moderating behavior to educate, encourage and build trust.

While a Take Charge style is not always so strong that it is difficult to control, it's a key skill to understand where and when to release responsibility and authority to others. As an advisor with a Take Charge trait, you likely focus on the overall result when considering your own wealth growth and don't get stuck on looking at whether each particular investment is a winner or loser; but others are not always going to be on the same page as you. Understanding this will enable the Take Charge advisor to move to the role of advisor/educator when working with a client whose behavioral style is on the Cooperative side of the Commanding Factor

People with the Take Charge factor who know how to manage their behaviors have sufficient flexibility in their approach. They understand the gaps in their own behavioral skill set. Further, they inherently understand how to adapt their style not only to situations, but also in the way they deliver advice to clients. They are behaviorally savvy and can adjust their approach so that every part of the advice given is heard and understood, regardless of the behavioral style of their client; the result is, trust is built and a successful advisory/client relationship forged.

Advisors with the Take Charge style who have learned the skill of managing their inherent behavior are able to paint a successful picture of their vision for the client based on the facts they have uncovered; they then provide advice that sets a clear direction and ensures wealth is created at the pace the client is able to manage.

Very often the Take Charge behavioral style recognizes the importance of self-development; many retain mentors. They will find someone they trust to guide them in their life. In such cases, they learn how to moderate their behavioral style so they carry others with them. This approach is especially important to the financial advisory/client role; as it is a relationship requiring not just careful regulatory advice to be given, but also for the advisor to understand how to navigate the emotions associated with discussing wealth creation.

Finally, the Commanding Factor on the Take Charge side in the Advisory role needs to do the following when working with a Cooperative Client:

- Recognize when a more compliant client (for example) will prefer to delegate responsibility for their overall planning to you as the advisor.
- Know that as a Take Charge advisor you will aim to guide the client by seeking their views and then giving them specific instructions which are clearly explained.
- Check the clients understanding and listen carefully for any important signs as they respond.
- Ask the client how confident they are making financial and life decisions.

- Determine at the outset how the client would wish the financial planning process to be managed, and their expectations.

Managing the Commanding Factor – Cooperative Trait

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong Commanding Factor score on the Cooperative side might need to moderate their approach with a client with a stronger Commanding Factor score on the Take Charge side.

Cooperative **Strengths and Struggles:** **Practical** **Hesitant** **Diplomatic** **Behavioral Bias:** Disposition Effect	**Moderating Behavior in the Advisor/Client Relationship** ➡	**Take Charge** **Strengths and Struggles:** **Visionary** **Decisive** **Blunt** **Behavioral Bias:** Consolidated View
Wants to *follow* an established agenda. Can be unassertive or timid.	Give options and recommendations; support with evidence and then let them make the decision. Don't oversell to them. Be direct in responses. Don't waffle if their manner seems blunt. It's not personal, just their need to get to the bottom line or to the crux of what you are saying.	Initiating. Wants to *set* the agenda. May be opinionated and ignore outside input.
Process oriented. May tend toward being passive.	Talk about results and outcomes and back it up with hard evidence from established sources. Talk to them about interesting opportunities; tell them what's in it for them. Be on top of your game	Results oriented. Can assume control without realizing it.

	and have all the facts and figures at your fingertips so you can present them with the risks and return.	
Speaks diplomatically. May be hesitant to speak out.	They may challenge what you're saying but again this is not personal. It's so they can see if your information lines up with the research they will inevitably have completed before coming to the meeting. Be sure of your facts.	Speaks directly. May not listen well to others.
Promotes stability through cooperation. Not inclined to Take Charge.	Articulate how you see the relationship could work going forward. Listen for their response to gain or buy in to how the advisory/client relationship should proceed. Be an advisor who will bring interesting opportunities and challenges to their attention.	Eager to take on new challenges. Prefers to avoid routine and details.
Moves cautiously into new areas. Can underestimate own abilities.	Avoid the likelihood of frustration and potential conflict by explaining your need to think things through before offering advice; this approach will be respected if you can demonstrate that you want to deliver sound advice. Acknowledge their skills when appropriate, but also let them see your abilities and wisdom as an advisor.	Acts with assurance and confidence. May be uncomfortable taking direction from others.

Likes to focus on one thing at a time. May first consent but later disagree.	Demonstrate with examples of your need to get things right the first time and how this approach requires focus on one thing at a time. If you are confident in the advice you are giving stick with it. Don't be a client pleaser – this leads to instability in terms of changing your mind to suit the conversation or the client. If a Take Charge client sees you making hasty decisions and then changing your mind, you will lose credibility.	Prefers to handle various projects. Underestimates work needed to achieve goals.
Sees the practical in the present. May not see the strategic/future potential.	Ask for real-world, realistic examples of the plan and strategy they have for their financial and personal life. Remember they may over commit what they think can be achieved. Review their input and highlight the parts that line up with the vision and direction you have set in terms of the advice you propose to give. Use your relationship-building skills to find common ground between you and then work together to strategize the most effective plan for their wealth creation.	Sees the strategic/future potential. May speak without considering the impact.

Financial DNA® Behavioral Insight Series: Commanding Factor

The following summary provides an insight into how an advisor with a strong Commanding Factor on the Cooperative side might communicate with a client with a stronger Commanding Factor score on the Take Charge side.

Cooperative Practical Hesitant Diplomatic	**How to Communicate**	**Take Charge** Visionary Decisive Blunt
Communication Response Diplomatic. Practical. Acquiescent. Prefers to follow with the set agenda. Wants to fit in. **Communication Challenge** Can be unassertive and timid; may not speak up.	Modification/Approach Create a professional and businesslike environment to have advisory discussions. Be accurate with detail. Bullet point what the conversation/meeting is going to be about. Keep to a structure. Get to the point. Show where they fit in. Invite their input. What's in it for them?	**Communication Need** Needs to be in control. Requires options if you are looking for them to make a decision. Results focused. Stay on topic. Only needs key points. **Communication Challenge** May be uncomfortable taking instruction from others.

In Summary – The Commanding Factor on the Cooperative Side

Those on the Cooperative side of the Commanding Factor may appear hesitant in their decision making. When faced with the confident Take Charge client, their confidence in their own ability could waiver. They tend to be tentative when making decisions about their own life and financial direction and this could well flow across to the advisor/client relationship. This might lead to advising for the short term rather than what may be best for the client in the longer term. From a behavioral bias perspective this can bring out the Disposition Effect bias whereby they will sell winners and hang on to losers to avoid the pain and personal conflict of it.

While the world might assume the most successful people are authoritative, assertive and confident, the adjectives associated with the title Cooperative suggest their behavioral approach will be collaborative, helpful, supportive, team worker and focused on mutuality.

With personal insight into inherent behavior, their focus and success lies not in a Take Charge style but in one who seeks the input of their clients and attempts to place value on the individual. They will take time to understand what the client is trying to achieve; they will navigate them through what could be an emotional conversation. The Cooperative person points everyone to a common goal and will want to ensure they succeed in this with their clients. They assist and empower others to accept the responsibility associated with building their wealth.

Conversely, where the culture of an organization, regardless of whether it is in financial planning or any other business, is complacent, overly comfortable, easygoing or too compliant; the Cooperative approach can result in people becoming apathetic, careless, half-hearted, and casual. At its extreme the Cooperative approach results in unfinished tasks, costly mistakes and negligence wrapped in an atmosphere of casualness. This environment can adversely impact the financial advisory process and possibly the stability of the business itself; but most certainly it will allow a gap in performance for competitors to fill. In other words clients will take their business elsewhere to what they see as a more 'professional' company.

It is worth noting that the Cooperative factor style that outworks itself as one that functions collaboratively and with mutuality is a strong and not a soft or weak behavioral style. Working with clients to deliver results in an atmosphere of inclusion breeds success.

The Cooperative wealth advisor knows how to communicate, encourage and listen to divergent points of view. Cooperative behavior isn't just about working together in harmony; it is about finding the best path to a solution.

Finally – the Commanding Factor on the Cooperative factor side in the Advisor role needs to do the following when working with a Take Charge Client:

- Know that the most beneficial outcome for any advisory/client relationship is mutuality.
- Work to reveal the clients vision for their personal and wealth creation life and demonstrate trust and a belief that they are in it together to deliver a final result.
- Have confidence in their own abilities to build relationships.
- Appreciate the importance of devoting time to build confidence in those clients who are unfamiliar with the financial world.
- Listen and actively invite input into decision making knowing that this will identify the most effective result in a collaborative way.

Commanding Factor – Take Charge Trait Case Study

The Challenge - Couple Preparing for Retirement: Margaret and David are planning to retire within two years. For the past 12 months David has researched every possible wealth creation scenario that would provide him and Margaret with their retirement dream. The dream retirement life is not elaborate. It consists of selling the family home and buying two easy to manage apartments in different places to provide a winter/summer life. They will retire within three weeks of each other giving them access to their self-managed superannuation fund. In addition they have a portfolio of assets, including two rental apartments, a small office complex and two storage units.

They arrived at their wealth advisor meeting armed with a stack of papers. Whilst they had a significant amount of information they didn't have a clear idea of what they wanted, other than two seasonal apartments and an income to support their retirement.

Jackson the financial advisor could see that Margaret and David had achieved success in business through being careful rather than speculative. They budgeted well throughout their life and had invested in property rather than markets. Now faced with retirement they had very little understanding of what to do next.

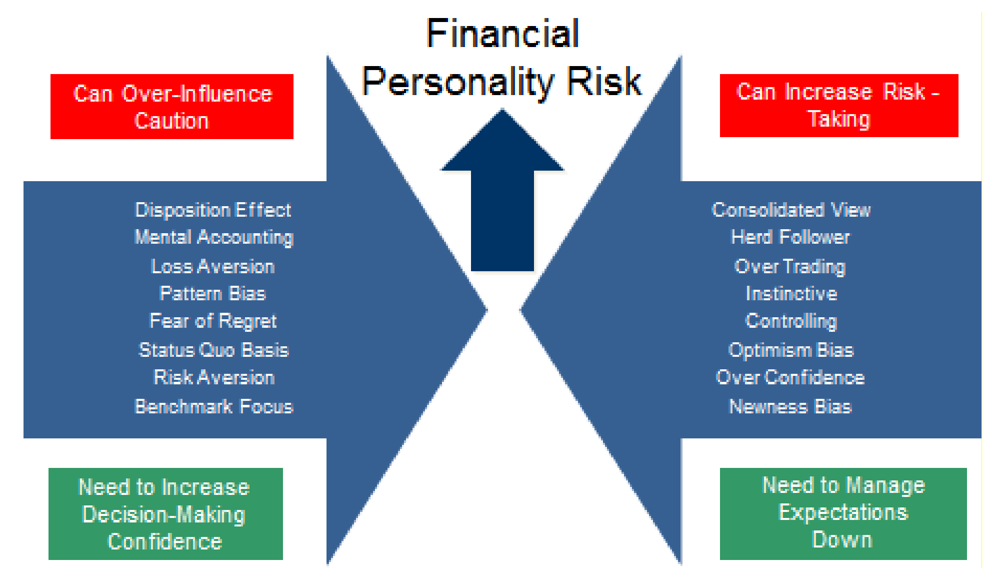
Jackson was used to delivering advice to high net worth families, many of whom were excited by new opportunities (as was he) and who retained Jackson as their wealth advisor for this reason. Jackson had a robust relationship with his clients. They were of the same mind and enjoyed the 'rush' of watching markets.

Margaret and David had been recommended to Jackson by one of his most significant clients and asked to take care of them 'as a special favor to me'. This placed Jackson in somewhat of a difficult position as he knew that his communication style, not to mention his vast knowledge of markets, might alarm this somewhat timid couple.

Jackson appreciated that the advisory/client relationship responsibility brings with it an added obligation to recognize scenarios where advice could well contain his own Bias, and that such bias might influence the client's financial decision making.

Jackson recalled attending a recent DNA Behavior International conference where the discussion had focused on the importance of understanding inherent behavior and its significance on the advisory/client relationship.
He remembered the presenter saying that advisors need to understand the natural behavioral Bias which are primarily (but not exclusively) driven by certain inherent behavioral styles. Jackson sought the advice of DNA Behavior International.

DNA Behavior agreed to work with Jackson; using the Financial DNA Discovery Process they enabled Jackson to uncover and understand that as an advisor he had his own investment Bias and "blind-spots"; it served to show him the importance of managing these Bias so that clients would not be influenced by his behavior. Revealing these Bias for Jackson helped him to recognize the importance of understanding the client's Bias to ensure the relationship would be built on trust and would help mitigate the influence bias or predilection might have on decision making.



It became clear to Jackson that uncovering his own and his client's Bias in advance of planning not only enabled him to educate the client, but it would also flag areas where the client should be steered away from their emotional bias which results in taking action based on feelings instead of facts.

The insight Jackson gained was very helpful. He was given a selection of questions by DNA Behavior International to help him open up the conversation with David and Margaret. He was able to question in a way that uncovered his clients performance strengths and struggles; their financial decision making Bias and their fears.

When the meeting was over Jackson knew that he had elicited all the information he needed from David and Margaret to draw up a strategy and plan to deliver the retirement lifestyle they wanted.

Your Performance Strengths	Your Performance Struggles
•Takes the lead, wants to set the agenda •Sees the strategic / future vision •Speaks candidly	•May be uncomfortable taking direction from others •May over commit to what goals can be achieved

Your Performance Environment Keys
•Offer up options & recommendations for a decision •Give me direct answers, get to the point •Show the results and outcomes

Result – Jackson was able to provide David and Margaret with a tailored wealth plan to give them comfort and peace of mind during their retirement.

The broader pay-off was:

- Jackson decided to use the Financial DNA Discovery Process with a selection of his clients.
- The clients valued the behavioral insights the Financial DNA Discovery Process gave them in the context of their prior decision-making patterns.
- The outcomes revealed a number of behavioral Bias for Jackson and the clients to watch out for in the future.
- The clients felt that the portfolio allocation was accurate given their stage of life.
- Jackson gained important insight into how meetings could be conducted differently ensuring he did not allow his own financial Bias to form part of the advice given.
- A greater level of trust developed between Jackson and his clients.

Commanding Factor – Cooperative Trait Case Study

Successful Business Owner Challenge: William is a very successful IT business owner with children in college, elderly parents to care for and a small family clothing retail business his wife runs. William works hard and would admit his work life balance is out of control. After a particularly busy month he realized that having spent the entire month strategizing and planning for the next five years of the main business which he ran, he had paid little or no attention to putting his family's financial plan together. He had a good income and thought nothing of paying college fees, having at least one annual holiday (though he knew he needed to increase this) and paying off his parent's mortgage. Money was never an issue. He was well insured both as the main income provider and in other areas of his life. As he and his wife entered their 50's in the same month they both realized how much of their financial resources and time was tied up in their two businesses. A throw away comment made by a friend at their joint 50th birthday alerted them to the need to address their finances and put in place a plan for their future. Suddenly their life style felt a little risky at this stage of their life.

Taking advice from a friend, William engaged a financial advisor. At the first meeting William could feel himself becoming impatient with Brian. His concentration level was not good and he felt Brian was spending too much time of Williams Life balance needs and not enough on giving him action plans. William just wanted to 'tell' Brian what he needed, pay his account and get back to work.

William told Brian that he needed a wealth creation plan to map out the remaining college funding and build in overseas University fees for his two children; a plan for paying off his parents mortgage and providing for their future, as well as providing him with a selection of retirement strategies and even a potential exit from the business so he and his wife could have some time together when the kids left college.

William's view was that Brian was the financial advisor and he could figure this all out and present him with a strategy and plan.

Brian was a significant and well thought of wealth advisor in the industry. He was highly sought after because he was practical and very diplomatic in his approach. He labored over plans and always presented clients with safe options. However, his Disposition Effect Bias which caused him to be less willing to recognize losses, but more willing to recognize gains was clouding the advice he was giving to William.

William presented Brian with a challenging behavior; he assumed that by just giving Brian a few bullet points and high level numbers he would understand his preference for the aggregate portfolio rather than individual positions. Williams's bias which influenced his financial decision making was a Consolidated View.

Brian called a contact at DNA Behavior International for advice. He knew them to be specialists in financial behavioral management. The contact explained that some assertive and bossy individuals don't actually realize their manner is seen by others as abrasive. He went on to explain how frustrating Brian's approach would be to someone who just wanted bullet points and didn't feel the need to be 'educated' by anyone. On a practical level DNA Behavior International suggested he and his client (William) complete the Financial DNA Discovery Process as this would help him to gain insight into his and William's core behaviors and Bias, which needed to be managed.

At the next planned meeting Brian and William shared the outcomes of the Financial DNA Discovery process. Both found the results interesting and recognized the need to moderate their approaches to achieve a good outcome. Brian was now able to provide William with options and recommendations on investment choices; both agreed to remove their individual bias from the advisory discussion.

Your Performance Strengths

- Follows established agenda
- Promotes stability through cooperation
- Speaks diplomatically

Your Performance Struggles

- Can be unassertive or timid
- Can underestimate own abilities

Your Performance Environment Keys

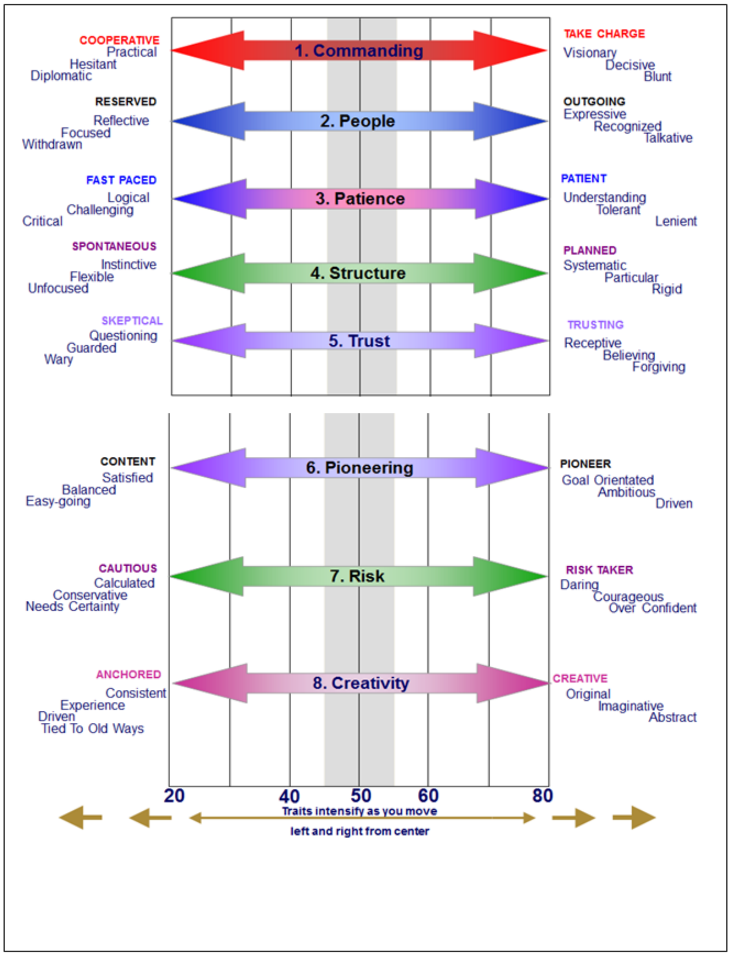
- Create a relaxed environment
- Allow me to collaborate and provide input
- Demonstrate that you are actively listening

Result – Brian was able to create a holistic plan with specific investment recommendations; a clear explanation of the benefits and risks presented in bullet points form and supported with additional documentation for William to take away and read. The plan was thorough; it reflected William's stated priorities; it took a disciplined approach to investing, including risk and returns analysis, inflation expectations, "what if" scenarios, and careful asset allocation. It also included some alternative investment opportunities and options for William to consider.

The broader payoff was:
Brian now had a clear understanding of his behavioral Bias and how to manage them as a financial advisor. He also understood the importance of managing the client's Bias. To that end he introduced a number of aspects of the Financial DNA Discovery process into his wealth advisory practice; the effect of which was to take a number of his relationships to a much higher level of trust and appreciation.

Financial DNA Behavioral Factors **Appendix A**

Below is a summary of each of the 8 primary behavioral factors measured by the Financial DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the Commanding Factor **Appendix B**

Date	Founder	Extroverted, Task Oriented Commanding, Dominance, Choleric, Leader, Controlling, Driving
c. 450 BC	Classical elements	fire
c. 400 BC	Hippocrates' four humors	yellow bile
c. 190	Galen's four temperaments	choleric
c. 1025	Avicenna's four primary temperaments	loss of vigor, deficient energy, insomnia, wakefulness, high pulse rate, lassitude, acquired habit
c. 1900	Ivan Pavlov's four temperaments	choleric (Strong excitatory)
c. 1900	Alfred Adler's four Styles of Life	Ruling or Dominant
c. 1928	William Marston and John G. Geier DiSC assessment	Dominance
c. 1947	Erich Fromm's four Types of Character	Exploitative
c. 1948	California Psychological Inventory CPI 260	Leader
1958	MBTI codes	ESTJ, ENTJ, ESTP, ENFJ
c. 1958	William Schutz, FIRO-B	See FIRO article for score names.
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Controlling-Taking
c. 1960s	David Merrill, "Social Styles"	Driving
1964	Blake-Mouton Managerial Grid Model	Produce or Perish
c. 1966	Temperament by LaHaye	Choleric
1973	Jay Hall Conflict Management[15]	Win/lose
1974	Thomas-Kilmann Conflict Modes[16]	Competing
c. 1984	The Arno Profile System(Five Temperaments)	Choleric
c. 1995	Worley Identification Discovery Profile	Choleric
c. 1996	Tony Alessandra Personality Styles	Director
c. 1998	Hartman Personality Profile	Red
c. 2001	Linda V. Berens' four Interaction Styles	In Charge

Behavior Bias Connected to Natural Behavior **Appendix C**

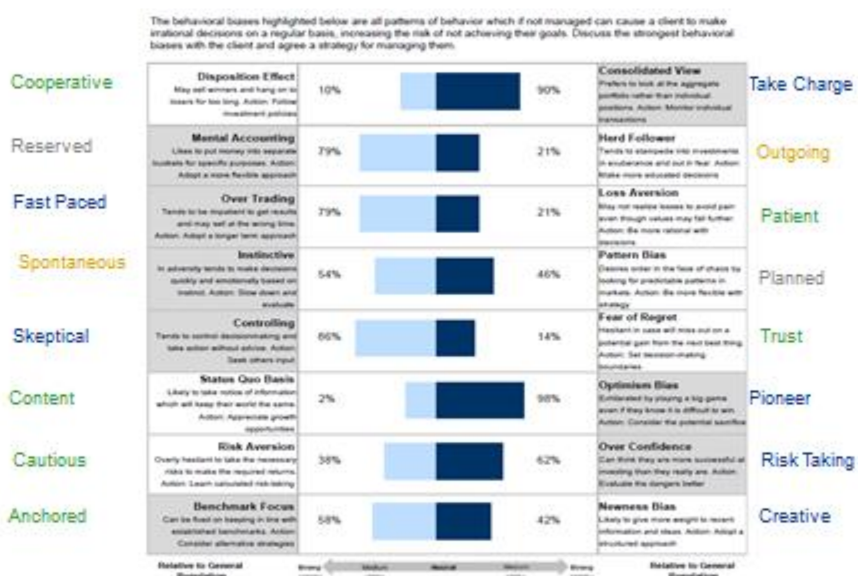
For the first time advisors can gain predictive insights into their own behavioral finance Bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:
*Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well.*http://www.investopedia.com/terms/b/bias.asp

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes **-** *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/
Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.
Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***: Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance.*** *http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References **Appendix D**

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. – Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc.)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy – Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. – *"The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. – *"The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. – "Quantitative Analysis of Investor Behavior Study," 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. – Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams," 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. – "Myopic Investment Management," 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting – The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting – The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic
Johari Window Model And Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – "The Essential Jung," 1983, (Princeton University Press)

Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. – “Prospect Theory – An Analysis of Decisions Under Risk,” 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung’s Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns – A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger’s Brain Type Theory
Keirsey’s Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – “The Leadership Challenge,” 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business – Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow’s Hierarchy Of Needs
Massie, H. - “Financial DNA – Discovering Your Financial Personality for Living a Quality Life,” 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect. Winning With People Developing the Leader Within You
Mcclelland’s Achievement-Motivation Theory
Morgeson et al – “Reconsidering the use of Personality Tests in Personnel Selection Contexts.” by Morgeson et al, 2007 in the “Personnel Psychology” Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – “Personality on the Job,” 1994, (Servant Publications)
Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.
Nudge Theory – Discover The Hidden Influential Factors In People’s Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. – The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality: Guide to the Four Human Natures by John Lopker
Pink, D.H. – “A Whole New Mind,” 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey
Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens

The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour
Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). "Using Personality to Differentiate Between Holland's Occupational Groups" in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis – Eric Berne And Early Theory
Transactional Analysis – Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. – "The Framing of Decisions and the Psychology of Choice," 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition

DNA Behavior®

Financial DNA Insight Series

Creativity Factor E-Booklet

DNA Behavior International
July 2015

Financial DNA Insight Series: Creativity Factor

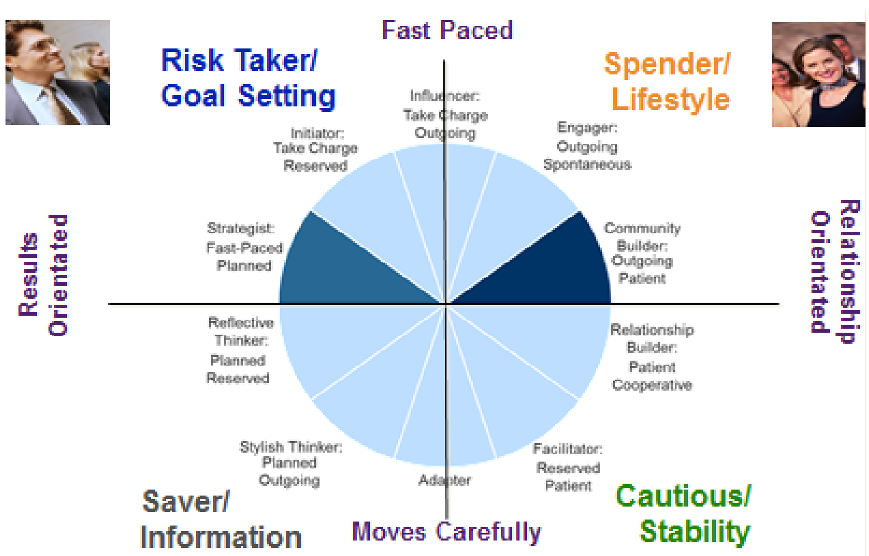
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

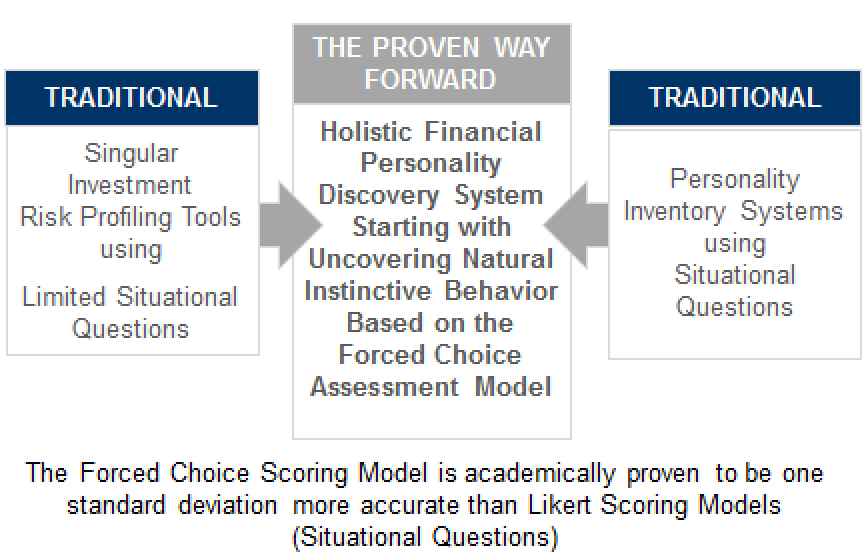
Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and Bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client’s financial personality. It closes the gap between the clients’ true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework to guide their client’s on their choices and minimize the impact of emotions.



The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and Bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Creativity Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and Bias of clients in making critical life and financial decisions.

Introduction to the Creativity Factor

Every participant in the Financial DNA Natural Behavior Discovery Process has a Creativity Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

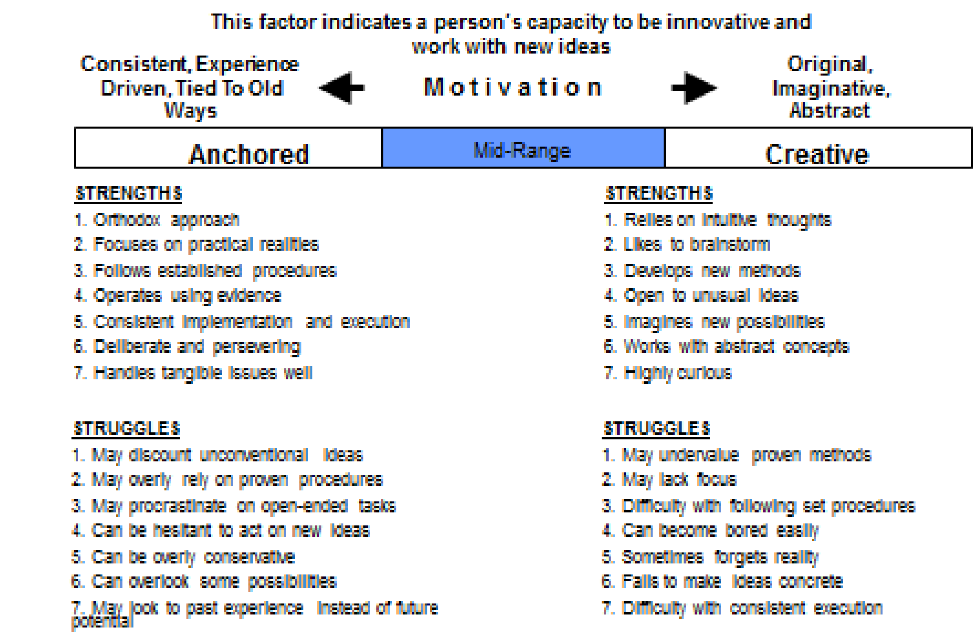
Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

You can review a summary of each of the 8 primary behavioral factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the Creativity Factor fits into your or your clients' overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts and is seen by others.

It's important to set the Creativity Factor into context. The Creativity Factor indicates people's desire to be Original, Imaginative, Abstract front and center of new ideas. Their need to learn through storytelling, using diagrams, illustrations, demonstrations, gestures, and feelings is a key part of who they are and how they work to present themselves. The natural performance outcome of those on the Creative trait side of the Creativity Factor is the ability to be resourceful and inventive; to work with abstract concepts and understand theoretical ideas to drive out solutions. They become bored quite easily when required to operate within a set of rules

Each of us will have some level of these motivations depending on whether the measured score is on the Creative trait side (right-hand side with a higher Creativity Score), Mid-Range or on the Anchored trait side (left-hand side with a lower Creativity Score).

Our approach is that there are both strengths and struggles from the Creative and Anchored trait sides of the Creativity Factor. The Creativity Factor Table below provides a summary of these strengths and struggles from the Creative and Anchored traits of the Creativity Factor. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the Creativity Factor.



Becoming more effective and efficient the role of a financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of their client must learn how to adapt their behavior.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias which may influence financial decision making. This is where the advisor needs to understand the natural behavioral biases (see Appendix C) which are primarily (but not exclusively) driven by the Creative and Anchored traits. The Creative trait drives a Newness Bias which is associated with people who give more weight to the latest information and ideas. The Anchored trait drives a Benchmark Focus Bias which is associated with people who can be fixed on keeping in line with established indices.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and 'blind spots' impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky' write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
"System 1" thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb ("heuristics") and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
"System 2" thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person's behavioral bias be uncovered? Yes. Each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build trust with the client. Remember, clients with an Anchored trait may not be comfortable to work with a Creative trait advisor who regularly brings out of the box thinking and suggestions to the conversation. They can find this risky and overwhelming. Show logical steps, keep suggestions practical and back the advice with quantifiable examples. In the converse, clients with a Creative trait may not be comfortable with an Anchored advisor who does not understand their desire to give more weight to recent information and ideas; or who don't offer new possibilities or unusual investment opportunities for them to research and consider. They may always feel they are not getting the best advice although it will generally be well implemented.

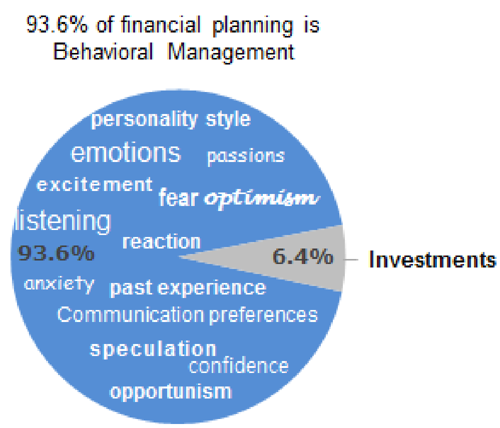
*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. SOURCE: **www.journalfp.net**

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Creativity Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as Creative are ideas generators, Imaginative and are drawn to what's new. Their creativeness stimulates thinking and innovativeness.

As with all behaviors there is a flip side; much depends on the reaction others have to Creative/Anchored people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'.*



Source: The 93.6% Question of Financial Advisors, Meir Statman, 2000

The History of the Creativity Factor

Historically, the Creativity behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans.
http://en.wikipedia.org/wiki/Four_temperaments

The Creativity Factor table at Appendix B illustrates how the Creativity Factor (though often called by other names) has been recognized since 450 BC.

David Cox Neuropsychiatric Researcher at Cambridge University writes: *The enduring question with creativity has always been whether the defining Factors come from nature or nurture. Everyone can learn to be Creative to some degree, but new research has revealed that the extent to which we're born Creative may be greater than previously thought.*

Two years ago Kenneth Heilman and his team at the Department of Neurology and Neuroscience at Cornell University discovered that the brains of artistically Creative individuals have a particular characteristic that may enhance Creativity.

The brain is divided into two halves, or hemispheres, that are joined by a bundle of fibres called the corpus callosum. Writers, artists and musicians were found to have a smaller corpus callosum, which may augment their Creativity by allowing each side of their brain to develop its own specialisation. The authors suggest that this "benefits the incubation of ideas that are critical for the divergent-thinking component of creativity".

This does not tell the full story, however. Creativity is not only about divergent thinking but also generating endless associations. Recent findings suggest that the secret to this lies in our DNA.

"Creativity is related to the connectivity of large-scale brain networks," says Szabolcs Keri of the National Institute of Psychiatry and Addictions in Budapest. "How brain areas talk to each other is critical when it comes to originality, fluency and flexibility."

In highly Creative individuals this connectivity is thought to be especially widespread in the brain, which may be down to genes that play a role in the development of pathways between different areas. These genes reduce inhibition of emotions and memory, meaning that more information reaches the level of consciousness.

However, while the discovery of such "creative genes" indicates that certain people may have a natural propensity for divergent thinking; this does not tell the whole story. A lot depends on how your genes are expressed and this is where the environment can play a defining role.

So, are we born Creative or not? While Factors such as upbringing play a crucial role in your brain's development, the work done by scientists in Scandinavia, Germany and the US has shown that having the right genetic makeup can make your brain more inclined towards Creative thinking. The rest of us have to "learn" to be Creative.

http://www.theguardian.com/science/blog/2013/sep/19/born-Creativity-study-brain-hemingway

Wikipedia defines the meaning of Creativity as follows:

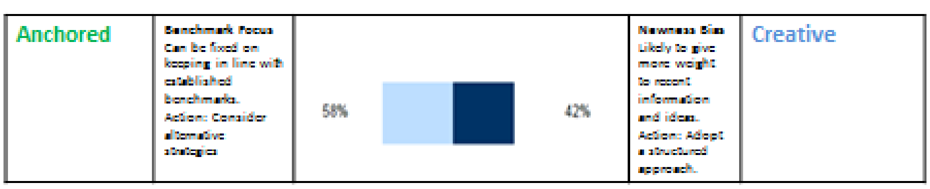
Creativity is a phenomenon whereby something new and in some way valuable is created. Although the benefits of creativity to society as a whole have been noted, social attitudes about this topic remain divided. The wealth of literature regarding the development of creativity and the profusion of creativity techniques indicate wide acceptance, at least among academics, that creativity is desirable.

There is, however, a dark side to creativity, in that it represents a "quest for a radical autonomy apart from the constraints of social responsibility". In other words, by encouraging creativity we are encouraging a departure from society's existing norms and values. Expectation of conformity runs contrary to the spirit of creativity. Ken Robinson argues that the current education system is "educating people out of their creativity".

Nevertheless, employers are increasingly valuing creative skills. A report by the Business Council of Australia, for example, has called for a higher level of creativity in graduates. The ability to "think outside the box" is highly sought after. However, the above-mentioned paradox may well imply that firms pay lip service to thinking outside the box while maintaining traditional, hierarchical organization structures in which individual creativity is condemned. *http://en.wikipedia.org/wiki/Creativity*

In the advisory/client relationship Creative presents as Original, Imaginative and Abstract. Care needs to be taken to ensure that Advisors understand how to moderate their behavioral style to guard against any chance of bias being introduced into the advisory process. One person's optimism could be another's fear for loss of stability.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



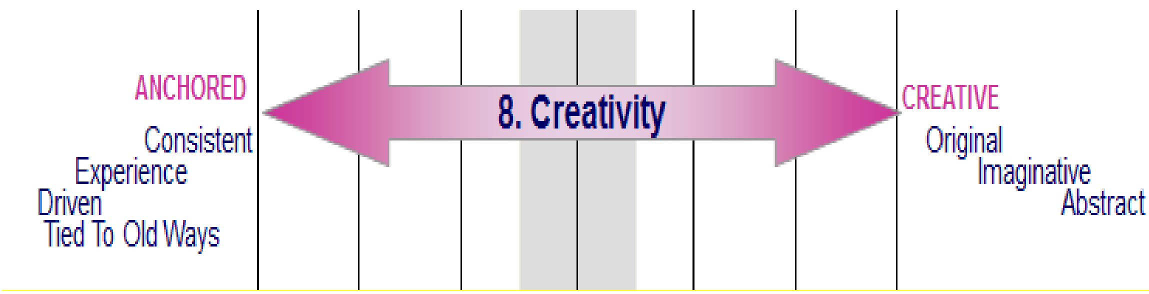
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and "blind-spots". These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Benchmark Focus bias towards keeping in line with established measurements? The client won't be comfortable if presented with the '*latest grea*test' opportunities. Remember, if their core driver and bias is maintaining the Benchmark Focus in terms of their current state of financial affairs, the advisor will need to tread carefully and manage expectations against known benchmarks, indexes and other performance metrics if they are to work with the client to increase their wealth.

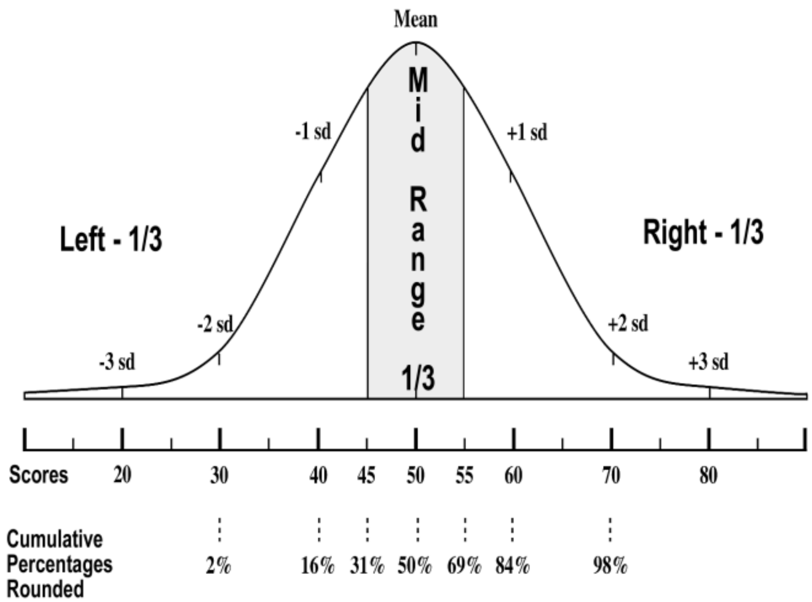
Managing the Creativity Factor – Creative Trait



The Financial DNA Natural Discovery Process also uncovers the sub-Factors that form a part of the Creativity Factor. These are important components of the primary Creativity Factor that are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person may have the same Creativity Factor score, their mix of sub-Factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person's strengths and predicting the areas in which they will perform in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths over used without behavioral awareness can become blind spots.

- Strengths - Behaviors that come naturally and should be used.
- Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
- Mid-Range Scores - Tend to be more flexible in these factors and are easier to move left or right.



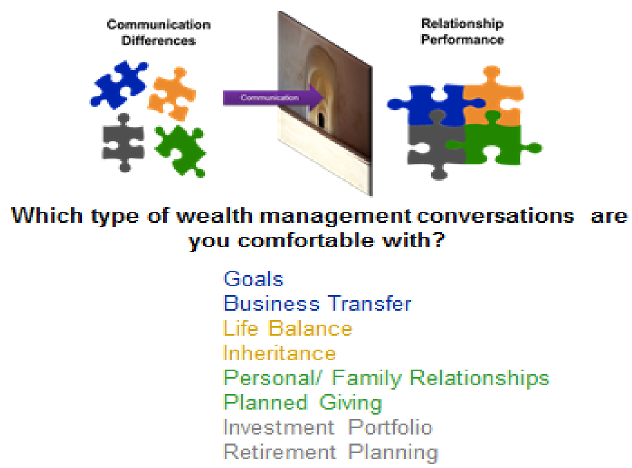
How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Creativity Factor score on the Creative side might need to moderate their approach for a client with a stronger Creativity Factor on the Anchored side.

Creative **Strengths and Struggles** **Original** **Imaginative** **Abstract** **Behavioral Bias:** Newness Bias	**Moderating Behavior in the Advisor/Client Relationship** ➡	**Anchored** **Strengths and Struggles** **Consistent** **Experience Driven** **Tied to old ways** **Behavioral Bias:** Benchmark Focus
Relies on intuitive thoughts May undervalue proven methods	Present opportunities supported with evidence and structure. Be organized and not random in thinking. Don't assume tried and tested methods don't work think about ways to add value to what already exists.	Orthodox approach May discount unconventional ideas
Likes to brainstorm May lack focus	Keep free thinking in the real world. Share what's doable rather than illogical options. Stay on topic; explain thinking and why suggestions are worth consideration.	Focuses on practical realities May overly rely on proven procedures
Develops new methods Difficulty with following set procedures	Ensure new approaches aren't counterproductive. More likely to be listened to if forward thinking propositions don't reject current opportunities entirely. Suggest steps and staging to introduce anything new.	Follows established procedures May procrastinate on open-ended tasks
Open to unusual ideas Can become bored easily	Support ideas and opportunities with evidence. Be patient and allow time for thinking through new schemes. Give time for them to get on board and	Operates using evidence Can be hesitant to act on new ideas

	be prepared for questions and discussions. Stay focused and connected. They need time to think through the possibilities.	
Imagines new possibilities Sometimes forgets reality	Ensure new opportunities and suggestions are informed. Remember their need to have consistent and meaningful conversations. Don't stray too far off subject. Keep suggestions middle of the road to begin with. Anything too unconventional will cause close down in terms of receptivity, especially if it's not support with evidence.	Consistent implementation and execution Can be overly conservative
Works with abstract concepts Fails to make ideas concrete	Most Anchored people are not averse to abstract thoughts and suggestions. It takes them time to work through such proposals and when they see the value of the submissions often take them on board and add structure to them. Agree in advance that you want to be able to introduce abstract concepts and negotiate with Anchored colleagues their commitment to think them through rather than reject instantly.	Deliberate and persevering Can overlook some possibilities

Highly curious Difficulty with consistent execution	Ensure curiosity and questioning doesn't invade others privacy. Understand boundaries. Accept '*the need to know'* principle. This approach will ensure your Creative ideas are taken seriously as you determine to act in a professional manner. Anchored people are open to Creative ideas and input providing it's presented in a structured way. Haphazard thoughts turn them off.	Handles tangible issues well May look to past experience instead of future potential

The following summary provides an insight into how an advisor with a strong Creativity Factor on the Creative side might communicate with a client with a stronger Creativity Factor score on the Anchored side.



Creative **Original** **Imaginative** **Abstract**	**How to Communicate** ➔	**Anchored** **Consistent** **Experience Driven** **Tied to Old Ways**
Communication Need New methods Ideas driven Connect "dots" Explores possibilities Brainstorming process Innovative Communication Challenge Difficulty with following set procedures **Communication Key:** Encourage brainstorming	Modification/Approach Remember that you have a highly active and intense need for conversation and questioning that makes others weary. A good idea for Creatives is to brainstorm ideas on paper before having conversations with Anchored clients. This will ensure your thoughts don't wander and also that new ideas are realistic and deliverable. Choose the time and place and the audience that you want to brainstorm with. Make sure someone is capturing the ideas so they won't get lost.	**Communication Need** Proven methods Solution driven Evidence – facts, figures Experience preference Execution focus Provide the steps Communication Challenge Can be hesitant to act on new ideas **Communication Key**: Keep it tangible and provide the logical steps

In Summary – The Creativity Factor on the Creative side

People on the Creative side of the Creativity Factor are lively and open-minded. They are quick thinking and see potential before others, though often present it in a random ill thought through way. They are likely to be instinctive in terms of their wealth creation; often tempted by the unusual or what others are interested in.

In the advisory/client relationship Creatives are Original, Imaginative, and Idea Generators which for some clients will be helpful as it will stimulate their own thought processes. When problems need to be resolved, those on the Creative side of Creativity Factor present out of the box solutions. If these are picked up by Anchored clients they are able to add structure to the advice offered.

Those on the Creative side of the Creativity Factor are intense questioners and observers; they tend to notice everything going on around them. When this inherent talent is either not noticed, rejected as too random or underused they become bored; they eventually stop sharing their Creative suggestions. In the wealth advisory relationship they will use creative questioning to uncover the clients hopes and dreams. This approach adds value to the advisor/client relationship and builds trust.

Their creative skill, original thinking and resourceful approach are ideally suited to introducing less Creative clients to new opportunities. Creative advisors are people who don't get offended if their suggestions are not taken up; their 'buzz' is the conversation and opportunity sharing that takes place when working with a clients.

Happiness lies in the joy of achievement and the thrill of creative effort. Franklin D Roosevelt

Creativity is just connecting things. When you ask creative people how they did something, they feel a little guilty because they didn't really do it, they just saw something. It seemed obvious to them after a while. That's because they were able to connect experiences they've had and synthesize new things. Steve Jobs
http://www.brainyquote.com

It is important to emphasize that for an advisor to build a successful relationship with their clients they do not have to be naturally Creative all the time. However, they must be able to identify the occasions when they need to be. It is important to know when to moderate Creative behavior in order to deliver an effective outcome in the advisory/client relationship.

Managing the Creativity Factor – Anchored Trait

How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Creativity Factor score on the Anchored side might work with a client who has a stronger Creativity Factor on the Creative side.

Anchored **Strengths and Struggles** **Consistent** **Experience Driven** **Tied to old ways** **Behavioral Bias:** Benchmark Focus	**Moderating Behavior in the Advisor/Client Relationship**	**Creative** **Strengths and Struggles** **Original** **Imaginative** **Abstract** **Behavioral Bias:** Newness Bias
Orthodox approach May discount unconventional ideas	Every advisor can benefit from listening to Creative clients. Rather than close down what seems like haphazard thinking listen and select areas where you can apply	Relies on intuitive thoughts May undervalue proven methods

	wisdom, caution or opportunities to satisfy their Creativity. As an Anchored advisor you have the ability to pick out the good ideas and turn them into strategies and further to suggest opportunities that satisfy their Creativity.	
Focuses on practical realities May overly rely on proven procedures	Suggest brainstorming when decisions are to be made; take a backseat and allow the client to share thoughts in terms of their wealth creation. Some may be random but others may not. You can place the here and now reality around their suggestions. They won't feel concerned if you reject their thinking providing you replace it with interesting opportunities.	Likes to brainstorm May lack focus
Follows established procedures May procrastinate on open-ended tasks	Take time to invest into Creative clients. Explain exactly what you are trying to achieve in terms of the advisory/client relationship. Introduce a little unconventionality into your advice balancing it with the knowledge that they are not good at managing their finances. These clients think differently. Structure and process can be added to their ideas. They can't do this. But they can be taught	Develops new methods Difficulty with following set procedures

	to take a more conventional approach to wealth creation if presented to them appropriately.	
Operates using evidence Can be hesitant to act on new ideas	Take time to get to know Creative clients and build relationships. Too much convention will bore them. Talk to them about something unusual they invested in that didn't work. Ask them how that felt.	Open to unusual ideas Can become bored easily
Consistent implementation and execution Can be overly conservative	Creative clients think differently; they are unlikely to be interested in any advice that is too conventional and conservative. It's important for the Anchored advisor to present opportunities in a creative way; this approach will gain their attention and interest.	Imagines new possibilities Sometimes forgets reality
Deliberate and persevering Can overlook some possibilities	Don't be opposed to abstract thoughts and suggestions. Explain that it takes time to work through such suggestions, but when you see the value of the opportunists they want to pursue you will investigate them and add a framework to them. Listen to Creative clients and cherry pick from their conversations. Their thoughts often stimulate additional thoughts for Anchored advisors that can be fed into the advisory	Works with abstract concepts Fails to make ideas concrete

	process.	
Handles tangible issues well May look to past experience instead of future potential	Creative clients are unlikely to be concrete in their thought processes. When they offer a thought that interests you get them to put their suggestions into context. This approach produces useful outcomes.	Highly curious Difficulty with consistent execution

The following summary provides an insight into how people with a strong Creativity Factor on the Anchored side might communicate with people with a stronger Creativity Factor score on the Creative side.

Anchored **Consistent** **Past Experience Driven** **Tied to Old Ways**	**How to Communicate**	**Creative** **Original** **Imaginative** **Abstract**
Communication Need Proven methods Solution driven Evidence – facts, figures Experience preference Execution focus Provide the steps Communication Challenge Can be hesitant to act on new ideas **Communication Key**: Keep it tangible and provide the logical steps	Modification/Approach Explain where and how Creative thinking fits into the financial advisory process. Be prepared for a scattergun response if you ask them to explain the opportunities they are keen to invest in. Advise them how to build structure around their suggestions and the advantage of doing so. Creatives are very teachable and they want to please. They want to be valued and seen as a making an effort	**Communication Need** New methods Ideas driven Connect "dots" Explores possibilities Brainstorming process Innovative Communication Challenge Difficulty with following set procedures **Communication Key:** Encourage brainstorming

	to understand.	

In Summary – The Creativity Factor on the Anchored Side

Those on the Anchored side of the Creativity Factor are Consistent, Experience Driven and tend to be Tied to Old Ways. They approach the advisory process with logic and calculated reasoning. They immediately see, and question inconsistencies.

They handle complex and difficult challenges well, but need time to do so. When all the information has been considered they make fast and accurate decisions.

When faced with a client who is on the Creative side of the Creativity Factor, they typically work through problems and issues in a systematic way. They reference what's gone before to set the stage for the client/advisory relationship. They need structure and consistency and will strive to achieve that as a basis for the relationship to be built.

Anchored advisors are rooted in a sense of reality and see Creative clients alternating between imagination and fantasy. However, it's important to understand that those on the Anchored side of the Creativity Factor who have insight into their behavioral style will understand how to work with Creative clients and not be thrown off course by their Creative clients random thought processes.

Having the knowledge and insight into their Anchored behavior helps advisors to understand and recognize the importance of out of the box thinking to advance the advisory process; they use their Consistent thought processes to select ideas and then expand on them and put structure around them. They will use past experiences to add to the advisory process not to respond negatively to a Creative clients suggestions.

Rosabeth Moss Kanter a professor of business at Harvard Business School observes: *"After years of telling corporate citizens to 'trust the system,' many companies must relearn instead to trust their people - and encourage their people to use neglected creative capacities in order to tap the most potent economic stimulus of all: idea power".*

Those on the Anchored side of the Creativity Factor when they see the evidence of 'idea power', not only accept it they are then able to add value to it and strategize how best to use Creative suggestions in their client/advisory relationships..

Wikipedia references Anchored as this:
Anchoring and adjustment *is a psychological heuristic that influences the way people intuitively assess probabilities. According to this heuristic, people start with an implicitly suggested reference point (the "anchor") and make adjustments to it to reach their estimate. A person begins with a first approximation (anchor) and then makes incremental adjustments based on additional information. These adjustments are*

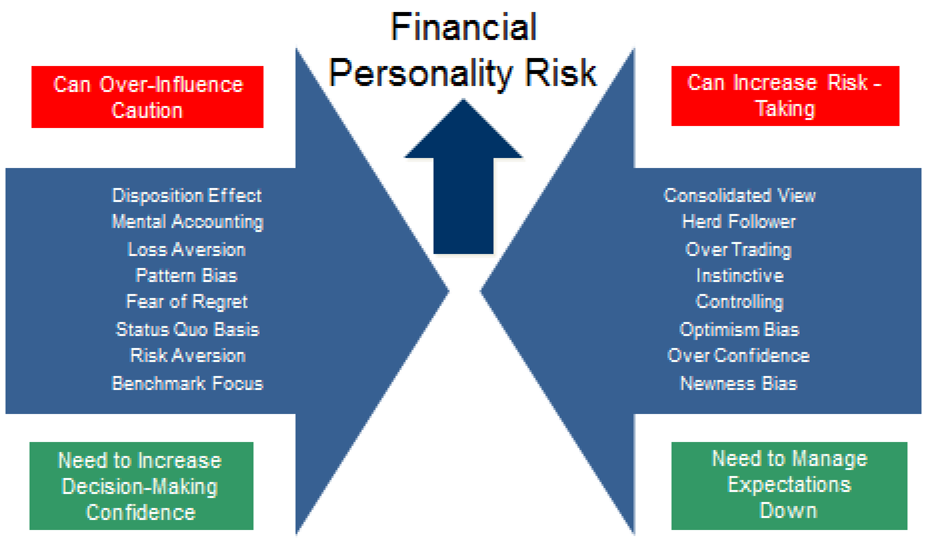
usually insufficient, giving the initial anchor a great deal of influence over future assessments.
http://en.wikipedia.org/wiki/Anchoring

It could rightly be argued, that when an Anchored advisor reaches this point, they activate their Creative trait as they introduce new thought concepts into the way they deliver advice.

Creativity Factor – Creative Trait Case Study

The Challenge: Richard works in a financial advisory firm; his responsibility is to create the marketing material for the business. He is very good at his job and much respected by the Principals. During a performance appraisal review his manager (Jack – one of the senior financial advisors) talks to him about his future plans for his retirement. Richard is 29 and glazes over at the thought of retirement. Jack tells Richard that he is to be added to the company bonus scheme and that the first payment will be paid within the month. Richard says he has made no plans; he feels quite concerned that Jack will think him irresponsible for having no proposals for his financial future. Sensing this, Jack suggests Richard should come back to him with a range of thoughts, dreams and suggestions for his financial future. Jack tells Richard to be as Creative as he wishes and assures Richard that they will then work out a plan together.

Richard spent some time imagining his retirement, but the path to get there seemed blurry and he couldn't even sign post where he wanted to be and when. He returned to speak to Jack and showed him what he felt was a brain dump. Jack was very experienced at working with Creative clients. He recognized that Richards's bias was a Newness bias; likely to give more weight to the latest information and ideas; he was careful not to allow his bias of Benchmark Focused to influence the advisory process.



Richard explained that he knew he was Creative and that his thought processes tended to be Original, Imaginative and Abstract and that is what made him so good at his role in marketing. He told Jack that he had completed the Financial DNA Discovery process since their last meeting and now had a greater insight into his inherent behavioral and decision making style.

Your Performance Strengths

- Open to unusual ideas
- Imagines new possibilities
- Highly curious

Your Performance Struggles

- Difficulty with following set procedures
- May fail to make ideas concrete

Your Performance Environment Keys

- Expect/encourage my out-of-the-box thinking
- Encourage me to brainstorm
- Recognize my desire to investigate ideas

Result: Jack worked with Richard to help him build a financial plan for his future. Whilst acknowledging Richards Creative behavior Jack used that to paint visual pictures for Richard to understand. This helped take the blurriness out of the road to retirement. He set signposts/milestones i.e. marriage, children, education, holidays, health cover. Richard appreciated how Jack made the process visual as this helped him to understand the advice he was given. Together they developed a workable strategy for Richards's financial future.

Creativity Factor – Anchored Trait Case Study

Challenge: Jenna preparing for a meeting with a client (Paula) she knew to be Anchored; feet firmly on the ground; consistent in all she did. As a Creative advisor Jenna was more comfortable dealing Creative clients as she herself was Original, Imaginative and often had Abstract suggestions to make. Jenna needed to consider carefully how best to approach this advisor/client relationship.

Jenna had recently attended a lunchtime workshop run by DNA Behavior International at which they outlined the differences in inherent decision making styles. Further they covered the importance of not allowing personal bias to influence the advisory process. As part of the event Jenna had completed the DNA Financial Discovery process and knew her bias to be Newness, likely to give more weight to recent information and ideas. She realized she would have to adopt a more structured approach with Paula. She also understood that Paula would have her own Bias which would have to be managed.

The meeting with Paula went well; she completed the DNA Financial Discovery process and they shared the outcomes. Jenna explained that having this insight enabled her to manage the relationship more effectively. It gave each an insight into how they made financial decisions; their propensity for loss; their lifestyle desires; their ability to manage risk and the bias each had. All of which would help to build trust in the client advisor relationship.

Result: Paula found herself becoming more open to consider alternative strategies around her wealth management. She appreciated Jenna's approach and ideas and was able to see how, with a structured approach, she could be more imaginative and creative in terms of managing her finances.

Your Performance Strengths	Your Performance Struggles
•Follows established procedures •Operates using evidence •Handles tangible issues well	•Can be hesitant to act on new ideas •May overly rely on proven procedures

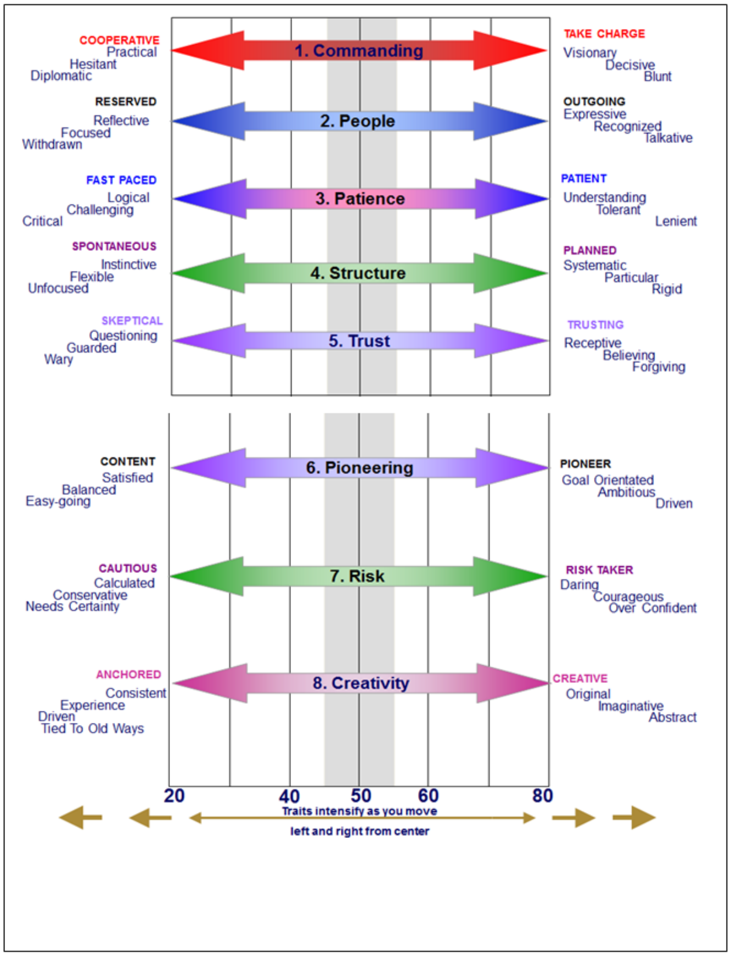
Your Performance Environment Keys

- Show me the logical steps
- Tell me past experiences
- Keep the ideas practical

Appendix A

Financial DNA Behavioral Factors

Below is a summary of each of the 8 primary behavioral Factors measured by the Business DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The Discovery of the Creativity Factor **Appendix B**

Date	Founder	Day-dreamer, Dynamic Thinker, Spontaneous Idealists, Free Thinker
c. 450 BC	Classical elements	air
c. 400 BC	Hippocrates's four humours	blood
c. 190	Galen's four temperaments	sanguine
c. 1025	Avicenna's four primary temperaments[12]	loss of vigor, lassitude, deficient energy, sleepiness, high pulse rate, lassitude
c. 1900	Ivan Pavlov's four temperaments	sanguine (Lively)
c. 1900	Alfred Adler's four Styles of Life	Socially Useful
c. 1928	William Marston and John G. Geier DiSC assessment	Influence
c. 1947	Erich Fromm's four Types of Character	Marketing
c. 1948	California Psychological Inventory CPI 260	Innovator
1958	MBTI codes	ESFP, ENFP, ESFJ, ENTP
c. 1958	William Schutz, FIRO-B	
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Adapting-Dealing
c. 1960s	David Merrill, "Social Styles"	Expressive
1964	Blake-Mouton Managerial Grid Model	Team Type
c. 1966	Temperament by LaHaye	Sanguine
1973	Jay Hall Conflict Management[15]	Synergistic; Win/win
1974	Thomas-Kilmann Conflict Modes[16]	Collaborating
c. 1984	The Arno Profile System(Five Temperaments)	Sanguine
c. 1995	Worley Identification Discovery Profile	Sanguine
c. 1996	Tony Alessandra Personality Styles	Socializer
c. 1998	Hartman Personality Profile	Yellow
c. 2001	Linda V. Berens' four Interaction Styles	Get Things Going

Behavior Bias Connected to Natural Behavior **Appendix C**

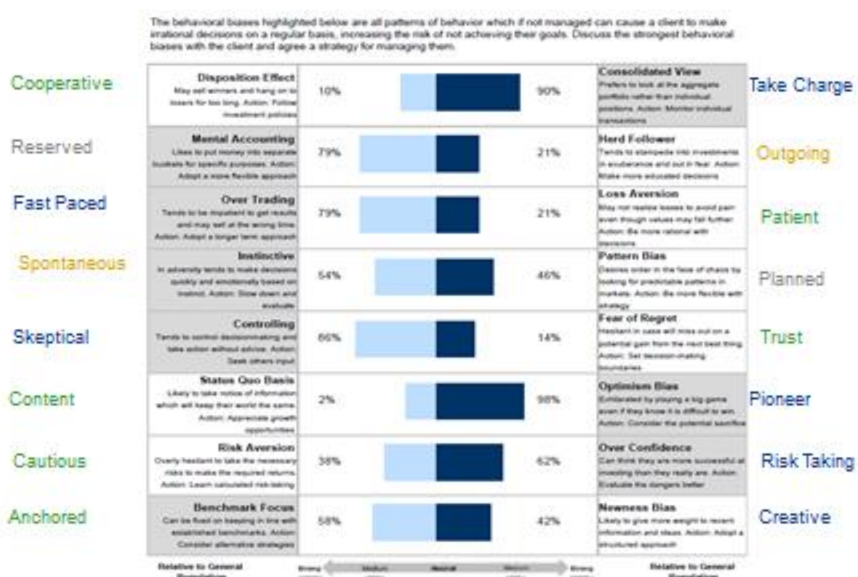
For the first time advisors can gain predictive insights into their own behavioral Bias and also for those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:
Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being

instinctive, fear of regret, controlling, optimism bias, status quo bias, over confidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well. http://www.investopedia.com/terms/b/bias.asp

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/

Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts. Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:*** *Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance.* *http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References **Appendix D**

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. - Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy - Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. - "Quantitative Analysis of Investor Behavior Study", 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. - Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams", 2003, (Northfield Publishing)
Emotional Intelligence (EQ)
Eriksen, K. and Kvaloy, O. - "Myopic Investment Management", 2009
Erikson's Psychosocial Theory of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting - The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting - The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic

Johari Window Model and Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – “The Essential Jung”, 1983, (Princeton University Press)
Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. - “Prospect Theory – An Analysis of Decisions Under Risk”, 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns - A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – “The Leadership Challenge”, 2007, (John Wiley & Sons)
Love and Spirituality in Management and Business - Bringing Compassion and Humanity to Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy of Needs
Massie, H. - “Financial DNA – Discovering Your Financial Personality for Living a Quality Life”, 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect**.** Winning With People Developing the Leader within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al- “Reconsidering the use of Personality Tests in Personnel Selection Contexts”. by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – “Personality on the Job”, 1994, (Servant Publications)

Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.

Nudge Theory **-** Discover the Hidden Influential Factors in People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. - The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality : Guide to the Four Human Natures by John Lopker
Pink, D.H. – “A Whole New Mind”, 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey

Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress and Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens
The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour
Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). “Using Personality to Differentiate Between Holland’s Occupational Groups” in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis - Eric Berne and Early Theory
Transactional Analysis - Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. -“The Framing of Decisions and the Psychology of Choice”, 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikipedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition

Financial DNA®
Behavioral Insight Series

Patience Factor E-Booklet

DNA Behavior International
July 2015

Financial DNA Insight Series: Patience Factor

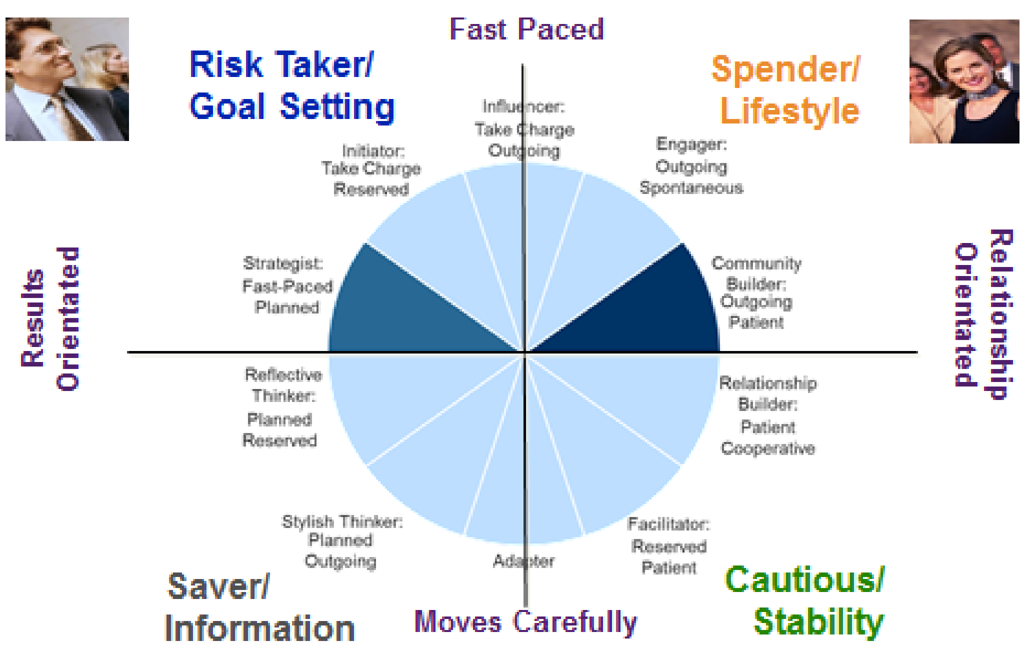
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

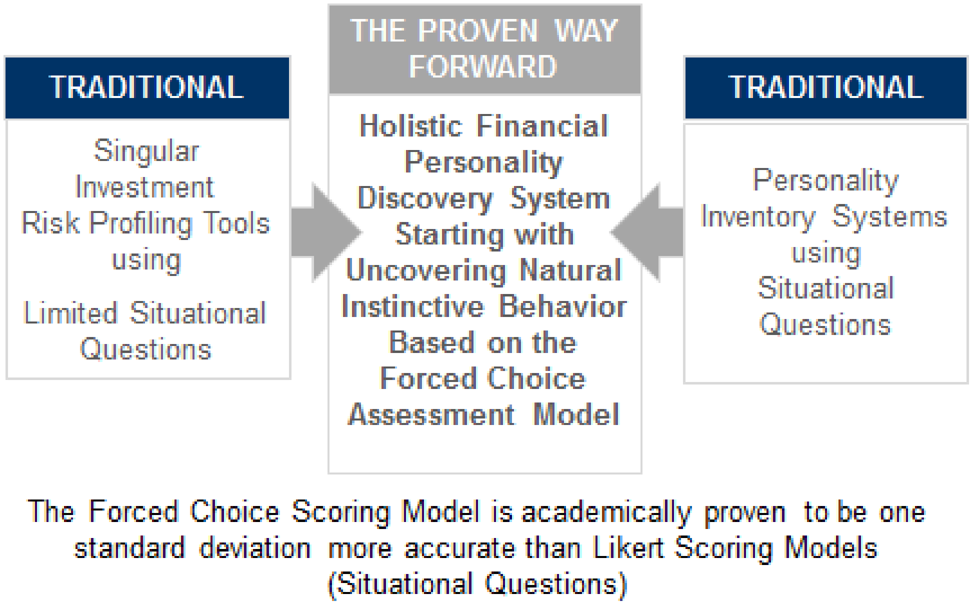
Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client’s financial personality. It closes the gap between the clients’ true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework to guide their client's on their choices and minimize the impact of emotions.



The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Patience Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and bias of clients in making critical life and financial decisions.

Introduction to the Patience Factor

Every participant in the Financial DNA Natural Behavior Discovery Process has a Patience Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce

2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

You can review a summary of each of the 8 primary behavioral Factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the Patience Factor fits into your overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts, and is seen by others.

It's important to set the Patience Factor into context. The Patience Factor indicates people's desire to guide people with feelings. They require environments that are stable and where there is a feeling of cooperation and teamwork. They are good listeners and receptive to what others are saying. When people are facing challenges, whether in their finances or in other areas of life, they will show Understanding, Tolerance and Leniency. They bring unity and consensus in times of confusion.

Each of us will have some level of these motivations depending on whether the measured score is on the Patient trait side (right-hand side with a higher Patience Score), Mid-Range or on the Fast Paced trait side (left-hand side with a lower Patience Score).

Our approach is that there are both strengths and struggles from the Patient and Fast Paced trait sides of the Patience Factor. The Patience Factor Table below provides a summary of these strengths and struggles. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the Patience Factor.

This factor indicates a person's need for relationships, harmony and desire for stability

Logical, Challenging, Critical ← Motivation → Understanding Tolerant, Lenient

Fast Paced	Mid-Range	Patient

STRENGTHS

1. Able to Handle Conflict
2. Objective & Calm
3. Prefers to Take Action
4. Works at a Fast Pace and Responds Quickly
5. Comfortable with Difficult Decisions
6. Welcomes Change
7. Favors Logic over Feelings

STRUGGLES

1. Can be Argumentative
2. May be Abrupt & Interrupting
3. Can be Judgmental & Critical
4. May Lack Needed Patience
5. May Lead More to Over Activity
6. Prone to be Displeased
7. May Appear Cold & Rigid

STRENGTHS

1. Operates Best In Harmony
2. Compassionate & Warm Displays Empathy
3. Listens Well & Receptive to Others
4. Patient & Willing To Wait
5. Loyal & Consistent
6. Likes to be Stable and Even Paced
7. Able to Relate Well with Others

STRUGGLES

1. May Compromise Too Much
2. Does not Like to Challenge or confront
3. May Be Too Trusting
4. May Lack Needed Objectivity
5. Can Be Resistant to Change
6. Can be Overly Passive or Accepting
7. May Not Share True Feelings

Becoming more effective and efficient in the role of a financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of their client must learn how to adapt their behavior. Therefore, having personal insight and then the understanding of how to moderate a Patience Factor desire to be Patient or Fast Paced, is a key part of the advisory/client relationship.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias, (see Appendix C) which are primarily (but not exclusively) driven by the Patient and Fast Paced traits. The Patient trait drives a Loss Aversion Bias that is associated with people who may not realize losses to avoid pain, even though values may fall further. The Fast Paced trait drives an Over Trading Bias which is associated with people who are impatient to get results and may sell positions at the wrong time in order to manage a specific rate of return.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and ‘blind spots’ impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky’ write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
“System 1” thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb (“heuristics”) and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
“System 2” thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person’s behavioral bias be uncovered? Yes. Each person has an inherent “hard-wired” behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client’s vision and strategy for their financial future; take time to build trust with the client. Remember, clients with a Fast Paced trait may not be comfortable with a Patient advisor who prefers avoiding losses to taking some level of risk for acquiring gains. The client with the Fast Paced trait needs the advisor to manage their tendency to be impatient and Over Trade by providing examples and explaining the potential success in taking a longer term approach.

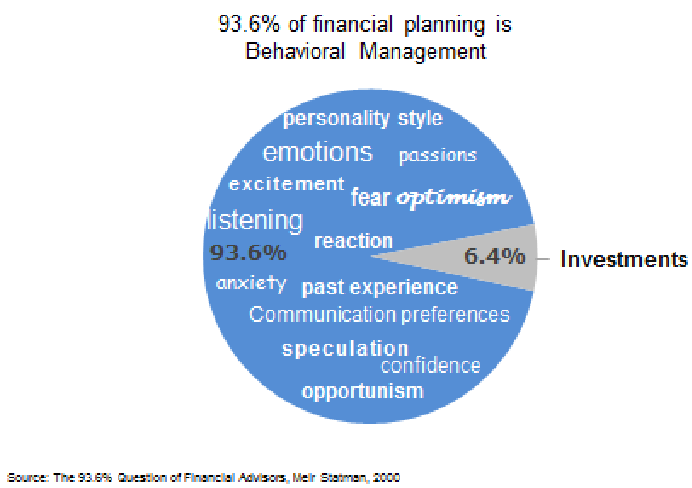
*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients’ preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients’ desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients’ preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. SOURCE: ***www.journalfp.net***

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Patience Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as Patient have a need for relationship, harmony and a desire for stability. They are compassionate and warm; more willing than most to accept or tolerate delays, problems, or suffering without becoming annoyed or anxious.

As with all behaviors there is a flip side; much depends on the reaction others have to Patient people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'*.



The History of the Patience Factor

Historically, the Patience behavioral factor has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans. http://en.wikipedia.org/wiki/Four_temperaments

The Patience Factor (Appendix B) illustrates how the Patience Factor (though often called by other names) has been recognized since 450BC.

Wikipedia goes on to describe Patience as:

Patience (or forbearing) is the state of endurance under difficult circumstances, which can mean persevering in the face of delay or provocation without acting on annoyance/anger in a negative way; or *exhibiting forbearance when under strain, especially when faced with longer-term difficulties. Patience is the level of endurance one can take before negativity. It is also used to refer to the character trait of being steadfast. Antonyms include hastiness and impetuousness.*

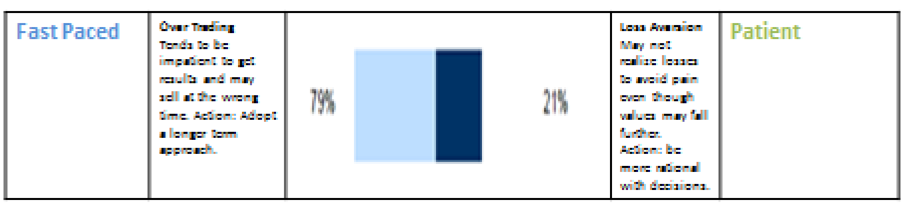
Dr. Sarah Schnitker in her research study into Patience observers:

*In one of the first modern empirical studies on Patience, Mehrabian defined it as the "tendency to be deliberate, steadfast, restrained, and able to endure difficulties (e.g., as when working towards goals)" (Schnitker & Emmons, 2007). He distinguished between Patience and delay of gratification, impulse control, and procrastination, identifying Patience as a distinct virtue. Others have postulated that Patience is merely a combination of persistence, open-mindedness, and self-regulation (Peterson and Seligman, 2004), but recent research has shown this reduction of Patience to be ill-conceived. Schnitker and Emmons (2007) found that Patience showed some overlap with other character strengths (including those mentioned above), but that none of these were able to account for sufficient variance to conclude that Patience is reducible (*of a subject or problem capable of being simplified in presentation or analysis)

This research was also able to identify a number of things that Patience is not; specifically, Patience is not just the opposite of impatience, delay of gratification, or self-regulation of emotion.
http://thethrivecenter.org/research/research-projects/psychophysiological-study-of-Patience/

In the advisory/client relationship the Patient trait presents as, even paced, compassionate, and good at listening. Care needs to be taken to ensure that advisors understand how to moderate their behavioral style to guard against any chance of bias being introduced into the advisory process.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



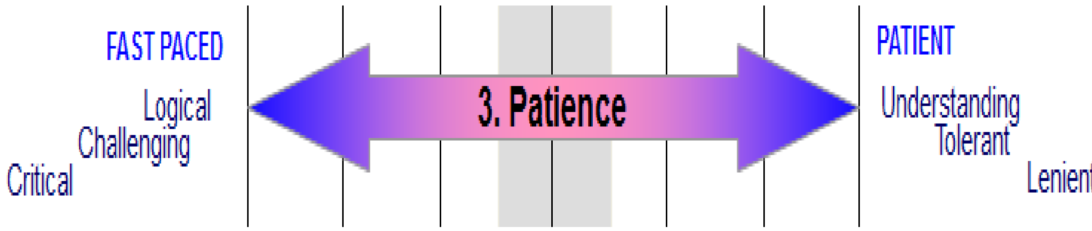
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and "blind-spots". These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Fast Paced approach to trading? The client won't be comfortable if presented with a Patient advisor committed to long term thinking. Remember, if the client's core driver and bias is Over Trading, the advisor will need to tread carefully and manage expectations and bias if they are to work with the client to manage their impatience.

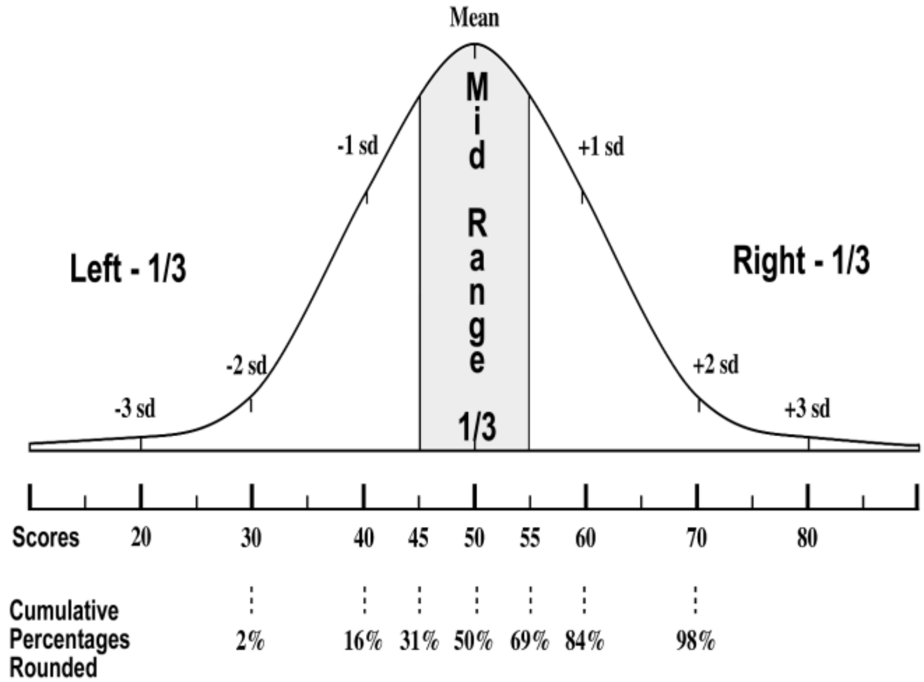
<u>Managing the Patience Factor – Patient Trait</u>



The Financial DNA Natural Behavior Discovery Process also uncovers the sub-factors that form a part of the Patience Factor. These are important components of the primary Patience Factor that are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person may have the same Patience Factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person's strengths and predicting the areas in which they will perform in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths overused without behavioral awareness can become blind spots.

Strengths – Behaviors that come naturally and should be used.
Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
Mid-Range Scores – Tend to be more flexible in these factors and are easier to move left or right.



How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Patience Factor score on the Patient side might need to moderate their approach with a client with a stronger Patience Factor score on the Fast Paced side.

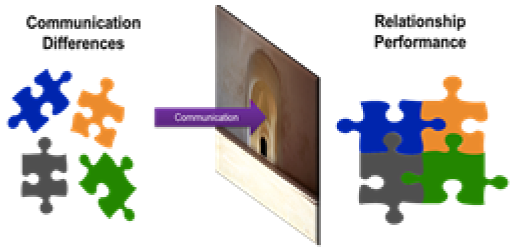
Patient Advisor **Strengths and Struggles** **Understanding** **Tolerant** **Lenient** **Behavioral Bias:** Loss Aversion	**Moderating Behavior in the Advisor/Client Relationship**	**Fast Paced Client** **Strengths and Struggles** **Logical** **Challenging** **Critical** **Behavioral Bias:** Over Trading
Operates best in harmony May compromise too much	Patient people are stable; they can be relied upon to create a calm environment within which clients feel comfortable to share personal information. As advisors they will use their skills of listening and forbearance to bring agreement to situations that are potentially contentious especially when managing client's Bias. They have the inherent ability to see whatever the clients concerns might be from their perspective. Those who have a mature insight into their own behavior will recognize the signs when their agreeable style is being mistaken for weakness by more combative people. They will good-naturedly steer others with tolerance pointing everyone to the required results and therefore successes.	Able to handle conflict Can be argumentative

Compassionate and warm displays empathy Does not like to challenge or confront	In critical time sensitive or financially constrained situations a Patient person will use their inherent skills to calm stressed situations down and allow others who are frustrated and anxious to have their say; then will calmly refocus them on the task in hand. Importantly when emotions are running high, because of the (for example) Fast Paced behavior of clients, or when advising in unstable markets, they will remain understanding and level headed. They may feel uncomfortable facing challenges or conflict. But with insight into their operating style will be able to develop the skills to turn difficult situations around.	Objective and calm May be abrupt or interrupting
Listens well and receptive to others May be too trusting	When faced with clients who are frustrated by lack of action and sit in judgment on the way the markets are performing, the Patient advisor becomes strategic using their skills of Patience to listen and allow others to have their say. Then they restate any directions or requirements in a consistent way which helps to stabilize others and settle down any dissention. If Patient people sense they	Prefers to take action Can be judgmental and critical

	are being taken advantage of because others see them as too trusting, they will endeavor to counter this by building relationship rather than confrontation.	
Patient, willing to wait May lack needed objectivity	Patient advisors may appear to take too much time to deliver advice; they may appear to give considerable oxygen to clients or colleagues with a fast paced approach to life. They know the importance of giving people space to voice their views and will then lead clients to help them make decisions in a harmonious way to build trust.	Works at a fast pace and responds quickly May lack needed Patience
Loyal and consistent Can be resistant to change	Patient people bring stability to any environment by being loyal, dependable and consistent in their messaging. Creating this setting builds trust and loyalty with clients and provides a setting within which clients feel more comfortable to share information. When an advisor understands their own behaviors and Bias they will ensure this doesn't get in the way of clients more able to manage change. However with insight they will use their Patient skills to manage clients when they believe hurried	Comfortable making difficult decisions May tend toward over activity

	decisions could de-stabilize or undermine their portfolio.	
Likes to be stable and even paced Can be overly accepting or passive	It is important in the client advisory role that a Patient advisor does not allow their bias towards maintaining the status quo to influence clients who are more comfortable with change.	Welcomes change Prone to be displeased
Able to relate well with others May not share true feelings	Those with the Patient Factor who have insight into their behavioral style know how to manage their tendency to want to keep everyone happy. When in an advisory role this insight ensures they know how to create a comfortable environment for the client and when to use their skills to advise and guide the client. Getting this balance right is a key to the success of the advisor/client relationship. Remember the importance of sharing something of you, especially if clients appear concerned or nervous about sharing financial information.	Favors logic over feelings May appear cold or rigid

The following summary provides an insight into how an advisor with a strong Patience Factor on the Patient side might communicate with a client with a stronger Patience Factor score on the Fast Paced side.



Which type of wealth management conversations are you comfortable with?

Goals
Business Transfer
Life Balance
Inheritance
Personal/ Family Relationships
Planned Giving
Investment Portfolio
Retirement Planning

Patient **Understanding** **Tolerant** **Lenient**	**How to Communicate**	**Fast Paced** **Logical** **Challenging** **Critical**
Communication Need **Patient** **(Stabilizer)** Remember my need to avoid conflict Soften your tone of communication Present me with information plus feelings **Communication Challenge** May compromise too much Can be resistant to change ***Communication Key:***	Modification/Approach Know what triggers immediate responses and counter them with the importance of not chasing quick results. Peel away the layers of a problem through questioning and listening. Keep exchanges in perspective; be prepared, consider in advance what you need as an outcome to	**Communication Response** **Fast Paced** **(Realist)** Anticipate my immediate responses and quick fixes Speak/move at a quick pace Use summaries, bullets and key points **Communication Challenge** May lack Patience May be abrupt or interrupting ***Communication Key:*** *Bottom line results and*

Safety and soften the communication	the conversation	*speak/move at a quick pace*

In Summary – The Patience Factor on the Patient side

Traditionally there is an expectation that people working in the financial services industry are moderate, aloof, and taciturn yet stable and calm which establishes them as people to be trusted.

Advisors will have a range of behavioral and decision making styles. Those who understand this and have gained insight will be able to moderate their behavior to work with a range of clients. They will understand how to draw out information and build relationships, even when a clients behavior and decision making style is opposite to their own; such insight will gain a significant advantage in the advisory/client relationship arena.

Where does the Patient trait fit in the financial services industry world? What value does understanding, tolerance and leniency have in relationship and behavioral management? These are good questions to ask and answer.

If a common belief is that successful people are decisive, extroverts, authoritative, confident, imposing and impressive then 'Patience' meaning *'the capacity to accept or tolerate delay, problems, or suffering without becoming annoyed or anxious'* doesn't appear to sit comfortably alongside this description of a successful person.

Believing that people with a Patient trait profile may not be as well suited to making strong and decisive decisions is mistaken. As advisors, clients will benefit from their ability to listen; they will work to curb impatient traders; they will use empathy to draw out information from clients all of which feeds into the advisory process.

Those with the Patience Factor on the Patient side have the talent to bring people together in unity. This inherent skill is particularly useful when advising families or couples. They listen and step back from inserting opinions too quickly. This action ensures they don't introduce their own bias into the exchange. They try to see the issues through others eyes, and as a result build trust and support.

When people on the Patient side of the Patience Factor have a personal insight into managing their own behaviors and bias they use this knowledge to connect with clients. They know how to manage their tendency to be resistant to change and compromise.

Today's market climate can make the advisory process intense as the pressure to perform builds. It is within this climate that advisors with the Patience Factor on the Patient side will calm the stormy waters generated by market volatility, mainly because they their Risk Aversion or the pain of losing might have negative dollars associated with it.

Often quoted 'Patience is a virtue', but in an ever increasing world of the 'now' the 'instant' where frustration levels are high, those people with the Patient/Understanding/Tolerant/Lenient behavior will make every effort to demonstrate the importance of exercising the need to be Patient and restraint in volatile markets.

<u>Managing the Patience Factor – Fast-Paced Trait</u>

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong Patience Factor score on the Patient side might need to moderate their approach with a client with a stronger Patience Factor score on the Patient side.

Fast-Paced Advisor **Strengths and Struggles** **Logical** **Challenging** **Critical** **Behavioral Bias:** Over Trading	**Moderating Behavior in the Advisor/Client Relationship**	**Patient Client** **Strengths and Struggles** **Understanding** **Tolerant** **Lenient** **Behavioral Bias:** Loss Aversion
Able to handle conflict Can be argumentative	Manage your tendency to be impatient with others who take longer to come to make a decision. Create an environment that encourages your clients to share and build trust with. You will never be seen as the 'go to person' for advice if you are argumentative and frustrated by others who you think concede too much ground. Meet these kinds of clients half way. Remember it might be your communication style that causes the client to make rushed decisions, which they later regret.	Operates best in harmony May compromise too much

Objective and calm May be abrupt or interrupting	Being dispassionate and detached can signal that you are indifferent to others and their feelings. Clients will appreciate you simply asking how they are; in the advisory/client setting this will produce an environment of care for those with a Patient and compassionate trait. Use your talent for challenging issues in a way that encourages people to think strategically about their wealth creation. This is a more effective approach than becoming frustrated by their reflective manner. Be clear when questioning their approach and be sure you are not imposing your bias onto them.	Compassionate and warm displays empathy Does not like to challenge or confront
Prefers to take action Can be judgmental and critical	Don’t be frustrated by what appears to you to be a lack of action and react judgmentally; Patient people are not slow they are cautious; explain options clearly and this approach will be well received if you have taken the time to put them at ease and built a relationship with them. They won’t reject what you are saying if they can see the point to it. Don’t be tempted to take advantage of Patient people who you consider to be trusting and even gullible.	Listens well and receptive to others May be too trusting

	They will sense your behavior and this will not build effective relationships. Learn to collaborate with them.	
Works at a fast pace and responds quickly May lack needed Patience	Focus on a specific issue; the Patient person will listen to you; don't escalate or try to push them over the decision making line if they don’t respond as quickly as you would want them to. Remember their need to consider loss, risk, and not wanting to regret the decision they are about to make.	Patient, willing to wait May lack needed objectivity
Comfortable making difficult decisions May tend toward over activity	Learn to appreciate a Patient person’s motivation, and why they may not be open to your suggestions or changes. Be patient with them and give them time to put their point of view. It will pay off in the end. You may be comfortable facing difficult issues or change, but if your client is insecure they will see you as potentially de-stabilizing their environment. Take things slowly, listen carefully to their responses; this could provide opportunities to a further conversation and build relationships.	Loyal and consistent Can be resistant to change

Welcomes change Prone to be displeased	Patient clients are looking for some kind of assurance that the decisions they make will be stable over time. Respond with clarity, compassion and understanding towards clients who need certainty and stability in their life and with their finances. Ask them what 'stability' looks like to them. This may reveal unexpected areas around which conversations can take place. If you adopt this approach, Patient clients, who often know they can be frustrating, will feel they have a chance to explain their concerns, and then find a compromise.	Likes to be stable and even paced Can be overly accepting or passive
Favors logic over feelings May appear cold or rigid	You are disposed to see the world as black and white; you dislike uncertainty and vagueness; to others this appears cold and unapproachable. Rather than keep all of your interactions with clients brief and business-like, ask Patient clients for their opinions; remember to put them in their comfort zone by asking how they are or how their weekend went. This approach will open up not only a more effective conversation but a different insight into the discussion, and more likely introduce perspectives you	Able to relate well with others May not share true feelings

	may not have considered.	

The following summary provides an insight into how an advisor with a strong Patience Factor on the Fast Paced side might communicate with a client with a stronger Patience Factor score on the Patient side.

Fast Paced	**How to Communicate**	**Patient**
Communication Response Anticipate my immediate responses and quick fixes Speak/move at a quick pace Use summaries, bullets and key points **Communication Challenge** May lack Patience May be abrupt or interrupting ***Communication Key:*** *Bottom line results and speak/move at a quick pace*	**Modification/Approach** Make an effort to get to *know* the client you are talking to. Be personable and friendly; slowdown in terms of speech and movement as this will create a more effective communication environment for a Patient client. Demonstrate empathy by establishing areas of agreement first. Share something of yourself. Remember that how you communicate is as important as what you're actually saying. Allow time for Patient clients to talk about personal impact and try to understand and accept decisions that may not be based on facts.	**Communication Need** Remember my need to avoid conflict Soften your tone of communication Present me with information plus feelings **Communication Challenge** May compromise too much Can be resistant to change ***Communication Key:*** *Safety and soften the communication*

In Summary – Patience Factor score on the Fast Paced side

The Fast Paced side of the Patience Factor can be summarized as Logical, Challenging and Critical, yet impatient to get results. Whilst these describing words paint an image of a person lacking Understanding and Tolerance; probably not a good listener and who would take advantage of those with a Patient nature; it is also true to say that these describing words are expressions of a person who is comfortable making the tough calls and will push others to perform and deliver results.

Advisors who understand their inherent behavioral style know how to moderate their Fast Paced traits. Without this insight, they tend to assume others will anticipate their immediate responses. They will speak and move quickly; converse with 'headlines' rather than having an exchange; leaving clients feeling 'bruised and battered'.

People may see Fast Paced individuals as insensitive, and impulsive. They can be viewed as poor decision makers, because they make quick judgments or interrupt people to insert their opinions and views. Some people will even avoid Fast Paced advisors because of their poor people skills and bias towards Over Trading. Importantly those who have learned how to manage their Fast Paced behavior can think on their feet; they see opportunities where others don't; they make speedy and accurate decisions on strategic direction and are able to signpost others as they go.

It's a difficult call to expect Fast Paced advisors to be Patient. But in doing so they not only bring clients along on their journey, they also allow those opposite to them time and opportunity to assess what's happening. When more Patient clients with a bias of Loss Aversion see evidence of success they will view Fast Paced advisors in a more positive light.

Patient clients might react badly to Fast Paced advisors who mistake their patience and tolerance for inactivity. It's important to relationship management to spend time understanding the value Patient clients bring to the client/advisory relationship; they are happy to be educated; they patiently listen to advisors. However Fast Paced advisors need to identify the triggers and issues that frustrate and challenge them in order to manage them.

The Patience Factor on the Patient side – Case Study

The Challenge: Travis, as a senior advisor, headed up the wealth management business of a major bank. In advance of an upcoming strategic planning meeting Travis was asked to carry out a review of his department to determine its future direction and inform the strategic planning group of any issues: for example: further education for the advisors to satisfy regulatory compliant commitments; the viability of the department itself and the way in which advisors worked with their clients and further, to present solutions for the way forward.

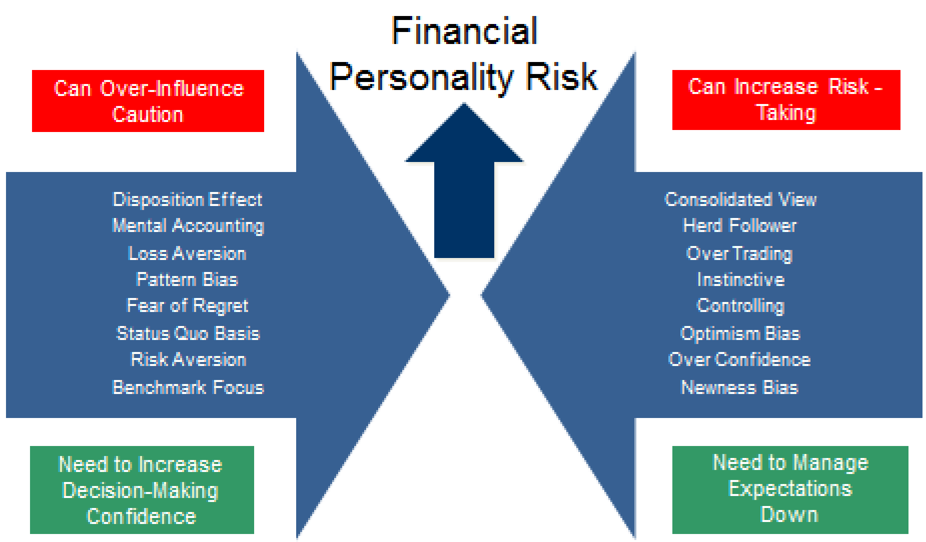
Travis wasn't comfortable with change, he preferred stability; he read between the lines of the request that the Bank was considering closing down the advisory arm of its business. He conducted a strategic options assessment as requested. Even though the time line to deliver the assessment was fairly aggressive Travis sat on it believing that he might regret some of his suggestions and hoping that he could maintain the status quo.

Jane was the banks strategic planning executive and knew Travis to be somewhat reserved, resistant to change and always seeking to create a stable, secure workplace environment for himself and his department. She often became very impatient with him. Under pressure from the strategic planning committee Jane who was logical, challenging and critical issued a directive for Travis to produce his report.

On reading it Jane realized that Travis, though producing what appeared to be a solid based analysis had recommended few options for the way forward in terms a future operating model. Jane reacted strongly and criticized Travis approach and the outcomes.

Travis was called before the strategic planning committee to explain his analysis. Faced with a sea of faces ready to 'challenge' his findings he recalled some very useful advice given to him by DNA Behavior International when he completed his Financial DNA Discovery process as part of his Master's Degree. He knew his communication style was Patient, Understanding, Tolerant and Lenient and that to engage in this highly pressurized environment he would have to ride out the criticism and then logically present his research and thoughts to support his assessment review.

As the strategic planning committee and Jane listened to Travis they began to see that he had given thought to the advisory/client relationship in some detail. He pointed out the need to create an environment within which clients would feel able to share the intimacies of their finances regardless of where they sat on the wealth creation scale. He further suggested more thought should be given to understanding client behavior and decision making styles; he recommended moving to a model where the advisor was matched with a client in terms of behavior and decision making style. He further suggested that this change would deliver a more effective long term advisor client relationship.



As Travis inherent style was to remain stable, he presented his departmental assessment with ways to improve the current model rather than change, if it weren't necessary. He began his review with the client rather than the business. He suggested investment into educating the advisors on understanding client inherent behaviors and further inviting clients to be part of that process; only then determining where and how meetings should be conducted based on the outcomes of the clients Financial DNA Discovery process.

Engagement Scope and Approach -The strategic planning committee and Jane could see the merit in Travis' suggestions and Jane agreed to work with Travis to cost the proposal he suggested.

Travis Patient inherent behavior and reluctance to undergo change had steered his approach to the assessment review of his department. He provided a clear view of the facts and other options that had eluded Jane due to her Fast Paced approach. He and Jane worked together to produce a plan. They were able to identify where value could be derived in the financial advisory department. Ultimately, it provided the bank with an appropriate level of information to set and agree their strategic direction after months of indecision.

Result – Jane completed her Financial DNA Discovery process as part of the assessment review. She and Travis shared insights from the process which proved essential to them working effectively together.

The payoff:

- The bank kept the advisory branch of their organization and invested into educating the advisors on understanding behavioral intelligence through the use of the Financial DNA Discovery process.
- Jane and Travis approached a number of clients to be part of a pilot; the clients completed the Financial DNA Discovery process and were then matched with an advisor.
- Using the outcome's from the pilot Jane and Travis were further able to determine the most appropriate environment for the advisor/client meetings; the office, the clients home or place of business
- The financial advisors now had behavioral intelligence at their fingertips to be able to conduct meetings with their clients in an informed way.
- With the knowledge that his workplace would remain stable, Travis energy levels rose significantly
- Jane had a greater insight into communication styles which added greatly to her ability to manage her departmental heads and the strategic planning committee

Your Performance Strengths

- Compassionate and warm, displays empathy
- Listens well and receptive to others
- Likes to be stable and even paced

Your Performance Struggles

- May compromise too much
- Can be resistant to change

Your Performance Environment Keys

- Remember my need to avoid conflict
- Soften your tone of communication
- Present me with information, plus your feelings

The Patience Factor on the Fast-Paced side – Case Study

The Challenge: Charles and Lyn had financial assets comprising a term deposit held with the bank for a number of years and Charles company superannuation fund. In addition their other assets were their family home and contents, their car and a motorized RV. Charles earned $75k per annum and was 18 months away from retirement. Lyn had a part time job at the local school as a domestic science teacher. Lyn had a small portfolio of tenanted rental properties left to her by her late father. Her retirement date was just 5 months away.

Charles and Lyn approached their bank to obtain advice from a financial planner about how they could arrange their finances to provide an income as soon as Lyn began her retirement.

Rob was a very experienced financial advisor; comfortable providing solutions though somewhat bullish and impatient with others who couldn't keep up with his pace of talking, thinking and making decisions. Charles and Lynn are a Patient couple; they strived for harmony in all areas of their life. They had already determined not to do anything with their finances that might compromise their current position. They knew they wouldn't be able to cope with loss.

Rob listened to Charles and Lyn as they spoke about their current financial position. Before they had time to finish Rob excitedly broke into the conversation saying 'sell the rental properties and then you will have a significant sum to invest'. Lyn tried to explain that selling was not an option as the tenants had lived there for years; they ran their businesses from there; her father would not have wished to terminate any rental contract with the tenants.

Undeterred by Lyn's response, Rob began to outline the upside of such an approach telling Charles and Lyn that tying up funds in rental property was unwise in the current market.

Rob was showing his personal bias in terms of property and had he listened more carefully to Charles and Lyn he would have understood that they would not want to take risks, they couldn't absorb too much change and preferred stability. Rob continued to outline his suggestions to get results continually failing to see that Charles and Lyn had retreated into their shell. In addition, Charles and Lyn were also biased. Their bias was resisting change.

Result – Charles and Lynn left the meeting without making any decisions. Rob not only lost the business but the bank lost two valued clients.

Rob was somewhat concerned that he had lost these clients and at a weekly review shared what had happened. A colleague suggested that Rob may have shown his bias around his approach to property. He that Rob needed to understand how to moderate his approach. Other probably saw him as argumentative and abrupt and this was a perfect example of how mismatching advisor to client could lose the bank business. They determined that as a company they needed to understand more about their client's behaviors and decision styles over and above the risk assessments they carried out.

Your Performance Strengths	Your Performance Struggles
•Favors logic over feelings •Comfortable making difficult decisions •Prefers to take action	•May lack needed patience •May be abrupt or interrupting

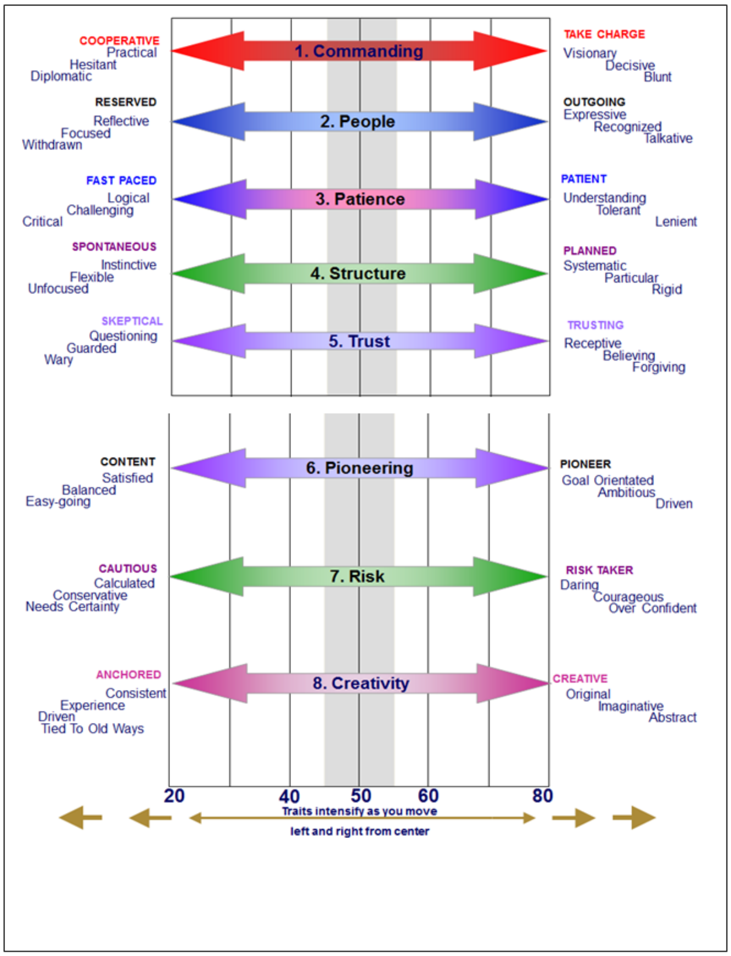
Your Performance Environment Keys
•Anticipate my immediate responses and quick fixes •Speak/move at a quick pace •Use summaries, bullets and key points

The broader pay-off was:

- The bank engaged the services of DNA Behavior International to take all staff through the Financial DNA Discovery process and to train the advisors on how to understand and work with clients whose behavioral and communication style differed from their own.
- After completing the process the DNA Behavior facilitator worked with Rob to understand how his Fast Paced approach could cause Patient clients to retreat. He gave Rob specific insight into how to moderate his communication style and more importantly refrain from allowing his Bias to invade the conversation.

Financial DNA Behavioral Factors **Appendix A**

Below is a summary of each of the 8 primary behavioral factors measured by the Business DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the Patience Factor **Appendix B**

Date	Founder	Patient, Introverted, Relationship, Oriented, Steadiness, Supporter, Sympathetic, Team worker
c. 450 BC	**Classical elements**	water
c. 400 BC	**Hippocrates's four humours**	phlegm
c. 190	**Galen's four temperaments**	phlegmatic
c. 1025	**Avicenna's four primary temperaments[12]**	rheumatism, lassitude, lack of desire for fluids, sleepiness
c. 1900	**Ivan Pavlov's four temperaments**	phlegmatic (Calm imperturbable)
c. 1900	**Alfred Adler's four Styles of Life**	Getting or Leaning
c. 1928	**William Marston and John G. Geier DiSC assessment**	Steadiness
c. 1947	**Erich Fromm's four Types of Character**	Receptive
c. 1948	**California Psychological Inventory CPI 260**	Supporter
1958	**MBTI codes**	ISFP, INFP, ISFJ, INTP
c. 1958	**William Schutz, FIRO-B**	
c. 1960s	Stuart Atkins **LIFO's four Orientations To Life**	Supporting-Giving
c. 1960s	**David Merrill, "Social Styles"**	Amiable
1964	**Blake-Mouton Managerial Grid Model**	Country Club
c. 1966	**Temperament by LaHaye**	Phlegmatic
1973	**Jay Hall Conflict Management[15]**	Yield-lose/win
1974	**Thomas-Kilmann Conflict Modes[16]**	Accommodating
c. 1984	**The Arno Profile System**(Five Temperaments)	Supine
c. 1995	**Worley Identification Discovery Profile**	Phlegmatic
c. 1996	**Tony Alessandra** Personality Styles	Relater
c. 1998	**Hartman Personality Profile**	White
c. 2001	**Linda V. Berens' four Interaction Styles**	Behind the Scenes

Behavior Bias Connected to Natural Behavior **Appendix C**

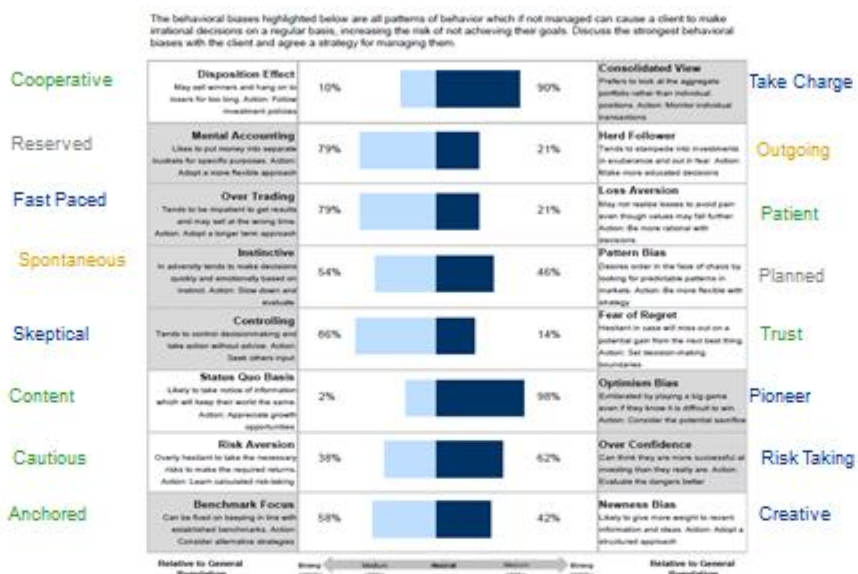
For the first time advisors can gain predictive insights into their own behavioral finance Bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:

Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well.http://www.investopedia.com/terms/b/bias.asp

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/
Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.
Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:** Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance. http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Appendix D

Research References

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. - Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy - Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. - "Quantitative Analysis of Investor Behavior Study", 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. - Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams", 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. - "Myopic Investment Management", 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting - The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting - The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes

Breakdown of Will
Ipersonic
Johari Window Model And Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – "The Essential Jung", 1983, (Princeton University Press)
Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. - "Prospect Theory – An Analysis of Decisions Under Risk", 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns - A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – "The Leadership Challenge", 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business - Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy Of Needs
Massie, H. - "Financial DNA – Discovering Your Financial Personality for Living a Quality Life", 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect**.** Winning With People Developing the Leader Within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al- "Reconsidering the use of Personality Tests in Personnel Selection Contexts". by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – "Personality on the Job", 1994, (Servant Publications)

Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.

Nudge Theory - Discover The Hidden Influential Factors In People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. - The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality : Guide to the Four Human Natures by John Lopker

Pink, D.H. – "A Whole New Mind", 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey
Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens
The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour
Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). "Using Personality to Differentiate Between Holland's Occupational Groups" in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis - Eric Berne And Early Theory
Transactional Analysis - Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. -"The Framing of Decisions and the Psychology of Choice", 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition

Financial DNA® Behavioral Insight Series

People Factor E-Booklet

DNA Behavior International
July 2015

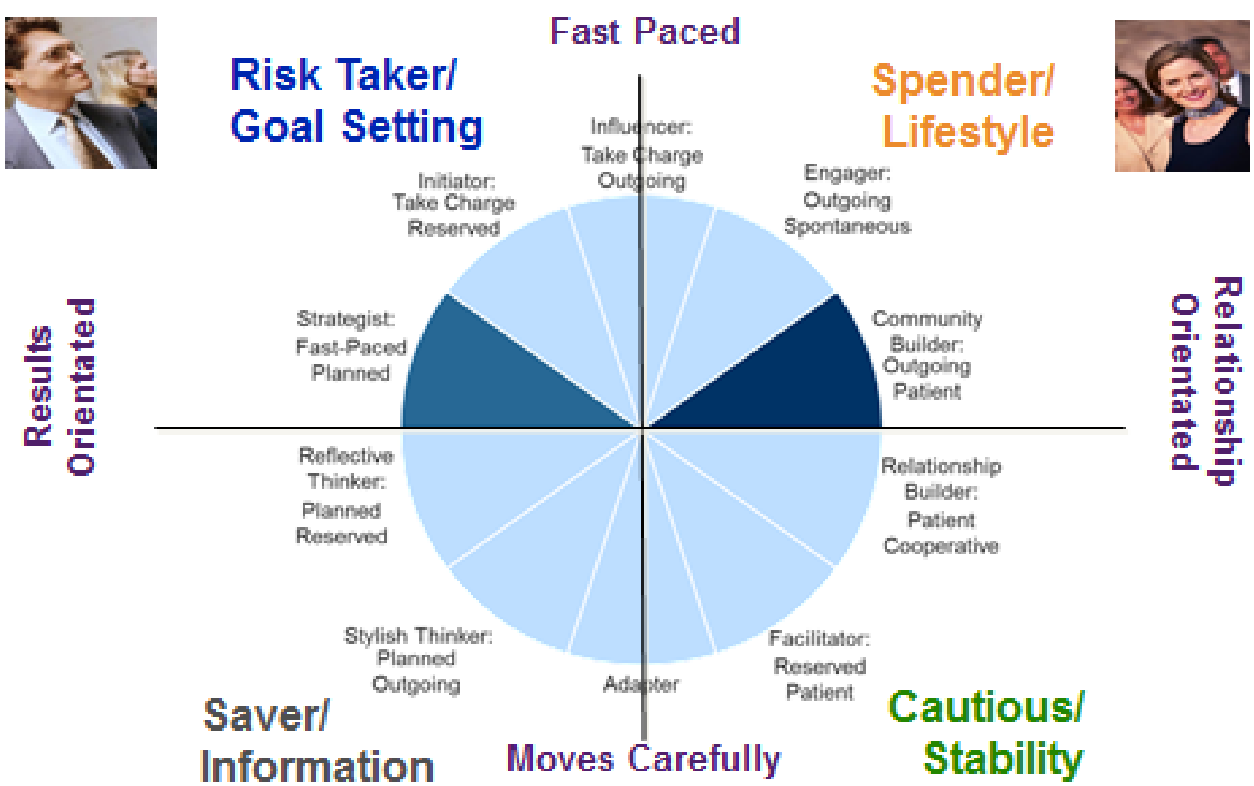
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

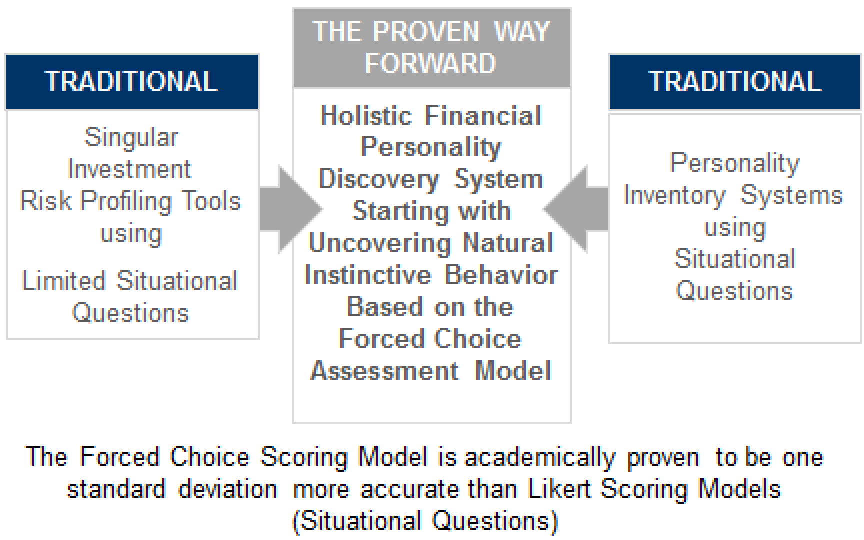
Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client's financial personality. It closes the gap between the clients' true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework to guide their client's on their choices and minimize the impact of emotions.



The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA People Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and bias of clients in making critical life and financial decisions.

Introduction to the People Factor

Every participant in the Financial DNA Natural Behavior Discovery Process has a People Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

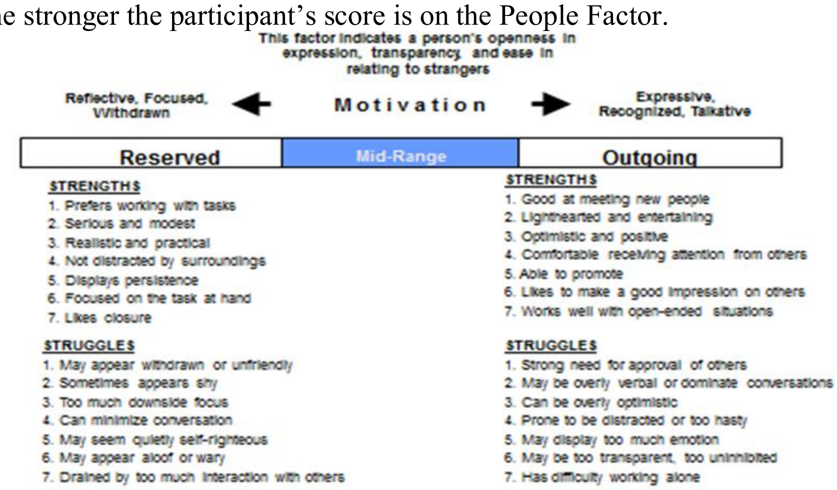
Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

You can review a summary of each of the 8 primary behavioral factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the People Factor fits into your or your clients' overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts and is seen by others.

It's important to set the People Factor into context. The People Factor indicates a person's desire to be front and center of meeting and interacting with People; to make a good impression on others and to use their ability to build relationships, promote or campaign. The natural performance outcome of the People Factor is the ability to be expressive, endorse passionately something or someone they believe in, and connect sociably at all levels. They have confidence in their ability to make a connection and interact with an ever widening circle of contacts. In the advisory/client role they will create a friendly environment and be comfortable meeting new clients.

Each of us will have some level of these motivations depending on whether the measured score is on the People trait side (right hand side with a higher People Score), Mid-Range or on the Reserved trait side (left hand side with a lower People Score).

Our approach is that there are both strengths and struggles from the Outgoing and Reserved trait sides of the People Factor. The People Factor Table below provides a summary of these strengths and struggles from the Outgoing and Reserved traits of the People Factor. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the People Factor.



Becoming more effective and efficient in the role of a financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is a leader of their client must learn how to adapt their behavior. Therefore, having personal awareness and then the understanding of how to moderate a People Factor desire either to be Outgoing or Reserved is a key part of the advisory/client relationship.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias (see Appendix C) which are primarily (but not exclusively) driven by the Outgoing and Reserved traits. The Outgoing trait drives a Herd Follower Bias which is associated with people who excitedly rush into opportunities, often at the behest of others and with little or no thought. The Reserved Bias drives a Mental Accounting Bias; designating funds into various buckets for different purposes, including for a safety/rainy day, possibly low risk investments, and other reasons.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and ‘blind spots’ impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky’ write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
“System 1” thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb (“heuristics”) and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
“System 2” thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person’s behavioral bias be uncovered? Yes. Each person has an inherent “hard-wired” behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client’s vision and strategy for their financial future; take time to build trust with the client. Remember, clients with a Reserved trait may not be comfortable with an Outgoing advisor who is exuberant; inclined to go with the latest exciting opportunity everyone else is focused on; who encourages his clients to join the crowd of others who rush to get in or out of the market. The client with the Reserved trait needs the advisor to manage and understand why they apportion monies to various needs. If growth opportunities are presented it needs to be done with realism backed by sound data. Only then will they be comfortable to re-allocate their money. In the converse, clients with an Outgoing trait may not be comfortable with a Reserved advisor who does not work with them to reign in their investment behavior that is irrational, driven by emotion and ignited by others.

*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*

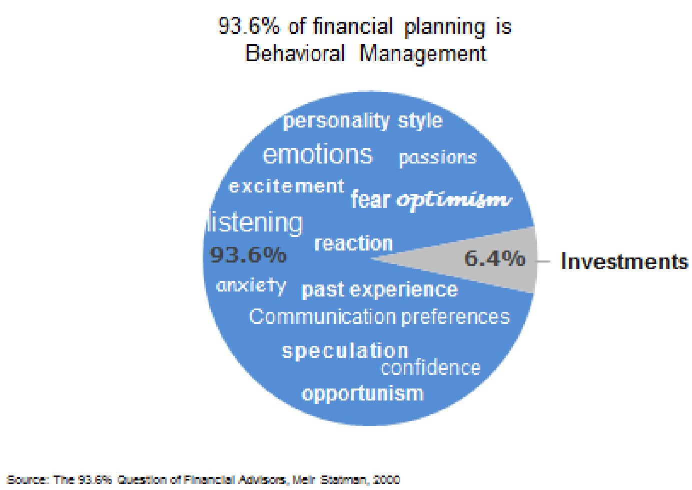
*Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. SOURCE: **www.journalfp.net***

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Outgoing Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients.

As with all behaviors there is a flip side; much depends on the reaction others have to Outgoing/Expressive people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'*.



<u>The History of the People Factor</u>

Historically, the People behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans.
http://en.wikipedia.org/wiki/Four_temperaments

The People Factor (Appendix B) illustrates how the People Factor (though often called by other names) has been recognized since 450BC

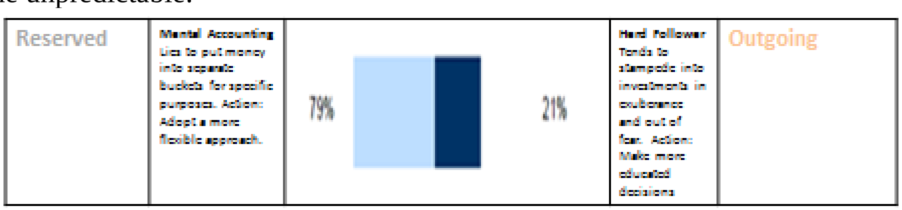
It is important to understand that the Outgoing trait of the People Factor does not equal overly demonstrative. People connector, good at meeting and interacting with others, optimistic and positive; these are the terms that describe the emotional fit of financial advisors with an inherent Outgoing trait. They will engage with clients in a warm and friendly way, seeking always to place clients at ease.

They work hard to persuade, using their charm and conversation to influence others decision making. This behavior goes to the core of the need to understand their Herd Follower bias. The key for individuals who are high on the right hand side of the People Factor is to be aware when their own predisposition is influencing the advisor/client discussion; they should understand those who have a Reserved trait will be turned off by their Outgoing approach. Using emotion to persuade will overwhelm and cause Reserved clients to get lost in the exchange and make poorly thought through financial decisions.

We have deliberately used the name "People" (People: noun from the Latin *meaning People in general*. (ref dictionary.com)) for this Factor in the DNA system, as it best reflects a person's desire to connect or engage with others to build a sustainable relationship .The approach taken to build such a relationship is dependent upon the degree to which a person sits on the right or left of the People Factor. Other systems use the word extroversion which tends to reflect a more dominant and aggressive behavior of expressing themselves and communicating. Overall, we believe, People best reflects what this Factor is intended to achieve in terms of behavioral awareness.

In the context of the financial advisory role those with an Outgoing trait will invest time into building relationships with their clients. With insight into how to manage their Outgoing, Expressive behaviors they will understand where and when to moderate their approach and manage their Herd Follower bias.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



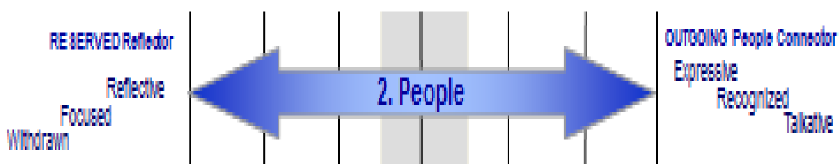
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and “blind-spots”. These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Mental Accounting bias? They will allocate funds to every area of their life for specific purposes. The client won’t be comfortable if presented with exuberance and being persuaded to rush into investing into the ‘*latest greatest thing everyone else is in to’.* Remember, if their core driver and bias is maintaining the Mental Accounting in terms of their current state of financial affairs, the advisor will need to tread carefully and manage expectations and bias if they are to work with the client to increase their wealth.

Managing the People Factor – Outgoing Trait

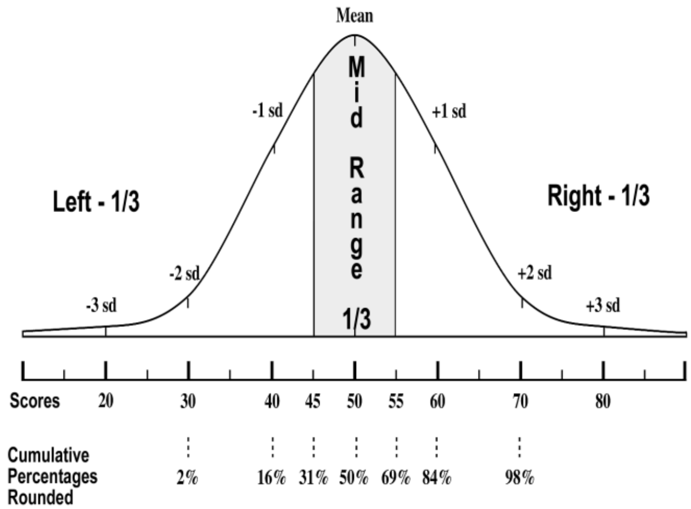


The Financial DNA Natural Behavior Discovery Process also uncovers the sub-factors that form a part of the People Factor. These are important components of the primary People Factor that are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person may have the same People Factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person’s strengths and predicting the areas in which they will perform well in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths overused without behavioral awareness can become blind spots.

Strengths – Behaviors that come naturally and should be used.
Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.

Mid-Range Scores – Tend to be more flexible in these factors and are easier to move left or right.



How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong People Factor score on the Outgoing side might need to moderate their approach with a client with a stronger People Factor score on the Reserved side.

Outgoing Advisor Strengths and Struggles: **Expressive** **Recognized** **Talkative** **Behavioral Bias:** Herd Follower	**Moderating Behavior in the Advisor/Client Relationship**	**Reserved Client Strengths and Struggles:** **Reflective** **Focused** **Withdrawn** **Behavioral Bias:** Mental Accounting
Good at meeting People Strong need for approval of others	Approach conversations calmly, focusing on specifics and not embellishing the conversation. Stay focused on the client and their financial issues. No need to engage by sharing personal banter, or your opinions. Give them time and space to respond to advice. Don't dominate the conversation or try to fill silences. Otherwise, a Reserved client will retreat further. They will show their approval of you as an advisor by continuing to work with you. Concentrate on topics that get a discussion going; Reserved People won't change overnight it will often take numerous attempts to get an interactive conversation underway.	Prefers working with tasks May appear withdrawn or unfriendly

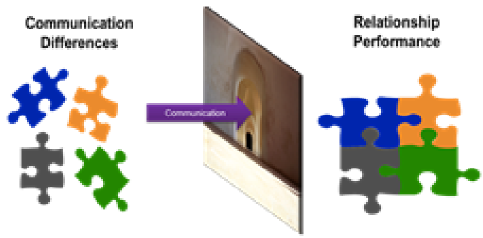
Light hearted and entertaining May be overly verbal or dominate conversations	Excessively enthusiastic and optimistic People can be seen by some as overbearing and shallow and tend to have a dominating presence. Use your communication skills (toned down) to draw Reserved People into the conversation. In advance of any meeting or exchange with a Reserved client give them an outline of what the meeting will cover. Don't be discouraged by failing to hold their eye contact. Connect with them by using open ended questions, and remember to respect their privacy. When trust is built they will be more approachable.	Serious and modest Sometimes appears shy
Optimistic and positive Can be overly optimistic	Don't immediately reject what appears a negative response; sometimes Reserved People bring realism and practicality to an otherwise overly buoyant conversation. Check you aren't trying to push your bias onto the client. Be prepared for hearing 'no' from Reserved People when discussing changes to their portfolio. Quietly point out the positives, the value a suggested change would bring supported by evidence. Then give them time to think.	Realistic and practical Too much downside focus

	Commitment to your suggestions will begin when the dialogue or the changes required make sense to them and they can see the financial benefit. They don't need sales talk. Rather they need sound explanation in order to come on board.	
Comfortable receiving attention from others Prone to be distracted or too hasty	As an advisor you may have a significant reputation, whilst this might bring Reserved clients across your threshold, that's where it ends for them. They won't be impressed or distracted by their surroundings. They will want to get down to business. Use your excellent communication skills to put them at ease. Slow down, breath, and listen to the client. They will give you clues to what they are hoping to achieve from the meeting.	Not distracted by surroundings Can minimize conversation
Able to promote May display too much emotion	Remember you are comfortable working in a talkative, fun loving environment to anyone at any level. You ably support whatever you are passionate about. Others are less adept at demonstrating feelings, though they may well have	Displays persistence May seem quietly self-righteous

	them. You should endeavor to make space for Reserved People to share in their own way; give them the time to demonstrate their passion and commitment to wealth creation. They need to think through issues on their own. Outgoing People excel at encouraging others, stimulating them to connect with their views and suggestions. To a Reserved person this feels overwhelming. Giving them space and time is more likely to obtain their input. Reserved People could appear sanctimonious to you as their advisor; they will respect Outgoing advisors who demonstrate the ability to successfully deliver results.	
Likes to make a good impression on others May be too transparent, too uninhibited	Outgoing advisors must realize that Reserved People are unlikely to be moved by trying to impress them. This isn't a mark of dis-respect they simply won't notice. They are more likely to be impressed if your conversation is professional and relates to them and their requirements. Building a relationship with Reserved people will require you to moderate	Focused on the task at hand May appear aloof or wary

	your approach considerably so they open up and share how they want the advisory/client relationships to go forward. Being overly candid, gushing and effusive will cause Reserved People to be unapproachable. Don’t be excessively bouncy and lively, it detracts from the message you may want Reserved clients to hear.	
Works well with open ended situations Has difficulty working alone	As the advisor you must be sure to cross the t’s and dot the i’s, your Reserved client will expect closure. No lose ends. Keep meetings as short as the client wants. Watch for any signs of overload. Better to provide them with material to take away. End meetings with paraphrasing what you have discussed. Set out the next step and include timelines. If you say you will send more information to them – ensure you do that speedily.	Likes closure Drained by too much interaction with others

The following summary provides an insight into how an advisor with a strong People Factor on the Outgoing side might communicate with a client with a stronger People Factor score on the Reserved side.



Which type of wealth management conversations are you comfortable with?

Goals
Business Transfer
Life Balance
Inheritance
Personal/ Family Relationships
Planned Giving
Investment Portfolio
Retirement Planning

Outgoing Advisor Expressive Sociable Communicative	**How to Communicate**	**Reserved Client** Serious Reflective Quite
Communication Need **Outgoing** **[People Connection]** Enthusiasm for ideas Propensity to express view Ask questions People, networking approach Openness **Communication Challenge** Strong need for approval from others Communication Key: Tell me who is involved	Modification/Approach Create a professional but non-threatening environment. Smile. Provide assurances. Ask for their opinion. Explain the thinking behind change. Show approval/appreciation.	**Communication Response** **Reserved** **[Focused]** Reservation about new ideas Propensity to think/reflect Considers/analyzes/questions Withdrawn Guardedness Can be unassertive and timid; may not speak up. **Communication Challenge** May appear withdrawn and distant

		Drained by too much interaction with others Communication Key: Allow reflection time

In Summary – The People Factor on the Outgoing side

Traditionally there is an expectation that people working in the financial services industry are moderate, aloof, and taciturn, yet stable and calm, which establishes them as people to be trusted. When advisors appear outgoing, flamboyant or animated, clients may feel unsure about the soundness of the advice they are receiving. Such advisors, who understand through the Financial DNA Discovery process how to moderate and manage their behavior, will realize where best to use their inherent talents to influence, draw out information and build client relationships.

Without this insight, advisors with the People Factor on the Outgoing/People/Connector/Expressive side, could be unaware of the impact they have on those around them. They could intimidate and/or overwhelm less effusive clients.

An important point to understand about people who are Outgoing is that they tend to gain energy and inner power from being around others. They are inclined to become bored and lack energy when they spend too much time alone. They need to be involved in activity, whether socially or at work, especially where there is energy and they are passionate about what they are doing. This needs to be controlled and managed in the advisor/client relationship.

An important distinction between the two sides of the People Factor is that those on the Outgoing side find their confidence and success in impacting others around them. If managed effectively their inherent talent draws others out, builds their self-confidence and encourages less Outgoing people to believe in themselves. Those on the Reserved side are less easy to connect with and could give the impression they are awkward and shy; in reality they don't need to be around People to gain any form of investment into their confidence level; they don't need to be stimulated by lengthy conversation; they tend to socialize with a close circle; they prefer trusted environments; they are enlivened by interesting conversation.

In the advisory/client relationship it's important for both sides of the People Factor to understand their behavioral styles. Those on the Outgoing side are often creative and bring 'out of left field' suggestions to their clients. They stretch thinking, they offer a wide range of propositions to clients, but won't be concerned if their ideas are rejected. Clients on the Reserved side are able to pick out the parts of left field recommendations that can benefit their wealth creation; this kind of input often stimulates their own thinking and helps them to make a final decision.

In the financial services industry, it is important for advisors with the Outgoing trait to ensure they are not perceived as 'extrovert salespeople'. Clients want to talk about their finances with someone who instils trust; who is not flamboyant and who understands how to listen. Advisors who are Outgoing yet know how to moderate their behavioral style; are able to engage at a professional level with their clients; will be able to provide advice and manage clients behaviors and bias effectively.

Finally – Financial Advisors on the Outgoing side of the People Factor who understand behavioral management, will:

- Recognize when the client needs space to either ask questions or check their understanding of what is being proposed.
- They will identify clients whose approach is Reflective and ensure their enthusiastic and talkative manner does not cause the client to retreat and 'close down'.
- Know that if their client appears self-conscious, shy or withdrawn, they may need to build their confidence and will give the client assurances that will guide them by seeking their views and then giving them specific advice, clearly explained.
- Check the clients understanding, and listen carefully for any important signs as they respond.
- Ask the client how confident they are making financial and life decisions.
- Determine at the outset how the client wishes the financial planning process to be managed, including their expectations.
- Sharing personal information, appropriately, in order to engage the client and build their trust.

<u>Managing the People Factor – Reserved Trait</u>

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong People Factor score on the Reserved side might need to moderate their approach with a client with a stronger People Factor score on the Outgoing side.

Reserved Advisor **Strengths and Struggles:** **Reflective** **Focused** **Withdrawn** **Behavioral Bias:** Mental Accounting	**Moderating Behavior**	**Outgoing Client** **Strengths and Struggles:** **Expressive** **Recognized** **Talkative** **Behavioral Bias:** Herd Follower
Prefers working with tasks May appear withdrawn or unfriendly	Be friendly and welcoming. Set out a framework to be followed to ensure all the relevant information is obtained. Acknowledge areas where they have clear ideas about how they wish to manage their wealth. Keep them focused and on track by using such phrases as: *'that's useful to know, I can apply that information*	Good at meeting People Strong need for approval of others

	etc.” Demonstrate how your ability to support them in areas they are not as skilled at can be mutually beneficial. Make the effort to give encouragement when it’s appropriate to do so.	
Serious and modest Sometimes appears shy	Open up by asking them to share their plans and dreams for their future. Share a success you have had; but ensure you do not include your bias. Give notice in advance of the issues to be discussed. Set a time parameter to ensure all issues are covered. Use such phrases as ‘great conversation, time to re-focus back onto working on your financial future’ They won’t be offended and will re-focus.	Light hearted and entertaining May be overly verbal or dominate conversations
Realistic and practical Too much downside focus	Respond well to their glass half full approach. Don’t always say ‘no’ find a way to say ‘yes’. But always test what they are saying. Sometimes their optimism comes from something they’ve heard from what might be an unreliable source. If they appear enthusiastic	Optimistic and positive Can be overly optimistic

	don't knock them down with negatives; just point out why there is no upside to what they are saying in terms of wealth creation. Begin by assuming what is being suggested by them in terms of planning their future finances is doable; then use your skills and talents to find a compromise to their plans that deliver the outcomes they seek.	
Not distracted by surroundings Can minimize conversation	Don't let first appearances distract you. Their confidence may be a 'front'. Try to engage in conversation that provides insight into their thought processes around their finances. Acknowledge past or current successes with their finances; such an accolade means more to them than it does to you. Remember that those with different communication styles can provide another viewpoint on an issue, even though their conversation may be unpredictable; it might be worth listening to.	Comfortable receiving attention from others Prone to be distracted or too hasty
Displays persistence May seem quietly self-righteous	Take care not to overlay your bias into the conversation. This may surface as you seek to keep the client focused. Whilst they may display enthusiasm or emotion when responding to your	Able to promote May display too much emotion

	suggestions, be sure to check out their understanding of the advice you are giving.	
Focused on the task at hand May appear aloof or wary	Explain clearly your suggestions for their wealth creation. They want to be seen as successful and you need to let them know that's your wish for them as well. Ensure you uncover any blind spots and emotional reactions to market volatility. They won't want to lose face as status is important to them. Don't pull back if they appear to be losing concentration; maybe you are giving too much information for them to absorb. Always support your advice with examples of what's in it for them.	Likes to make a good impression on others May be too transparent, too uninhibited
Likes closure Drained by too much interaction with others	Tell them about success stories. Recognition is important to them and they want to be front and center of any success. An Outgoing client may overwhelm you with too much of an insight into their life and future plans. Be totally honest about	Works well with open ended situations Has difficulty working alone

	your need to withdraw and think through the information they have provided you with. Don't try to press on if the client has swamped you. Give yourself time to analyze what they have said.	

The following summary provides an insight into how an advisor with a strong People Factor on the Reserved side might communicate with a client with a stronger People Factor score on the Outgoing side.

Reserved	**How to Communicate**	**Outgoing**
Communication Response Realistic and practical Reflective and focused Serious and modest **Communication Challenge** May appear withdrawn and distant Drained by too much interaction with others ***Communication Key:*** *Allow reflection time*	Modification/Approach Take time to find out how the other person is doing. They may be long winded in their response but it opens the conversation to become more effective if you ask them how they are. It's worth letting an Outgoing client know in advance that you need to talk to them about their finances and set out an agenda with key points you want to cover. This framework will help keep you and them on track. If a client is overwhelming in their communication style towards you – capitulate and use such phrases as 'I didn't take any of that in, can you tell me again but slower?' smile while saying it.	**Communication Need** Good at meeting People Likes to make a good impression on others Able to promote Open to unusual ideas Imagines new possibilities **Communication Challenge** Strong need for approval from others ***Communication Key:*** *Tell me who is involved*

In Summary – The People Factor on the Reserved Side

Those on the Reserved side of the People Factor have a Reflective/Focused/Withdrawn behavioral style and may be unaware of the impact they are having on those around them. They tend to cocoon themselves for self-preservation in social settings. They can be seen as shy, stand-offish, distant and at its extreme unfriendly.

Advisors who understand their inherent behavioral style will know how to moderate their Reserved People skills; they will be mindful of the impression they make when engaging with clients with a more Outgoing and Expressive behavioral style.

Reserved people see themselves as stable, unwavering and only interested in the practicalities of life. They are able to remain down to earth and logical. Those on the Reserved side of the People Factor are realists; they don't show their emotions when issues and decisions are being discussed. As a fairly independent thinker, they won't get drawn into the behaviors of others. They find the expressiveness of Outgoing People draining.

Those on the Reserved side of the People Factor don't need others around them; in fact they become weary if they spend too much time in company. Extremes of Outgoing behavior will deplete them very quickly. In the advisory/client role they will want to complete the meeting quickly, effectively and with a desired outcome.

Observers think that people on the Reserved side of the People Factor (at its extreme) are unapproachable, cold, lacking emotion and overly serious. Clients scoring on the Outgoing side of the People Factor could well feel they are not taken seriously by Reserved advisors. They believe advisors may see them as not dependable or worthy of involving in decision making because they are talkative, more emotional and potentially irrational. Neither of these two standpoints are terminal! When the Reserved advisor understands their own inherent style and how their clients might respond to them, they know how to put the client at ease and open the conversation.

In the New York Times Sunday Review, The Opinion Pages, Susan Cain makes an interesting distinction in her article Must Great Leaders be Gregarious?

Distant, aloof, concealed inside "a layer of self-protective ice," as Jonathan Alter put it. President Obama has been roundly criticized for his introverted personality.
The latest salvo comes from John Heilemann, a leading chronicler of the Obama presidency, in an interview with the Los Angeles Review of Books. "I know he doesn't like People," Mr. Heilemann said of the president, contrasting him with the effervescent Bill Clinton. "He's not an extrovert; he's an introvert."
Mr. Heilemann may be right that Mr. Obama is an introvert, but his apparent sense of what the word means is wrong. Introverts like People just as much as extroverts do, and often care deeply about them. They just don't want to be surrounded by crowds 24/7 and they tend to prefer the company of close friends and colleagues. There's little evidence that Mr. Obama dislikes People — only that he socializes in a more intimate, less backslapping style than the typical politician. (Source: http://www.nytimes.com/2012/09/16/opinion/sunday/introverts-make-great-leaders-too.html)

This is a useful example of the importance of understanding behavioral styles. Much damage can be done, especially in an advisor/client relationship, where building mutual respect and relationship is a key requirement if incorrect assumptions are made about individual behavioral styles. It's important to understand that at initial meetings, both the advisor and the client will be wearing a mask (figuratively speaking). It takes time to reveal what lies behind the mask and only trust and a sound understanding of communications styles will begin the unveiling process.

Finally - People Factor on the Reserved factor style in the Advisor/Client role will:

- Know that the most beneficial outcome for any advisory/client relationship is mutuality.
- Work to reveal the clients vision for their personal and wealth creation life
- Build trust and have confidence in their ability to build relationships.
- Appreciate the importance of devoting time to creating confidence in clients who are unfamiliar with the financial world.
- Listen and actively invite input into decision making.

People Factor – Outgoing Trait Case Study

The Challenge: Couple attending their first meeting with a Financial Advisor. Alan and his partner Karen recently went through the financial planning process with their new advisor. They engaged the financial planner through recommendations from Alan's work colleagues. They made sure, that as this was the first time going to an advisor, they would go to a person recommended by someone they knew who had direct experience using that advisor.

Waiting in the meeting room Alan and Karen were completely unprepared for the advisor who bounced into the room. Marie was bright, jolly, effervescent in her greeting and completely oblivious to the startled look on both Alan and Karen's faces.

Marie is a highly experienced financial advisor; she brings significant business to the financial planning industry group she works for. Her engaging communication style, together with her skill at putting together great portfolios for her clients, makes Marie very popular.

Immediately Alan and Karen felt uncomfortable with the advisor; Marie was significantly more Outgoing and demonstrative that either of them. Alan and Karen were both Reserved and reflective people; Karen less so than Alan, but still somewhat uneasy in the presence of this confident and vibrant woman.

For them to get comfortable with the whole experience and to be able to trust the advice provided, Alan and Karen definitely needed to feel like their planner had wisdom and experience. They needed Marie to engage with them on their terms.

Marie immediately began telling Alan and Karen about a meeting she had just come from; telling them she had been commended for the advice she gave and for the numbers of happy clients she had. She assured Alan and Karen that they would leave the meeting completely satisfied with her proposals and even began to make suggestions (based entirely on her own bias which was Herd Follower) that they should consider.

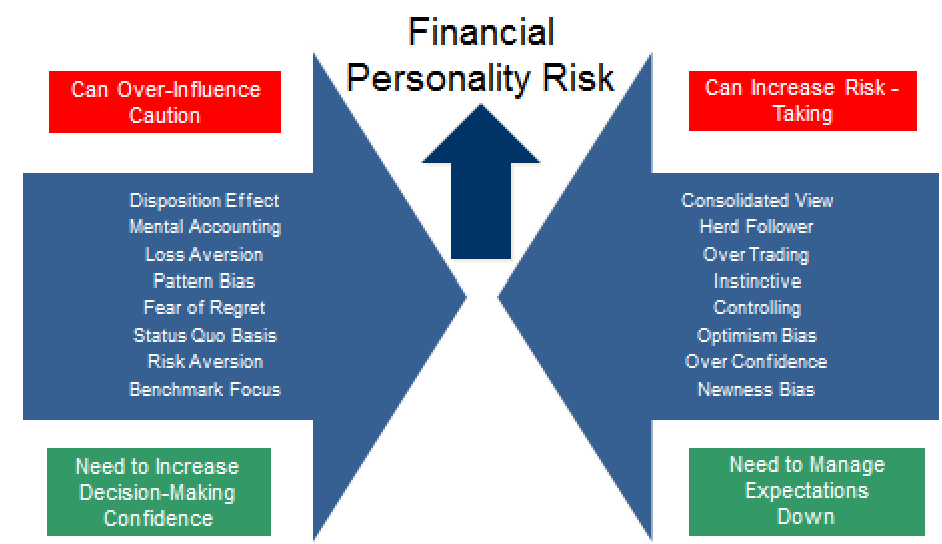
Up to this point neither Alan nor Karen had a chance to speak. Both could feel themselves becoming more and more withdrawn. At one point Karen broke into the conversation asking Marie to go back over something she had said (prompted by her Mental accounting bias); this intervention stemmed Marie's effusive chatter long enough for her to realize neither Alan or Karen were engaged in the discussion.

Marie's success was based on most new clients simply handing over their advisory requirements to her. She was used to dealing with busy high net worth families and her success with the advice she gave preempted any need for lengthy planning conversations.

Marie excused herself from the meeting to get her client's some coffee. She went to a colleague and explained her dilemma; saying that Alan and Karen were closed down and withdrawn. Her colleague had recently attended a conference run by DNA Behavioral International; the discussion had focused on the importance of understanding the natural inherent financial behavior and its significance in the advisory/client relationship.

He remembered the presenter saying that advisors need to understand the natural behavioral Bias which are primarily (but not exclusively) driven by certain inherent behavioral styles. Marie determined to seek the advice of DNA Behavior International as she could see her approach was not working.
She gave Alan and Karen a number of documents to read and asked if they would attend a second appointment later in the week. She assured them that they would be able to draw up a plan, but in the meantime asked them to write down their plans and dreams for their future and to think big in the process.

Marie engaged DNA Behavior International and explained her dilemma; they in turn took Marie through the Financial DNA Discovery Process. This exercise enabled Marie to uncover and understand that as an advisor she had her own inherent behavioral style, investment Bias and "blind-spots"; it served to show her the importance of managing her approach and Bias so that clients would not be influenced by her behavior. Revealing this for Marie helped her to recognize the importance of understanding the client's needs and Bias, and to make sure the relationship was built on trust. Marie now realized how her Outgoing, Expressive approach had overpowered Alan and Karen thus closing down the conversation on their part.



At the next meeting, and at Marie's request, Alan and Karen completed their own Financial DNA Discovery process. After which Marie showed them the results of her Financial DNA Discovery Process. Conversation flowed as they shared and saw the differences in their inherent behaviors. The insight the three gained was very helpful and along with a selection of questions (provided by DNA Behavior International on how to frame conversation with highly Reserved clients), Marie was able to get the relationship back on track. She questioned in a way that revealed her clients performance strengths and struggles; their financial decision making Bias and their fears.

When the meeting was over she knew that with careful discussion she had elicited all the information needed from Alan and Karen to draw up a strategy and plan for them.

Your Performance Strengths

- Good at meeting people
- Likes to make a good impression on others
- Able to promote

Your Performance Struggles

- Strong need for approval from others
- May be too transparent, too uninhibited

Your Performance Environment Keys

- Remember my need for fun and/or excitement
- Invest time in building our relationship
- Tell me who is involved

Result – Marie was able to provide Alan and Karen with a tailored financial plan to meet the terms of how they wished to manage their finances going forward.

The broader pay-off was:

- Marie gained significant insight into the importance of managing her inherent communication approach working with different clients.
- Marie decided to use the Financial DNA Discovery Process with every new client.
- The outcomes revealed a number of interesting factors in the way Marie managed her initial meeting with clients, particularly around the area of moderating communication style, managing bias and understanding how to ask questions to elicit meaningful responses.

People Factor – Reserved Trait Case Study

Young Man Inherits Property and Money: Steve recently qualified as a veterinary surgeon finds himself the owner of a property left to him by his grandfather. With restoration and restructuring the property would make an excellent veterinary practice; onto which Steve intended to add a dog friendly café, a grooming parlor and a compound to provide short holiday stay for cats and dogs. Steve's inheritance also included a significant investment portfolio.

Steve is open engaging and communicates with enthusiasm. He is excited about plans he has for his veterinary practice.

Never having engaged a financial planner before, Steve arranged to meet with his grandfather's advisor. Arthur was formal, reflective and reserved. Whereas Steve was a man who focused on lifestyle desires (in this case, renovating his practice to a high standard); he wanted an overview of what Arthur proposed, not too much detail, even less statistical information and an opportunity to tell Arthur all about the plans he had for his new practice.

Arthur on the other hand knew Steve to be gregarious, not at all like his grandfather before him and in real danger of over capitalizing the renovations to the building his grandfather had left him. Arthur needed to understand Steve's plans so he could isolate finances for the renovation; ring fence ongoing expenses for the next year; talk about budgets and the investment portfolio. Steve on the other hand just wanted to get the meeting over with. From Steve's perspective he believed that if his grandfather trusted Arthur, then so could he. Further that as a financial advisor Arthur could figure out the best way forward and the two of them, working together could determine the best approach for him. Steve did not want this to be too formal or heavy.

Arthur was known and respected in the financial planning industry. He wanted facts; time to respond and reflect on what advice best suited the client's circumstances. His communication was always formal; business focused and he supported his advice with concrete examples and reading material. Some clients found his reflective approach tedious, others welcomed his approach, but all trusted him. Arthur was becoming alarmed by Steve's lack of focus on the matter in hand and felt the meeting was slipping away from him. He was also concerned about the amount of information Steve was actually retaining and understanding. The more Arthur endeavored to elicit more information from Steve about his plans for wealth creation, the more distracted Steve became. Faced with a continuous barrage of enthusiastic chatter from Steve, Arthur decided to re-appoint with Steve and take advice on how best to approach the next meeting.

Arthur spoke to one of his colleagues who had recently returned from a conference run by DNA Behavior International. The main speaker covered an important topic; *'understanding behavioral differences in the financial advisory/client relationship'*. Arthur knew his own communication style was Reserved, Practical, Compliant and Diplomatic, and that he needed advice on how to get Steve to be less expressive and more focused on the management of his inheritance. He could see that Steve was all about his lifestyle, but didn't know how to manage his communication approach.

His colleague explained that some people who are expressive, and communicate with enthusiasm, may not realize they are overwhelming to others; he explained that such clients seek to have others endorse their approach to life. He went on to share that to Steve, Arthur's communication approach might be frustrating, even boring and that Steve probably just wanted Arthur to provide him with an overview and not too much detail.

On a practical level Arthur's colleague suggested he and Steve complete the Financial DNA Discovery Process, as this would help him to gain insight, not only into his and Steve's communication style, but would also reveal Arthurs own financial investment bias which needed to be managed.

At the next appointment Arthur and Steve shared the outcome of their Financial DNA Discovery Process. Arthur determined to be less formal; he created a more relaxed environment for Steve. He encouraged

Steve to share his plans and dreams making notes as he listened. Arthur used the content of their reports to point out to Steve that as his advisor he needed to address lifestyle goals. Arthur assured him they would make decisions together on the most effective way to bring the plans to fruition, whilst also safeguarding Steve's inheritance.

Arthur proceeded to guide Steve by providing options and recommendations on investment choices, ensuring he removed his own bias from the advisory exchange. He acknowledged the business goals most important for Steve to achieve and his lifestyle desires.

Your Performance Strengths	Your Performance Struggles
•Realistic and practical •Serious and modest •Not distracted by surroundings	•May appear withdrawn •Drained by too much interaction with others

Your Performance Environment Keys
•Honor my need to reflect and think •Allow me time to process my response •Present me with the facts and minimize your emotions

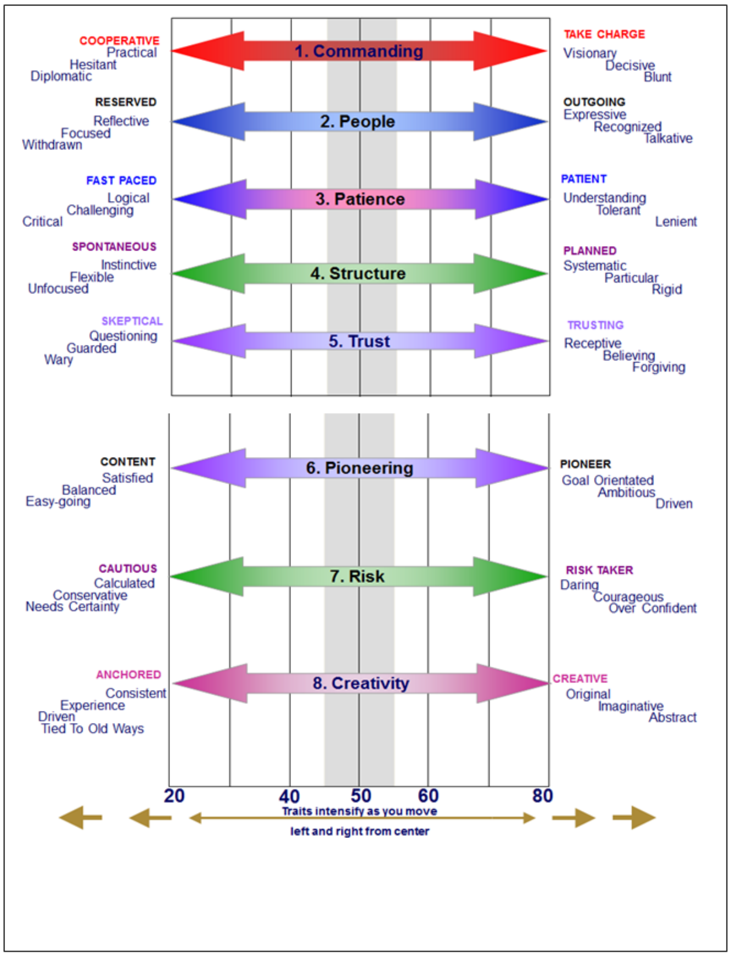
Result – Arthur was able to create a plan with specific investment recommendations and a clear explanation of the benefits and risks. He supported his advice with clean and simple graphics and reading material. The plan was thorough; it reflected Steve's lifestyle needs; it took a disciplined approach to investing, including risk and returns analysis, inflation expectations, "what if" scenarios, and careful asset allocation. Further, the advice included a proposed spending plan that would help Steve to navigate the significant renovation to the building and also provide ongoing income until the business created its own flow.

The broader payoff was:

- Arthur now had a clear understanding of behavioral bias and how to manage it as financial advisor.
- Further, he recognized the importance of getting communication exchange right from the first meeting.
- To that end he introduced a number of aspects of the Financial DNA Discovery process into his financial planning practice. The outcome of which was to take a number of his relationships to a much higher level of trust and appreciation.

Financial DNA Behavioral Factors **Appendix A**

Below is a summary of each of the 8 primary behavioral factors measured by the Financial DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the People Factor **Appendix B**

Date	Founder	Extroverted, Task Oriented People, Dominance, Choleric, Leader, Controlling, Driving
c. 450 BC	Classical elements	fire
c. 400 BC	Hippocrates' four humors	yellow bile
c. 190	Galen's four temperaments	choleric
c. 1025	Avicenna's four primary temperaments	loss of vigor, deficient energy, insomnia, wakefulness, high pulse rate, lassitude, acquired habit
c. 1900	Ivan Pavlov's four temperaments	choleric (Strong excitatory)
c. 1900	Alfred Adler's four Styles of Life	Ruling or Dominant
c. 1928	William Marston and John G. Geier DiSC assessment	Dominance
c. 1947	Erich Fromm's four Types of Character	Exploitative
c. 1948	California Psychological Inventory CPI 260	Leader
1958	MBTI codes	ESTJ, ENTJ, ESTP, ENFJ
c. 1958	William Schutz, FIRO-B	See FIRO article for score names.
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Controlling-Taking
c. 1960s	David Merrill, "Social Styles"	Driving
1964	Blake-Mouton Managerial Grid Model	Produce or Perish
c. 1966	Temperament by LaHaye	Choleric
1973	Jay Hall Conflict Management[15]	Win/lose
1974	Thomas-Kilmann Conflict Modes[16]	Competing
c. 1984	The Arno Profile System(Five Temperaments)	Choleric
c. 1995	Worley Identification Discovery Profile	Choleric
c. 1996	Tony Alessandra Personality Styles	Director
c. 1998	Hartman Personality Profile	Red
c. 2001	Linda V. Berens' four Interaction Styles	In Charge

Behavior Bias Connected to Natural Behavior **Appendix C**

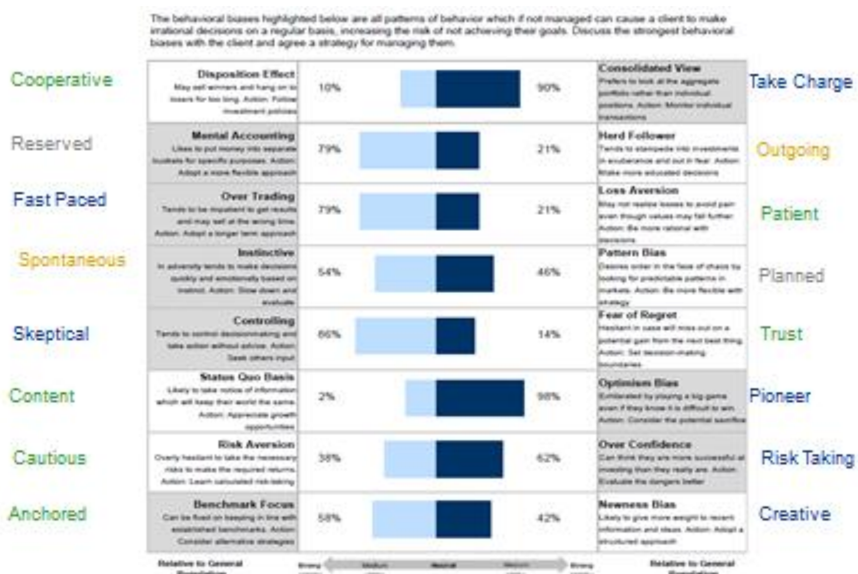
For the first time advisors can gain predictive insights into their own behavioral finance bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral bias all of which are directly connected to their inherent natural DNA behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these bias will enable the financial planning relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:

Some common psychological bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well.http://www.investopedia.com/terms/b/bias.asp

Can behavioral bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/

Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.

Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:*** *Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance. http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References **Appendix D**

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. – Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc.)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy – Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. – *"The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. – *"The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. – "Quantitative Analysis of Investor Behavior Study," 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. – Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams," 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. – "Myopic Investment Management," 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting – The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting – The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic
Johari Window Model And Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – "The Essential Jung," 1983, (Princeton University Press)

Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. – "Prospect Theory – An Analysis of Decisions Under Risk," 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns – A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – "The Leadership Challenge," 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business – Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy Of Needs
Massie, H. - "Financial DNA – Discovering Your Financial Personality for Living a Quality Life," 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect. Winning With People Developing the Leader Within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al – "Reconsidering the use of Personality Tests in Personnel Selection Contexts." by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – "Personality on the Job," 1994, (Servant Publications)
Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.
Nudge Theory – Discover The Hidden Influential Factors In People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. – The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality: Guide to the Four Human Natures by John Lopker
Pink, D.H. – "A Whole New Mind," 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey
Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens

The ‘Big Five’ Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour
Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). “Using Personality to Differentiate Between Holland’s Occupational Groups” in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis – Eric Berne And Early Theory
Transactional Analysis – Recent Theory
Tuckman’s Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. – “The Framing of Decisions and the Psychology of Choice,” 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston’s Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition

Financial DNA® Insight Series

Risk Factor E-Booklet

DNA Behavior International
July 2015

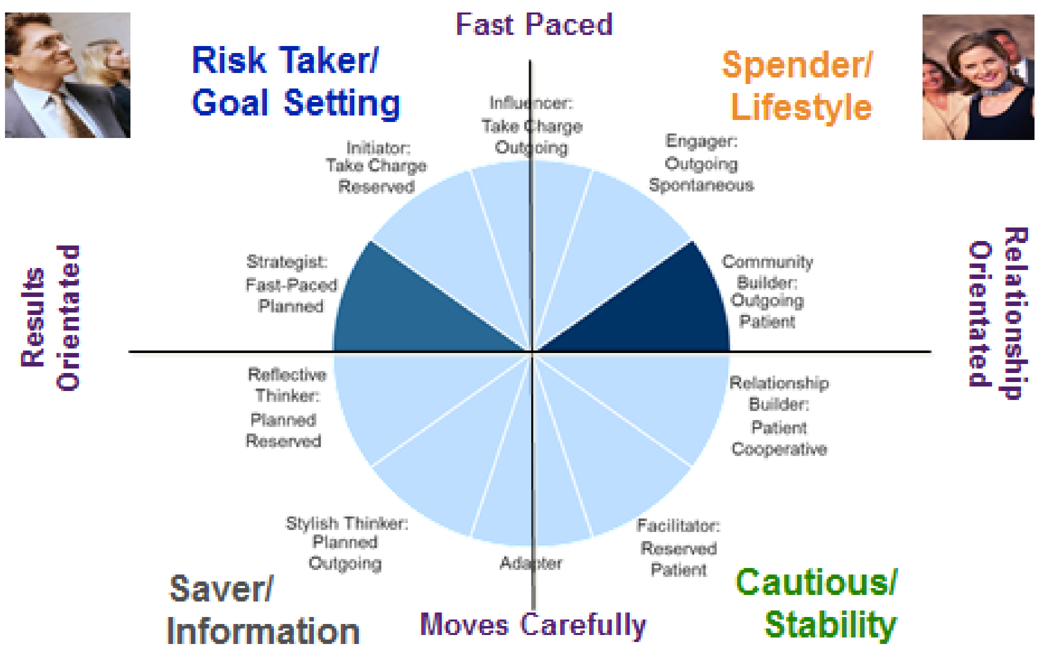
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to "Know, Engage and Grow" every employee and client online.
These solutions have been designed to reliably uncover every facet of a person's DNA wiring (talents, communication and decision-making style) using the "Platinum Standard" for behavioral discovery and performance development.

Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and Bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

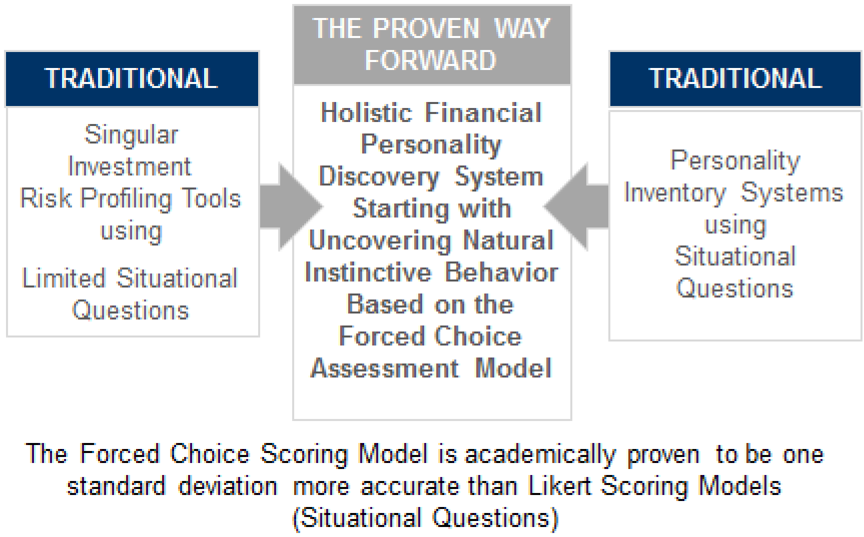
The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client's decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client's unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client's financial personality. It closes the gap between the clients' true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy

Statement will provide advisors with a customized framework to guide their client's on their choices and minimize the impact of emotions.



The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and Bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Risk Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and Bias of clients in making critical life and financial decisions.

<u>Introduction to the Risk Factor</u>

Every participant in the Financial DNA Natural Behavior Discovery Process has a Risk Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

You can review a summary of each of the 8 primary behavioral factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the Risk Factor fits into your or your clients' overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts and is seen by others.

It's important to set the Risk Factor into context. The Risk Factor indicates people's ability to see a Risky idea or proposition as an opportunity. They will calculate the return and determine if the level of risk is acceptable. What is considered an acceptable level of risk will differ from person to person. Those who understand how to manage their Risk Factor on the Risk Taker side are more likely to evaluate the opportunity speedily; take all possibilities into consideration; make a measured decision whether to proceed or not. Whilst those people on the Cautious side of the Risk Factor will need Certainty and assurances and are more likely to take a Conservative approach to any opportunity.

Peter Weekes writing for Fairfax Digital in The Age says in his article titled 'Why investors get it wrong'
We like to believe we are individuals, yet the vast majority of us display the same basic behavioural traits - traits that, if understood, can be used to turn an investment loss into a profit. Welcome to the world of behavioural finance, where Sigmund Freud, the founder of modern psychoanalysis, meets Adam Smith, an early proponent of the free marketplace. Traditionally, economists have assumed that self-interest and rational decision making motivate investors, but the school of behavioural finance says this is not usually the case. While analysts freely concede that share prices do not always reflect a company's fundamental value, they tend to attribute any investor behaviour they don't understand or can't measure to "market sentiment".
Drawing from psychoanalysis, behaviourism, Gestalt and cognitive and social psychology, behavioural finance digs to understand what comprises "market sentiment" and how it is formed. It burst out of the cloister of academia and onto the world stage when one of its leading exponents, Daniel Kahneman, received the Nobel Prize for Economics in 2002. http://www.theage.com.au/articles/2004/04/23/1082616327709.html

Each of us will have some level of these motivations depending on whether the measured score is on the Risk Taker trait side (right hand side with a higher Risk Score), Mid-Range) or on the Cautious trait side (left hand side with a lower Risk Score).

Our approach is that there are both strengths and struggles from the Risk Taker and Cautious trait sides of the Risk Factor. The Risk Factor Table below provides a summary of these strengths and struggles from the Risk Taker and Cautious traits of the Risk Factor. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the Risk Factor.

This factor indicates a person's willingness to take chances and their ability to live the consequences

Calculated, Conservative, Needs Certainty ← **Motivation** → Daring, Courageous, Over Confident

Cautious	Mid-Range	Risk Taker

Cautious

STRENGTHS
1. Plans initiatives carefully
2. Preserving
3. Sees potential dangers
4. Surveys situations well
5. Follows proven paths
6. Calculated decision-maker
7. Safety-first approach

STRUGGLES
1. May miss opportunities
2. Overly cautious
3. Often resists change
4. Slow to take action
5. May be too hesitant
6. Expects guaranteed outcomes
7. Overly fearful

Risk Taker

STRENGTHS
1. Willing to take chances
2. Ventures into new areas
3. Faces danger comfortably
4. Pursues opportunities
5. Demonstrates courage
6. Can make audacious decisions
7. Lacks fear

STRUGGLES
1. May take unnecessary risks
2. Gambles against the odds
3. Creates exposures
4. May not see dangers
5. Too speculative
6. Overlooks some details
7. Leaps before looking

Becoming more effective and efficient in the role of a financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of their client must learn to adapt their behavior.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias (see Appendix C) which are primarily (but not exclusively) driven by the Risk Taking and Cautious traits. The Risk Taking trait drives an Over Confidence Bias that can cause them to believe they are more successful at investing than they really are, or can achieve higher returns on a regular basis than is realistic to expect. The Cautious trait drives a Risk Aversion Bias that produces a hesitancy to take necessary risks in order to make required returns.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and 'blind spots' impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky' write in their Nobel Prize Winning book Thinking, Fast and Slow:

………there are two routes to persuasion, based on two basic modes of thinking.

"System 1" thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb ("heuristics") and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.

"System 2" thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person's behavioral bias be uncovered? Yes. Each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build trust with the client. Remember, clients with a Cautious trait may not be comfortable to work with a Risk Taker trait advisor who ventures into new and untried areas; is comfortable facing risk and tends to be overly confident. The client with the Cautious trait needs the advisor to manage their hesitancy with quantifiable examples of where taking a risk delivers success.

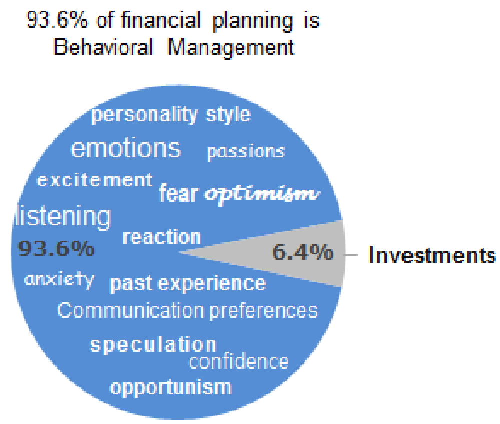
*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. *SOURCE:* ***www.journalfp.net***

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Risk Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as a Risk Taking are Daring, Courageous, yet can be Over Confident. They are comfortable venturing into new areas; they actively look for opportunities, yet also want risk and return forecasts.

As with all behaviors there is a flip side; much depends on the reaction others have to Risk Taking/Cautious people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'.*



Source: The 93.6% Question of Financial Advisors, Meir Statman, 2000

The History of the Risk Factor

Historically, the Risk behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans.
http://en.wikipedia.org/wiki/Four_temperaments

The Risk Factor table at Appendix B illustrates how the Risk Factor (though often called by other names) has been recognized since 450BC.

For much of early history physical risk and material reward went hand in hand. The risk-taking caveman ended up with food and the risk-averse one starved to death.
Risk and reward found its source in the spice trade that flourished as early as 350 BC
Source: http://people.stern.nyu.edu/adamodar/pdfiles/valrisk/ch1.pdf

According to Against the Gods by Peter Bernstein risk and reward could be seen at the Cross when Christ died and the Roman soldiers drew lots for His robe. Further he records that Egyptian tomb paintings dating from 3500BC demonstrate risk and reward in the form of gambling using astragali (dice).

In his 1921 book Risk, Uncertainty, and Profit, Frank Knight outlined the distinction between Risk and uncertainty.

... Uncertainty must be taken in a sense radically distinct from the familiar notion of Risk, from which it has never been properly separated. The term "Risk," as loosely used in everyday speech and in economic discussion, really covers two things which, functionally at least, in their causal relations to the phenomena of economic organization, are categorically different. ... The essential fact is that "Risk" means in some cases a quantity susceptible of measurement, while at other

times it is something distinctly not of this character; and there are far-reaching and crucial differences in the bearings of the phenomenon depending on which of the two is really present and operating. ... It will appear that a measurable uncertainty, or "Risk" proper, as we shall use the term, is so far different from an unmeasurable one that it is not in effect an uncertainty at all. We ... accordingly restrict the term "uncertainty" to cases of the non-quantitive type. http://mises.org/sites/default/files/Risk%2C%20Uncertainty%2C%20and%20Profit_4.pdf

So what is the definition of Risk and where does fear fit into it?

People may rely on their fear and hesitation to keep them out of the most profoundly unknown circumstances. Fear is a response to perceived danger. ***Risk*** *could be said to be the way we collectively measure and share this "true fear"—a fusion of rational doubt, irrational fear, and a set of unquantified Bias from our own experience.*

The field of behavioral finance focuses on human Risk-aversion, asymmetric regret, and other ways that human financial behavior varies from what analysts call "rational". Risk in that case is the degree of uncertainty associated with a return on an asset. Recognizing and respecting the irrational influences on human decision making may do much to reduce disasters caused by naive Risk assessments that presume rationality but in fact merely fuse many shared Bias.
http://en.m.wikipedia.org/wiki/Risk#Business_and_management

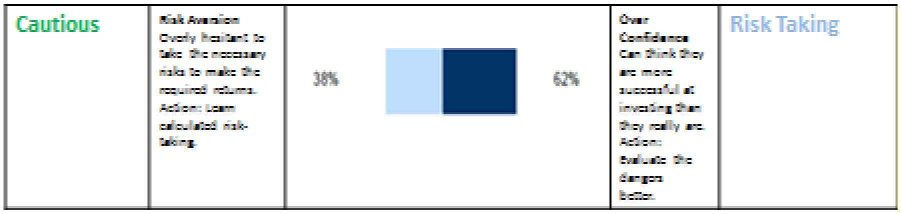
A further consideration:

One commonly accepted theory about why people do risky things has to do with evolution. This theory holds that in one of the deep, dark, old parts of our brains, where the control centers for survival and reproduction are located; there are preprogrammed impulses in some people that stimulate them to take Risks. These individuals are known in psychological terms as "Risk seekers," whereas their more conservative counterparts are labeled "Risk avoiders." (In attempting to delineate the characteristics of human Risk taking, however, it is important to note that we cannot reasonably divide the population into Risk Takers and Risk avoiders. All people will both seek Risk and avoid Risk at different points in their lives.) Sociologists and other experts believe that these very basic personality types evolved eons ago, and that despite the easier, more protected world most Western people now enjoy, they are not likely to change any time soon.
http://www.faqs.org/health/topics/15/Risk-taking-behaviors.html#ixzz3M0WIhTNh

Lee Alan Dugatkin Ph. D of University of Louisville observed the following in The Evolution of Risk-Taking

.....Many animal species besides humans show evidence of individuality. Knowing how a Risk-taker differs from its stay-at-home counterpart could not only help humans live more easily with our fellow creatures, but also tell us a few things about ourselves and how we got this way….

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



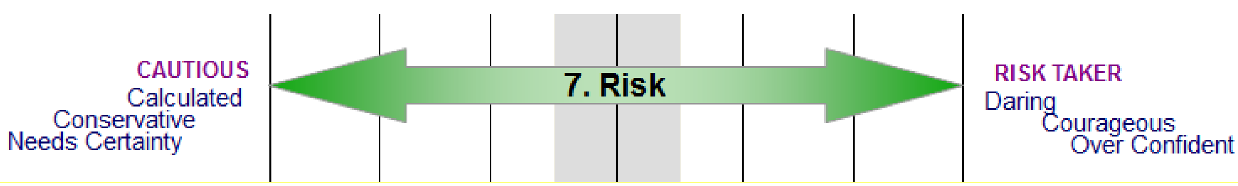
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and “blind-spots”. These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Risk Aversion bias; hesitant; fearful of taking any risk to bring the required returns? The client won’t be comfortable if presented with Over Confident, Risk Taking ambitious opportunities. Remember, if their core driver and bias is maintaining Risk Aversion in terms of their current state of financial affairs, the advisor will need to tread carefully and manage expectations and bias if they are to work with the client to increase their wealth.

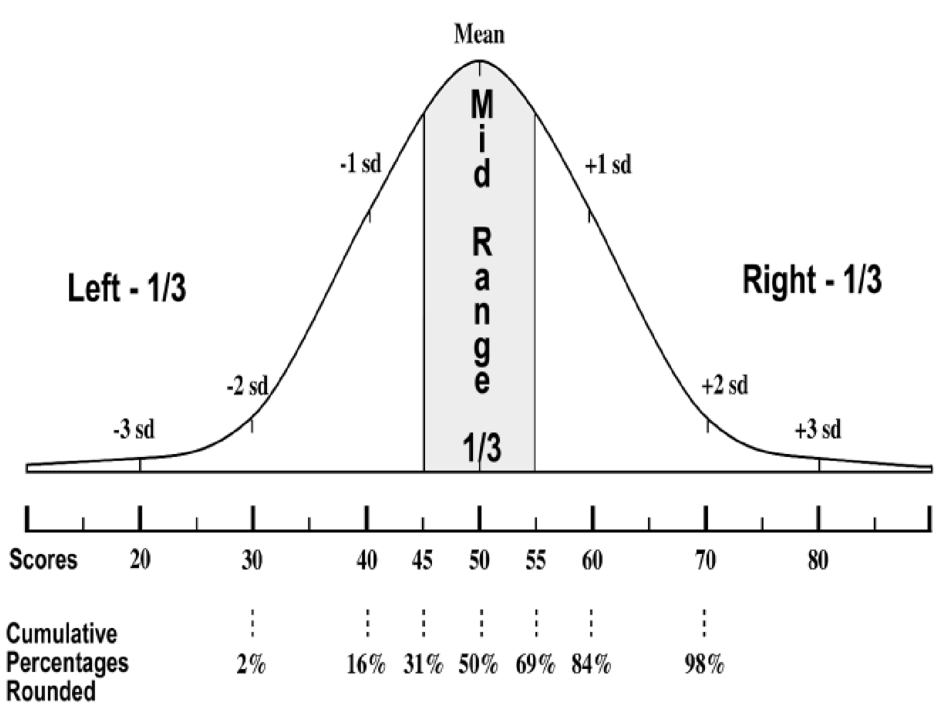
<u>Managing the Risk Factor – Risk Taker Trait</u>



The Financial DNA Behavior Discovery and Performance Process will uncover the sub-factors that form a part of the Risk Factor. These are important components of the primary Risk Factor which are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person may have the same Risk Factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person’s strengths and predicting the areas in which they will perform in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths over used without behavioral awareness can become blind-spots.

- Strengths - Behaviors that come naturally and should be used.
- Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
- Mid-Range Scores - Tend to be more flexible in these factors and are easier to move left or right.



How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Risk Factor score on the Risk Taker side might need to moderate their approach with a client with a stronger Risk Factor score on the Cautious side.

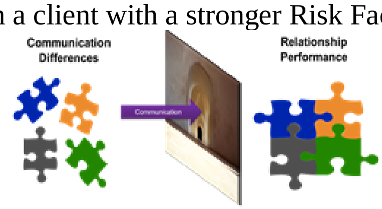
Risk Taker Advisor Strengths and Struggles **Sub-Factors:** **Daring** **Courageous** **Over Confident** **Behavioral Bias:** Over Confidence	**Moderating Behavior in the Advisor/Client Relationship**	**Cautious Client Strengths and Struggles** **Sub-Factors:** **Calculated** **Conservative** **Needs Certainty** **Behavioral Bias:** Risk Aversion
Willing to take chances May take unnecessary Risks	Take time to explain the thought behind Risk based decisions. Exchange information that will enable them to be part of a Risk-based culture where they understand that there is balance, strategy and thought applied to the Risk Taking. Give them time and space to think through what you are saying. Don't present opportunities without	Plans initiatives carefully May miss opportunities

	evidence to back up their success rate.	
Ventures into new areas Gambles against the odds	Remember that they are protective of the here and now. They want to know that there is value in investing into opportunities that will not place their current situation at risk. Present new areas cautiously. They are cautious in all areas of their life, not just their finances. Any suggestion of risk will cause them to retreat.	Preserving Overly Cautious
Faces danger comfortably Creates exposures	Outline opportunities or new ventures with limitations and borders. Listen to their input they may reveal issues not considered. They will refuse to accept new ventures of changes to their portfolio if they are presented as though no consideration has been given to potential obstacles or uncertainties. Ask them to tell you about a time they took a risk and it worked out well for them.	Sees potential dangers Often resists change

Pursues opportunities May not see dangers	Invest time into explaining the opportunities and what's in it for them to those who are not on the same page. They may be listening and even willing to be more adventurous but as an advisor remember they may regret decisions later and pull out.	Surveys situations well Slow to take action
Demonstrates courage Too speculative	Be careful if you share opportunities that have been successful for you not to be biased. Some clients are not comfortable with any uncertainty and may feel vulnerable if you push them too quickly.	Follows proven paths May be too hesitant
Can make audacious decisions Overlooks some details	Try to negotiate common ground. Having insight into behaviors will reveal potential shared approaches to decision making and this will inform and reveal the kinds of Risks a person is willing to take. Don't hold back on detail; support any opportunities you present with back up data for the client to read and think about.	Calculated decision-maker Expects guaranteed outcomes
Lacks fear Leaps before looking	You may be fearless and excited by venturing into new untried fields but your client needs certainty and will be fearful of loss. Talk to them about what they most fear losing. This will help them to address what financial issues worry them. It could be a question of re-educating	Safety-first approach Overly fearful

	the client.	

The following summary provides an insight into how an advisor with a strong Risk Factor on the Risk Taker side might communicate with a client with a stronger Risk Factor score on the Cautious side.



Which type of wealth management conversations are you comfortable with?

Goals
Business Transfer
Life Balance
Inheritance
Personal/ Family Relationships
Planned Giving
Investment Portfolio
Retirement Planning

g

Risk Taker Daring Courageous Over Confident	How to Communicate ➡	Cautious Calculated Conservative Needs Certainty
Communication Need Present me with risk/return Present me with opportunities Keep the discussion positive Communication Challenge May take unnecessary Risks May not see dangers Communication Key:	Modification/Approach Explain how you have thought through your decision making. Acknowledge areas of concern that you recognize might be there and how you intend to overcome them.	Communication Response Looks for ways to minimize risks Allow me time to survey the situation Remember my need for safety Communication Challenge May miss opportunities

Present Risk /return	Speak in a way that doesn't present you as an adrenalin junky. Be measured when around less venturesome people.	May be too hesitant Communication Key: Minimize Risks

<u>In Summary – Risk Factor on the Risk Taker side</u>

Those on the Risk side of the Risk Factor are Daring, Courageous and often Over Confident. As advisors they can be exciting for some, and alarming for others. Advisors who understand their Risk Taking behaviors know how to encourage even the most Cautious of clients to be more open to exciting new opportunities.

Much research has been undertaken to determine whether or not the ability to take 'risk' is genetic. The following extracts show that risk taking is indeed inherent; we are born with elements that influence our relationship with risk taking.

The following references our comfort level with financial risk:

Researchers at University College London, the University of Sydney, the University of Pennsylvania, New York University and Yale University have determined that the density of the cells in one part of our brain influences our comfort level with financial risks. The thicker our right posterior parietal cortex the more we can tolerate financial risk. If it is thinner, the opposite is true.
The important point is that we all have different innate RQs. They can change significantly due to life experiences and our current situation. But research is showing that we are born with physical elements that influence our personal relationship with risk-taking.
How does this impact you? The next time you are at a loss to understand how someone sees the exact same facts and circumstances so differently than you, remember that some of the difference may be due to how you both were created. That may make it easier to deal constructively with the variance.
SOURCE: http://jimmccormick.com/are-some-people-born-risk-takers/ and http://online.wsj.com/articles/so-you-think-youre-a-risk-taker-1414207254

Oxford University Press cites the following:
By studying identical and fraternal twins, Michael Zypher and his colleagues showed that genetics accounts for 63% of the difference in how people respond to a real investment management company's client questionnaire about how to allocate a hypothetical portfolio between stocks, bonds, and money market funds.
SOURCE: http://www.businessweek.com/smallbiz/content/feb2010/sb20100211_567240.ht (Adapted from adapted from Born Entrepreneurs, Born Leaders: How Your Genes Affect Your Work Life by Scott Shane (Oxford University Press,2010).

Richard Branson is his interview with Entrepreneur said: *One of the great benefits of taking on challenges in your working life is that you and your team learn to confront Risk together – and also to lose sometimes, because when you make a good wager, the odds are not going to be in your favor. The calculated Risks you and your team take should be strategic judgments, not just blind gambles: Protect the downside by figuring out the odds of success, working out what the worst possible consequences would be, then deciding whether to accept.* http://www.entrepreneur.com/article/226942

Victor Kiam, American Entrepreneur 1926 -2001 stated: *"Often the difference between a successful person and a failure is not one who has better abilities or ideas, but the courage that one has to bet on one's ideas, to take a calculated Risk - and to act."*

Andre Malraux the French Historian, Novelist and Statesman, 1901-1976 observed: "*Man cannot discover new oceans unless he has the courage to lose sight of the shore.*"

Advisors with the Risk Taker style who understand how to manage their inherent behavior are able to work with Risk Averse clients at their pace. They will understand how to lead the client to learn and understand calculated risk-taking. Those advisors without this understanding will cause Risk Averse clients to become extremely hesitant and cautious.

Risk Taking comes naturally to some people and is incredibly difficult for others. Many try to avoid Risk as much as possible, while others embrace Risk Taking. But every successful business needs to have a variety of talent, communication style and behaviors to deliver service to a wide range of clients. This approach is especially important to the financial advisory/client role, because it is a relationship requiring not just careful regulatory advice to be given, but also for the advisor to understand how to navigate the emotions associated with discussing wealth creation.

Managing the Risk Factor on the Cautious Trait

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong Risk Factor score on the Cautious side might need to moderate their approach with a client with a stronger Risk Taker Factor score on the Risk side.

Cautious Advisor Strengths and Struggles Sub-Factors: Calculated Conservative Needs Certainty **Behavioral Bias:** Risk Aversion	**Moderating Behavior in the Advisor/Client Relationship**	**Risk Taker Client Strengths and Struggles Sub-Factors: Daring Courageous Over Confident** **Behavioral Bias:** Over Confidence

Plans initiatives carefully May miss opportunities	Tell them the areas of Risk that concern you and why. Be supportive. Let them know you want to be part of the opportunity but as a traditionalist and preferring to remain with the status quo, need to be persuaded of the plans they propose and the opportunities they seek. Remember not to let your cautionary bias cloud your advisory responsibility to provide the best advice possible.	Willing to take chances May take unnecessary Risks
Preserving Overly Cautious	Present high risk opportunities balanced with caution. Highlight the areas of their life style that they might well be placing at risk. Ask them to tell you about a time a risky investment failed and how they felt about that. Further question on how that impacted other areas of their life.	Ventures into new areas Gambles against the odds
Sees potential dangers Often resists change	Be open about your concerns but having pointed out any areas support your thoughts with evidence of the risk and return. Remember you resist changes your client may be able to navigate and accept changes and higher risk than you.	Faces danger comfortably Creates exposures

Surveys situations well Slow to take action	Manage their emotions as they excitedly pursue new opportunities. Rationally point out any potential downsides and support this with evidence together with clear wider potential implications to their lifestyle.	Pursues opportunities May not see dangers
Follows proven paths May be too hesitant	Try to negotiate common ground. Be constructive; don't immediately assume Risk Takers are irresponsible. Invest time into understanding their vision. Then provide constructive feedback and support and advice.	Demonstrates courage Too speculative
Calculated decision-maker Expects guaranteed outcomes	Ask the client for details and consequences of decisions being made. Spend time understanding where they fit into the bigger financial wealth creation plan they have for wealth creation. Challenge foolhardy decisions. Ask directly how Risk is to be mitigated.	Can make audacious decisions Overlooks some details

The following summary provides an insight into how an advisor with a strong Risk Factor on the Cautious side might communicate with a client with a stronger Risk Factor score on the Risk Taker side.

Cautious **Calculated** **Conservative** **Needs Certainty**	**How to Communicate**	**Risk Taker** **Daring** **Courageous** **Over Confident**
Communication Response Looks for ways to minimize risks Allow me time to survey the situation Remember my need for safety Communication Challenge May miss opportunities May be too hesitant Communication Key: Minimize Risks	Modification/Approach Ask questions without cynicism. Be prepared to be open to new suggestions and opportunities. Be honest about concerns and discuss them in a way that you are trying to understand and trust the decisions being made. When concerned about Risks, raise the concerns but remember to have solutions/suggestions to counter the Risks. Approach conversations with a willingness to be part of the forward thinking and not the one introducing the negative obstacles.	Communication Need Present me with risk/return Present me with opportunities Keep the discussion positive Communication Challenge May take unnecessary Risks May not see dangers Communication Key: Present Risk /return

In Summary – Risk Factor on the Cautious side

The key to a successful first meeting with a client who is a Risk Taker is to establish control from the very beginning. Those on the Risk Taker side of the Risk Factor will want to control the exchange and show how confident they are. It's important to respect their Optimism and Daring but let them know that as their financial advisor you are their balance. Your Caution and Conservatism will ensure you keep a watch on their back. It is important to establish the platform of the advisory/client relationship from the start. When you control the interview, you obtain additional information and insight that helps you offer the right advice for their circumstances.

Before you meet a Risk Taker client prepare an agenda and provide it to them. This will help keep you and them on track; it will set boundaries in terms of ensuring you cover all the issues in order to produce a financial plan for the client.

Advisors on the Cautious side of the Risk Factor are Calculated, Conservative and Need Certainty to function at their optimum. In many ways they are an asset to the advisor/client relationship as they introduce Caution to balance those Risk Takers who are overly confident. They want to spend time considering all the options before they support their clients need to invest in Daring opportunities. As an advisor it is important to understand your client so that you can offer opportunities that will hold their attention. Such opportunities may not sit well with your Conservative approach to financial management, but by not doing so you may be showing a bias that is not appropriate in the advisory/client relationship.

Cautious people are Conservative, Risk unsettles them. They need Certainty before making decisions. They need time to process consequences of any decisions they make. They don't want to be seen to make mistakes and the more others are Risk Takers, the more likely they are to become extremely Cautious and resistant to any form of change. This need for certainty needs to be managed and moderated when working with a more courageous investor.

Risk Takers often avoid Cautious advisors as they don't want to hear their negative responses. Cautious advisors can be seen by others as reveling their bias in terms of insecurities, fears and anxiety. Faced with making speedy decisions they will resist and at times become unreceptive or argumentative causing immense frustration to those around them.

Cautious advisors should always present themselves as balanced but not fearful; Risk Taking investors need that balance and cautionary note to be introduced into conversations. The role of an advisor is to introduce such caution in a positive way and not a negative way.

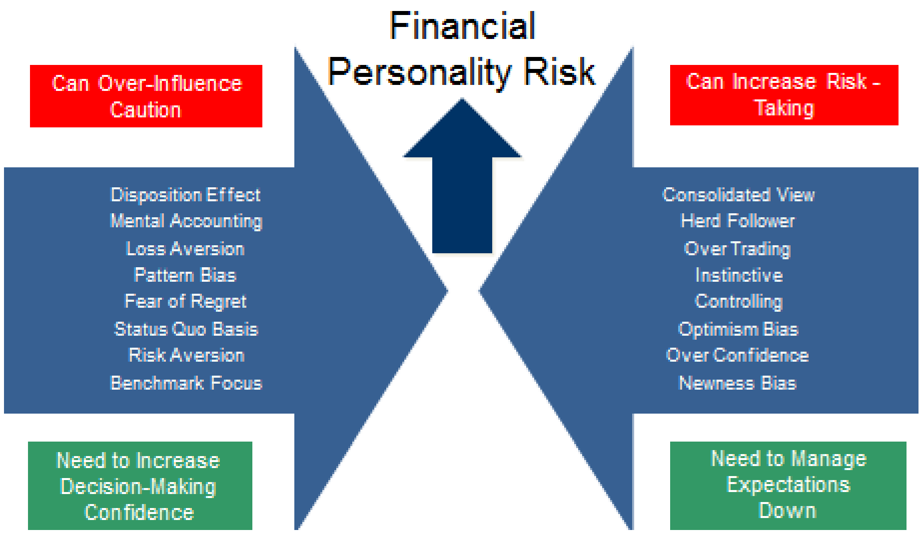
Risk Factor – Risk Taker Trait Case Study

Challenge: -Managing a Risk Taker Client in the Advisory/Client Relationship. Bill, the client, enjoyed taking Risks. Others saw him as a daredevil, even an opportunist, but Bill was none of those things. He believed he understood the level of his own ability to manage Risk and therefore made wise decisions both in his wealth creation and in other areas of his life. Onlookers saw and appreciated evidence of his success in terms of cars, houses, holidays but many of his friends were challenged by his level of confidence. The majority of Bill's considerable wealth was an inheritance from his late father's estate. Following in his father's footsteps Bill invested the majority of his finances in safe predictable stock. But as his father always did, he allocated himself 'play money'. Each year he carefully added to this play money from his job as a web designer. He used this play money to invest in more exciting opportunities. He not only played the stock market, he also acted as an angel investor using his play money to provide capital for business start-ups that excited him. He did this usually in exchange for convertible debt or ownership equity, but not always.

About to get married, Bill decided to retain a financial advisor so that he could re-organize his finances to include his wife and to prepare for any future family they might have.

Engagement Scope and Approach: Bill and his fiancée met with an advisor from the company his family had always used. The financial advisor who was old school Cautious was impressed by Bills investment portfolio but alarmed by the size of his 'play money'. He became even more alarmed when

Bill explained that he was about to invest into a startup company; a project to be headed up by a 19year old who had a great idea that Bill wanted to encourage and support. When quizzed about return on investment Bill explained that this would be a loan to be paid back only if the business took off. The advisor continued to raise questions about certainty, taking a more conservative approach and erring on the side of caution. Bills fiancée entered the conversation at this point. She felt the advisor was showing his personal bias of Risk Aversion and if he were to see his role as checking Bills bias of Over Confidence through finding exciting, safe, opportunities, especially in the area of startups, the client/advisory role would be built.



Having recently attended a workshop run by DNA Behavior International, Bills fiancé understood the importance of understanding behaviors, bias and communication styles. She suggested all three of them complete the Financial DNA Discovery process and share the outcomes so that at their next meeting they could understand each other's inherent behavioral style. Further, she suggested that with this insight it would ensure none of them allowed their personal bias to enter the discussions; she and Bill simply needed someone to trust, rely on and navigate them through this next financial season of their life.

At the next meeting they successfully shared the outcomes of their Financial DNA Discovery process and very quickly understood each other's inherent behavioral and decision making style. The advisor could see how he had allowed his own Risk Averse bias to invade the advisor/client relationship. He was fascinated to see that Bill, whose outward appearance and behavior showed him to be Daring with an Over Confident bias, set in the context of other factors revealed he was in fact not an irresponsible Risk Taker. Had the advisor not had this insight, he believes he would have lost Bill and his fiancée as his clients. He recognized that all three of them had strengths and struggles which could be managed.

Your Performance Strengths

- Ventures into new areas
- Faces danger comfortably
- Demonstrates courage

Your Performance Struggles

- May take unnecessary risks
- May not see dangers

Your Performance Environment Keys

- Present me with opportunities
- Present me with the risks and return
- Keep the discussion positive

Risk Factor – Cautious Trait Case Study

Challenge: - Managing a Cautious Client in the Advisory/Client Relationship. Bella, the client, worked as a teacher in a local high school. She would describe herself as Conservative, Cautious and unlikely to make rash ill thought out decisions. She owned a small apartment, ran a moderate sized car and saved for her annual holiday which was the highlight of her year. Bella received a letter informing her that her grandfather had died and left her a property in an inner city development. Looking at the financial package attached to the letter and trying to understand what it all meant overwhelmed her, so she made an appointment to see a financial advisor.

Les is a successful financial planner. A Risk Taker, Daring and Courageous, but he knew when to adapt his behavior so that his Over Confidence bias did not invade the advisory/client relationship. Les had completed the Financial DNA Discovery process when he first set up his financial advisory practice. DNA Behavior International helped him to understand different inherent behavioral, bias and communication styles. They showed him how to manage both strengths and struggles in the advisory/client relationship.

Engagement Scope and Approach: Les reviewed Bella's financial and legal package that accompanied her inheritance notification. He could see how unsure of herself Bella was and not wanting to alarm her, began firstly to complement her on the management of her personal finances thus far. He commented on her ability to budget and her conservative approach to the investment in her apartment.

Les understood his Risk Taker approach to finances and in particular to property. He could see immediately that Bella had been left a very lucrative piece of real estate, positioned in the central business district in a neighboring city. The income alone from the rentals would provide Bella with a sizeable income; however, knowing the area he also knew that selling the property would set her up for life.

Rather than move immediately to this conversation, Les suggested Bella complete the Financial DNA Discovery process in order to understand each other's approach to financial decision making. He explained the value in completing this process at the outcome as it would also uncover Bella's propensity for investment types; in addition it would enable Les, he explained, to understand the degree to which she needed detail before making decisions.

Les and Bella shared the outcome from their Financial DNA process and this helped Bella build trust with Les. Bella now understood her own bias of Risk Aversion and knew with education would be able to manage this.

Your Performance Strengths

- Plans initiatives carefully
- Sees potential dangers
- Calculated decision-maker

Your Performance Struggles

- May miss opportunities
- May be too hesitant

Your Performance Environment Keys

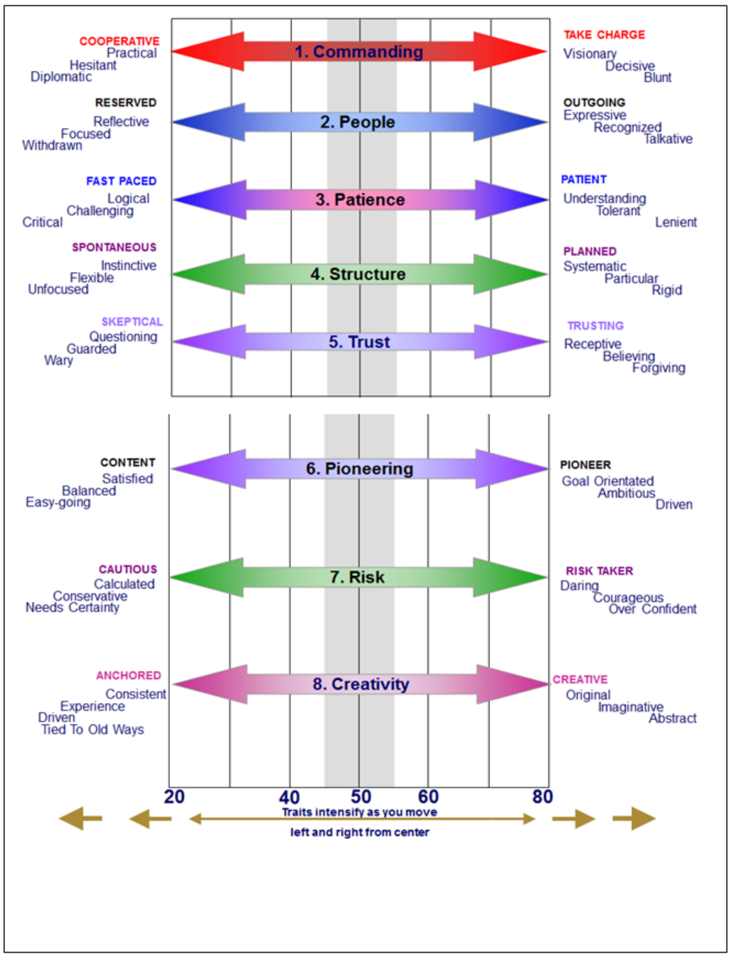
- Look for ways to minimize the risks
- Allow me time to survey the situation
- Remember my need for safety

Result: Bella asked Les what he would do if he were in her shoes. Les resisted the temptation to say sell and simply provided Bella with the facts and figures; he also included options in terms of the income from the sale as well as ongoing rental income should she decide not to sell.

After several further meetings Bella decided to sell the property. She trusted Les and knew that he would guide her well in managing her inheritance. She also realized that having never had financial security she really had no idea how to respond to this new found wealth; she trusted Les to advise her wisely but also educate her. She realized it would take time for her to be comfortable to be less Cautious and Conservative with her finances but that as this was the core of who she was; she would never be a Risk Taker.

Financial DNA Behavioral Factors **Appendix A**

Below is a summary of each of the 8 primary behavioral factors measured by the Business DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the Risk Factor **Appendix B**

Date	Founder	Risk , Sensation-Seeking, Type T, Thrill-seeker, Dare-devil, Risk-Seeker, Gambler
c. 450 BC	Classical elements	earth
c. 400 BC	Hippocrates's four humors	black bile
c. 190	Galen's four temperaments	melancholic
c. 1025	Avicenna's four primary temperaments	rheumatism, insomnia, wakefulness, acquired habit, lack of desire for fluids
c. 1900	Ivan Pavlov's four temperaments	melancholic (Weak inhibitory)
c. 1900	Alfred Adler's four Styles of Life	Avoiding
c. 1928	William Marston and John G. Geier DiSC assessment	Conscientiousness
c. 1947	Erich Fromm's four Types of Character	Hoarding
c. 1948	California Psychological Inventory CPI 260	VisuaKarener
1958	MBTI codes	ISTJ, INTJ, ISTP, INFJ
c. 1958	William Schutz, FIRO-B	See FIRO article for score names.
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Conserving-Holding
c. 1960s	David Merrill, "Social Styles"	Analytical
1964	Blake-Mouton Managerial Grid Model	Impoverished
c. 1966	Temperament by LaHaye	Melancholy
1973	Jay Hall Conflict Management[15]	Leave-lose/win
1974	Thomas-Kilmann Conflict Modes[16]	Avoiding
c. 1984	The Arno Profile System(Five Temperaments)	Melancholy
c. 1995	Worley Identification Discovery Profile	Melancholy
c. 1996	Tony Alessandra Personality Styles	Thinker
c. 1998	Hartman Personality Profile	Blue
c. 2001	Linda V. Berens' four Interaction Styles	Chart The Course

<u>Behavior Bias Connected to Natural Behavior</u> **<u>Appendix C</u>**

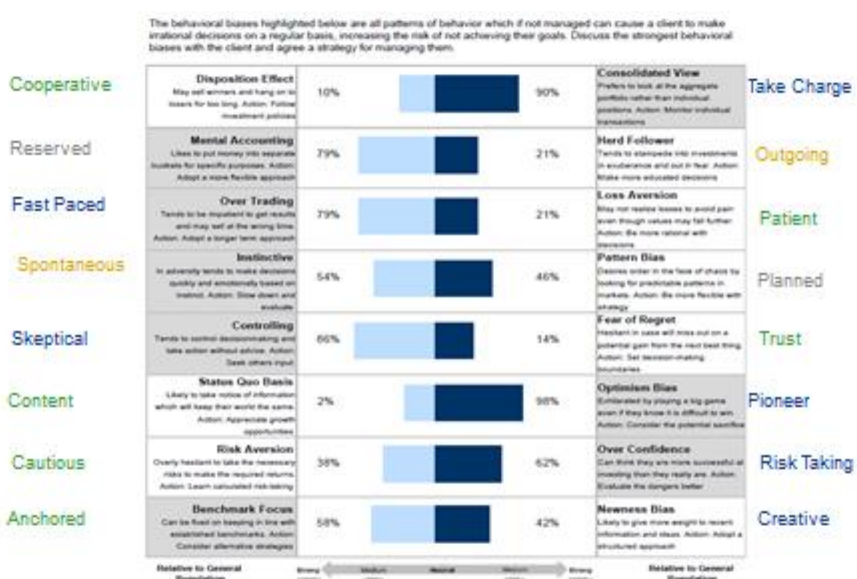
For the first time advisors can gain predictive insights into their own behavioral finance Bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:
*Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well.*http://www.investopedia.com/terms/b/bias.asp

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/

Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.
Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:*** *Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance.* http://www.europeanfinancialreview.com/?p=512

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References Appendix D

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. - Against the Gods – The Remarkable Story of Risk , 1996 (John Wiley & Sons, Inc)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy - Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. - "Quantitative Analysis of Investor Behavior Study", 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. - Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams", 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. - "Myopic Investment Management", 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting - The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting - The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioral Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic

Johari Window Model And Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – "The Essential Jung", 1983, (Princeton University Press)
Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. - "Prospect Theory – An Analysis of Decisions Under Risk ", 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns - A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – "The Leadership Challenge", 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business - Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy Of Needs
Massie, H. - "Financial DNA – Discovering Your Financial Personality for Living a Quality Life", 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect. Winning With People Developing the Leader Within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al- "Reconsidering the use of Personality Tests in Personnel Selection Contexts". by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – "Personality on the Job", 1994, (Servant Publications)

Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.

Nudge Theory - Discover The Hidden Influential Factors In People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. - The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality : Guide to the Four Human Natures by John Lopker
Pink, D.H. – "A Whole New Mind", 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey

Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens
The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behavior
Advances in Behavioral Economics
Behavioral Game Theory: Experiments in Strategic Interaction
Behavioral Economics and its Applications
Explaining Social Behavior: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). “Using Personality to Differentiate Between Holland’s Occupational Groups” in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis - Eric Berne And Early Theory
Transactional Analysis - Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. -“The Framing of Decisions and the Psychology of Choice”, 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition by Olaf Isa

Financial DNA® Insight Series

Structure Factor E-Booklet

DNA Behavior International
July 2015

Financial DNA® Insight Series: Structure Factor

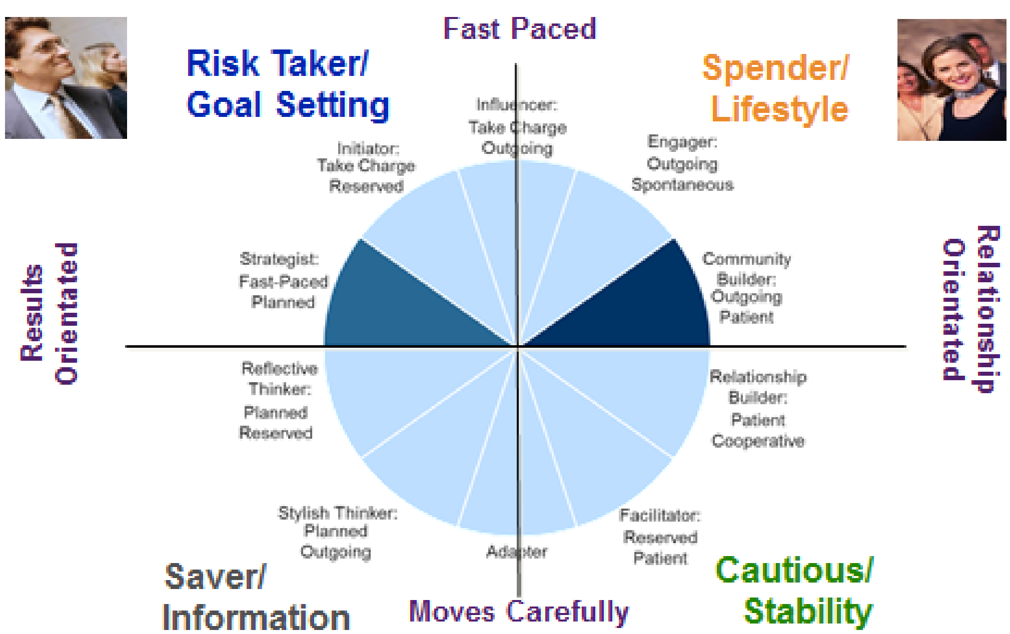
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

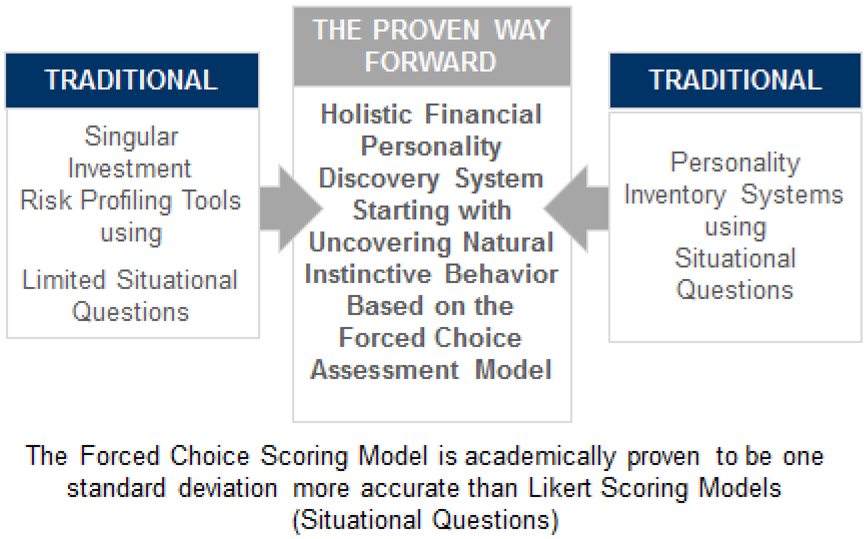
Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and Bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that a client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning, delivers a more holistic understanding of a client’s financial personality. It closes the gap between the clients’ true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before offering a product or solution. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework, which will guide their client's on their choices and minimize the impact of emotions.



The value of our financial personality discovery approach begins with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and Bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and, therefore, are not reliable predictors of long term decision-making.

The objective of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Structure Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and Bias of clients in making critical life and financial decisions.

<u>Introduction to the Structure Factor</u>

Every participant in the Financial DNA Natural Behavior Discovery Process has a Structure Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

Independent validation work, using established psychometric methodologies, performed by industrial psychologists from Georgia Tech University, and other independent psychologists, with a total of more than 100 years relevant experience, authenticates this approach.

You can review a summary of each of the 8 primary behavioral factors in Appendix A, along with the behavioral traits associated with them. This will give you a greater understanding of how the Structure Factor fits into your overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts, and is seen by others.

It's important to set the Structure Factor into context. The Structure Factor indicates people's desire to be organized and orderly; they approach everything they do systematically with exhaustive attention to detail; choosing always to follow tried and tested courses of action. Preferring to be industrious, they work hard at delivering outcomes and arrive at decisions using research and careful analysis. They desire order in the face of chaos by looking for predictable patterns in markets.

Each of us will have some level of these motivations depending on whether the measured score is on the Planned trait side (right-hand side with a higher Structure Score moving from 56 to 80), Mid-Range (between 45 and 55) or on the Spontaneous trait side (left-hand side with a lower Structure Score moving from 44 to 20).

Our approach is that there are both strengths and struggles from the Planned and Spontaneous trait sides of the Structure Factor. The Structure Factor Table below provides a summary of these strengths and struggles from the Planned and Spontaneous traits of the Structure Factor. The intensity of these strengths and struggles will be increased the stronger the participant's score is on the Structure Factor.

This factor indicates a person's need for structure, concern for details, and desire to prepare

Instinctive, Flexible, Unfocused ←	Motivation	→ Systematic, Particular, Rigid
Spontaneous	Mid-Range	**Planned**

Spontaneous	Planned
STRENGTHS	**STRENGTHS**
1. Flexible, willing to adjust	1. Organized and orderly
2. Works with broad concepts	2. Accurate and exact with detail
3. Gives quick and reasonable assessments	3. Good at following process and procedure
4. Versatile, able to address various situations	4. Productive, pursues goals vigorously
5. Operates spontaneously or without procedures	5. Thorough and prepared
6. Improvises or acts on-the-spot	6. Conducts research and rehearses carefully
7. Responds candidly	7. Analyzes before deciding
STRUGGLES	**STRUGGLES**
1. Prone to lack of organization	1. Tends to be inflexible or too fixed
2. May juggle too many ideas or tasks	2. May over rely on procedures/ rules
3. May not follow through	3. Can overprepare and sacrifice timeliness
4. Can be underprepared and overconfident	4. Difficulty with improvising
5. Can be too quick to decide	5. May be too rigid or picky
6. May overlook some important detail	6. Perfectionistic to avoid mistakes
7. Can discount rules or agenda	7. Can focus on details and miss the larger goal

Becoming more effective and efficient in the role of financial advisor often requires a person to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of their client must learn how to adapt their behavior. Therefore, having personal insight and then the understanding of how to moderate a Structure Factor desire either to be Planned or Spontaneous is a key part of the advisory/client relationship.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias (see Appendix C) which are primarily (but not exclusively) driven by the Planned and Spontaneous traits. The Planned trait drives a Pattern Bias which is associated with people looking for predictable patterns in the market. The Spontaneous trait drives an Instinctive Bias which is associated with people who instinctively make decision quickly and emotionally.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and 'blind spots' impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky' write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
"System 1" thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb ("heuristics") and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
"System 2" thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person's behavioral bias be uncovered? Yes. Each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build trust with the client. Remember, clients with a Spontaneous trait may not be comfortable to work with a Planned trait advisor who does not react intuitively or instinctively to market changes and instead desiring order, no chaos, and looks for patterns when investing. The client with the Planned trait needs the advisor to appreciate their need for order, pattern in the market and give them quantifiable examples of opportunities backed up with data.

*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*

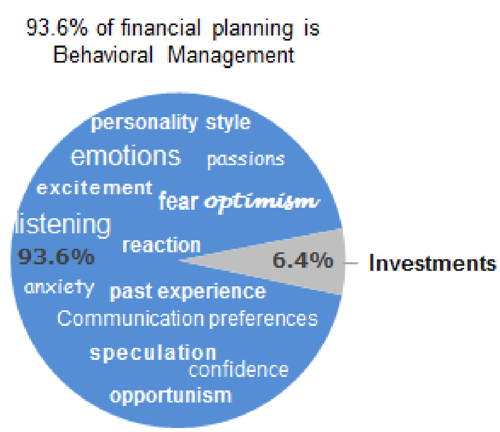
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. SOURCE: **www.journalfp.net**

There may be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Structure Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as a Planned are organized, follow set processes and procedures and analyze before making financial (or any) decisions.

As with all behaviors there is a flip side; much depends on the reaction others have to Planned/Systematic people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'*.



Source: The 93.6% Question of Financial Advisors, Meir Statman, 2000

The History of the Structure Factor

Historically, the Structure behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans.
http://en.wikipedia.org/wiki/Four_temperaments

The Structure Factor (see table at Appendix B) illustrates how the Structure Factor (though often called by other names) has been recognized since 450BC.

In his article titled The Need for Structure Gary McClain, Ph.D.,

(Clinical Psychologist and Educator Ph.D. from the University of Michigan). Makes the following observations:

Not all people, no matter how creative, function well in an environment with minimal structure. Some people don't know how to channel their energy into productive tasks with measurable outcomes. Other people crave — and excel under — close and specific direction. And occasionally you'll encounter a person who must have external structure because without it he or she simply won't do any work at all.

Employees who need a lot of structure need a manager who is willing to be more hands-on. Structure people tend to have the following characteristics:

They are often tidy and organized. Their desks and workspaces are neat and functional. Nearly anyone could step into a Structure person's environment and find a file or project. They arrive and leave on time, and at the same time every day. If they are early, which many tend to be, they are consistently early. They follow obvious routines. Other employees almost always know where they are and what they are doing, just by knowing what time or day it is. They know what work is due and where in the process the work is, and they deliver on time unless circumstances beyond their control intervene. They handle complex projects by breaking them into smaller, logical steps. Structure people often keep status and progress logs of their projects. They appear disciplined and goal-oriented.
They seldom knowingly break rules, and they might take offense with those who do.

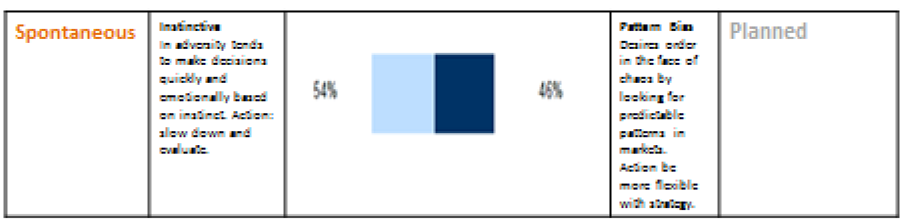
Every company, regardless of its products and services, requires a certain amount of structure. Some functions and departments, such as accounting, are bound to established procedures for conducting their work. People who work in these areas generally (but not always) have work styles and personalities that are compatible with this level of structure. Other functions and departments require structure that supports project timelines and productivity targets. Such structure might require you to precisely establish priorities, goals, and tasks.

Lee Salk, professor in psychiatry and pediatrics at The New York Hospital-Cornell Medical Center says the following: *Individual needs for structure can probably be traced back to childhood. ''Structure,'' he said, ''implies limits, discipline, boundaries of what is acceptable and what is not.'' The best kind of structure for children, Dr. Salk said, is not a rigid schedule but an atmosphere of consistent, loving guidance in which they learn how to experience the world.*

People on the Planned side of the Structure Factor see themselves as responsible for safeguarding the processes and procedures of their advisory role, as well as the business as a whole; making sure the company adheres to any regulatory requirements or rules that, if not observed, could undermine or compromise the business. If Financial Advisors read this behavior across into their client relationships, it could result in their Pattern bias entering the client/advisor exchange.

In understanding and appreciating how people affect each other when they have different behavioral styles, some may see Financial Advisors on the Planned side of the Structure Factor as unbending/inflexible and controlling; requiring order in the face of chaos; always wanting clients to follow a structured plan and processes. Yet some clients may welcome the direction, boundaries and instruction that Planned Advisors bring to the financial advisory relationship. Keeping the dialogue balanced to avoid Bias is a key to building a responsible advisor/client relationship.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



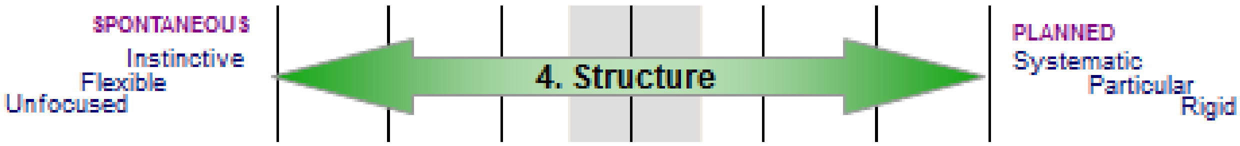
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and “blind-spots”. These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with an Instinctive bias, making decisions quickly and emotionally? The client won’t be comfortable if presented with investment opportunities sourced from predictable patterns in the markets. Remember, if their core driver and bias is Instinctive in terms of their current state of financial affairs, the financial advisor will need to tread carefully and manage expectations and bias if they are to work with the client to increase their wealth.

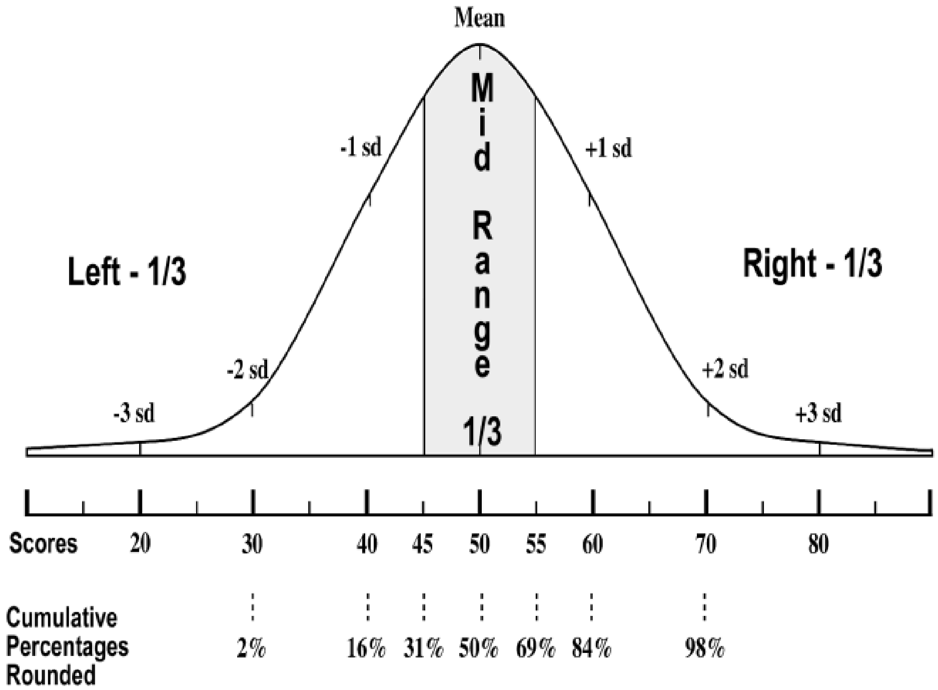
Managing the Structure Factor – Planned Trait



The Financial DNA Discovery Process also uncovers the sub-factors that form a part of the Structure Factor. These are important components of the primary Structure Factor that are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person might have the same Structure factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person's strengths and the areas that it can be predicted where they will perform at a higher level.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths over used without behavioral awareness can become blind-spots.

- Strengths - Behaviors that come naturally and should be used.
- Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
- Mid-Range Scores - Tend to be more flexible in these factors and are easier to move left or right.



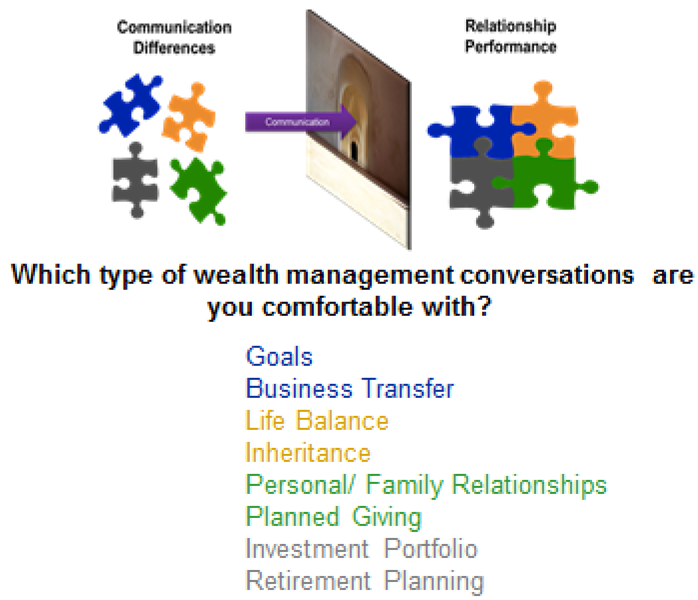
How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Structure Factor score on the Planned side might need to moderate their approach with a client with a stronger Structure Factor score on the Spontaneous side.

Planned Advisor Strengths and Struggles Sub-Factors: Systematic Particular Rigid **Behavioral Bias:** Pattern Bias	**Moderating Behavior in the Advisor/Client Relationship**	**Spontaneous Client Strengths and Struggles Sub-Factors:** Instinctive Flexible Unfocused **Behavioral Bias:** Instinctive
Organized and orderly Tends to be inflexible or too fixed	Demonstrate the importance of being organized in a supportive way. Don't overload with information. Talk to them about who they discuss investment ideas with; they may be talking to too many people and this could indicate whether their decision making is in chaos and emotionally driven.	Flexible, willing to adjust Prone to lack of organization
Accurate and exact with detail May over rely on procedures/ rules	Emphasize the key issues to be addressed whether talking or corresponding. Use something as simple as a highlighter in written communications. Link this with processes or procedures that need to be followed, as a requirement to producing a financial plan. Keep them on track; they may tend to be swayed by the last person they spoke to.	Works with broad concepts May juggle too many ideas or tasks

	If necessary ask them to rank in order of preference; ideas, thoughts and dreams around wealth creation.	
Good at following process and procedure Can over prepare and sacrifice timeliness	Acknowledge their ability to pull out the salient points as the discussion progresses. This approach builds confidence. Use your Planned talents to break down information; this aids decision making. This will be helpful for clients who have difficulty finalizing anything. Be prepared to have several follow ups, especially when waiting for information from them to feed into the process.	Gives quick and reasonable assessments May not follow through
Productive, pursues goals vigorously Difficulty with improvising	Draw boundaries for them; they are able to network and multi task but could sabotage their portfolio by taking uneducated gambles from following the herd. Give clear instructions; check their understanding as you go along, not in a patronizing way, but simple to understand if you are both on the same page.	Versatile, able to address various situations Can be underprepared and overconfident

Thorough and prepared May be too rigid or picky	As an advisor it's important to be aware that the client could be responding to a lot of up and down emotions with every investment opportunity, and therefore each one needs to be discussed so that wise decisions are made.	Operates Spontaneously or without procedures Can be too quick to decide
Conducts research and rehearses carefully Perfectionistic to avoid mistakes	Don't become obsessive or paralyzed with analysis, sometimes it's important to yield ground in order to deliver an outcome. This approach doesn't have to mean that Structure has been compromised. Ask them about the opportunities that are being presented to them and who is presenting them.	Improvises or acts on-the-spot May overlook some important detail
Analyzes before deciding Can focus on details and miss the larger goal	Listen carefully to the client; they are often emotionally vulnerable and have a desire for instant gratification. They could be inclined to get excited by an investment, jump in and then have second thoughts and jump out. Carefully explain the consequences of this sort of behavior. They won't want their wealth compromised.	Responds candidly Can discount rules or agenda

The following summary provides an insight into how an advisor with a strong Structure Factor on the Planned side might communicate with a client with a stronger Structure Factor score on the Spontaneous side.



Planned **Systematic** **Particular** **Rigid**	**How to Communicate** ➡	**Spontaneous** **Instinctive** **Flexible** **Unfocused**
Communication Need Provide details, research Budgets and structure Ambiguity aversion Written advice Task Focus Analytical approach Communication Challenge Tends to be inflexible or too fixed Communication Key: Present specifics – facts,	Modification/Approach Keep details to a minimum Present outlines Be specific about what is needed Set time scales and agree them Acknowledge their Spontaneity and accept that there are times when their ability to be instinctive adds value to the to the	Communication Response Free-flowing High level approach Improvisation Wing it approach Low-complexity Instinctive approach Communication Challenge Can be too quick to decide Communication Key: Provide broad facts

figures, data	business Set out areas where they are free to improvise and those areas where they can't Offer to help with providing structure	

In Summary – Structure Factor on the Planned side

The Structure Factor on the Planned side implies conscientiousness and a desire to do a task well. Such people are systematic, efficient and organized. They are likely to be self-disciplined and display Planned rather than Spontaneous behavior. Planned/Conscientious/Organized describes one of the five traits of the Five Factor Model of personality. When taken to an extreme, they could be perfectionists, systematic and rigid in their behavior. The Planned Analyzer will have a Pattern bias where they will want to see order in the face of chaos; they will convince themselves there is a predictable pattern to share price movements even if random. This can cause them and their client, issues from getting locked into a strategy.

The natural performance outcome of those on the Planned side of the Structure Factor is their desire for information makes them very picky and rigid. They get stuck in a lot of analysis and miss opportunities. As a Financial Advisor they will set high standards; as a client they will be demanding in terms of analysis and detail. Each needs their life to be well systematized and orderly. Structured, tried and tested rules, schedules and procedures, provides them with a comfortable working environment, without which they will become inflexible in an effort to avoid making mistakes.

Planned Financial Advisors are confused by contradictions and ambiguities, preferring to work with evidence and validations. They would regard a Spontaneous client as impulsive, illogical and tend to disregard the clients input as unsubstantiated and speculative. This needs to be managed in the advisory/client relationship to avoid the risk of bias on both sides of the exchange entering the dialogue.

Managing the Structure Factor on the Spontaneous Trait

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong Structure Factor score on the Spontaneous side might need to moderate their approach with a client with a stronger Planned Factor score on the Structure side.

Spontaneous Advisor Strengths and Struggles Sub-Factors: Instinctive Flexible Unfocused **Behavioral Bias:** Instinctive	**Moderating Behavior in the Advisor/Client Relationship** →	**Planned Client Strengths and Struggles Sub-Factors:** Systematic Particular Rigid **Behavioral Bias:** Pattern Bias
Flexible, willing to adjust Prone to lack of organization	Approach each meeting with clients in an ordered way. They expect Structure and will view lack of preparation as a block to the advisor/client relationship. Be patient with well-organized people and establish goals and methods to your work.	Organized and orderly Tends to be inflexible or too fixed
Works with broad concepts May juggle too many ideas or tasks	Only present opportunities that have been thoroughly research. Planned clients have the ability to pick out the nuggets from lots of random ideas. Be prepared for the questions they will ask; they will expect you to have the answers.	Accurate and exact with detail May over rely on procedures/ rules
Gives quick and reasonable assessments May not follow through	Make sure your haphazard thoughts and opinions aren't confusing. Watch any tendency to introduce your own personal bias into the	Good at following process and procedure Can over prepare and sacrifice timeliness

	conversation. Remember the need to complete and deliver what you say you will. This builds credibility.	
Versatile, able to address various situations Can be underprepared and overconfident	Multi-tasking is a talent but it should go somewhere. Being versatile also needs to be systematic; anything less looks chaotic to a Planned client. Get help with preparation if needed when working with a Planned client; this will decrease the chances you will lose control or appearing under prepared.	Productive, pursues goals vigorously Difficulty with improvising
Operates Spontaneously or without procedures Can be too quick to decide	Find someone better at planning than you are and test your ideas on them before presenting to the client. Advisors who are on the Spontaneous side of the Structure Factor need to restrain themselves and only present opportunities to clients when they have thoroughly researched them.	Thorough and prepared May be too rigid or picky
Improvises or acts on-the-spot May overlook some important detail	Planned clients can be demanding clients. They need extensive amounts of detailed information so they can be satisfied as to the reliability and integrity of what is being offered.	Conducts research and rehearses carefully Perfectionistic to avoid mistakes

Responds candidly Can discount rules or agenda	Use your inherent communications skills to draw out of the client how much information they need to be able to make informed decisions. Give the Planned clients time to think through your suggestions and listen to their feedback, it may inspire further solutions from you.	Analyzes before deciding Can focus on details and miss the larger goal

The following summary provides an insight into how an advisor with a strong Structure Factor on the Spontaneous side might communicate with a client with a stronger Structure Factor score on the Planned side.

Spontaneous **Instinctive** **Flexible** **Unfocused**	**How to Communicate** →	**Planned** **Systematic** **Particular** **Rigid**
Communication Response Free-flowing High Level approach Improvisation Wing it approach Low-complexity Instinctive approach Communication Challenge Can be too quick to decide Communication Key: Provide broad facts	Modification/Approach Think through in advance what you need to say Be clear and concise especially if you need something from them Don't ramble on with no structure Present facts and figures Acknowledge the value their ability to plan and follow procedures brings to the business Think before you respond	Communication Need Provide details, research Budgets and structure Ambiguity aversion Written advice Task Focus Analytical approach Communication Challenge Tends to be inflexible or too fixed Communication Key: Present specifics – facts, figures, data

In Summary – Structure Factor on the Spontaneous side

Spontaneity is something that many people aren't comfortable with; it suggests behaviors such as being unfocused, flexible and instinctive. In the extreme Spontaneity could describe someone as haphazard, casual and random. In general people need Structure and routines just to do life; yet those who are Spontaneous have a tendency to live an uninhibited life and are often seen as impulsive and unstructured. Observations suggest that many Spontaneous people learn to adapt their behavior to be more Planned when they need to. For example; when required to deliver deadlines or obligated to attend meetings on time. But for them it can be stressful.

Being Spontaneous can demonstrate behaviors that are relaxed and uninhibited. It is also true to say that those on the Spontaneous side of the Structure Factor can respond well to changing circumstances and deal with the unexpected. They are creative and open minded and can bring out of the box thinking and resolution to a situation. Nonetheless, they will become bored and distracted when repetitive, accurate and detailed work is needed.

In the advisory/client relationship their tendency to be naturally instinctive with making financial decisions and often impulsive leads to judgement errors.

Financial Advisors who are Spontaneous can be a valuable resource when needing to respond to changing circumstances. They provide creative thinking; they are ideas people, but are not the ones who bring those ideas to completion, they leave finalizing paperwork (for example) to others more inclined towards detail and delivery. However, these Financial Advisors need to support their Spontaneity with sound research to back up their advice before taking them to their clients.

Those on the Spontaneous Side of the Structure Factor are easily distracted, constantly looking for the next interesting 'thing' or opportunity to get involved in. Responsibility and accountability challenges them. Clients will soon pick this up and be concerned about how well their portfolios will be managed.

Abraham Lincoln wrote *"You cannot escape the responsibility of tomorrow by evading today"*; this accurately sums up people who are Spontaneous.

Spontaneous people are comfortable with the unknown; they look for opportunities to try something new and exciting, for this reason it's difficult to get them to focus attention on the task in hand. They want to take immediate action when confronted with a challenging request from a client. The challenge for them is to use this inherent behavior within a Structure framework. A risk in the advisor/client relationship is their Instinctive bias; advisors who are always on the lookout for the next exciting opportunity should take care not to present it to the client without first ensuring the offer can be supported with evidence of its performance.

Taken to the extreme Spontaneous Advisors will be seen as irresponsible by their Planned clients whose bias will be Pattern, that is - a desire for order, by looking for predictable patterns in markets. Their 'life is too short' approach could cause Planned clients to become exceptionally rigid, unyielding and inflexible in an effort to pull Spontaneous advisors into line. Taken to the extreme such clients might well be lost to the business if they consider the advisor too impulsive.

Structure Factor – Planned Trait Case Study

The Challenge: - Andrew owns a large financial planning practice; he has 250 employees ranging from administrators, technical, advisory and training staff. For a number of years Andrew has been looking for a differentiator for his business. When asked at a recent dinner party with trusted friends to describe his view of his business he said 'grey', which alarmed him and confused his friends. But it made Andrew realize that was how he felt. The business was very successful but overall lacked something.

A few weeks later Andrew attended his annual CEO financial planning industry state conference. During a presentation by a representative from DNA Behavior International, Andrew knew what was missing from his business – understanding the inherent behavioral and decision making styles of clients. He realized that if he and his advisors had this information in advance of meetings, this behavioral intelligence would enable him to match advisors to clients.

This was a light bulb moment for Andrew; he held a meeting with his departmental heads and outlined to them his detailed plan to have all staff trained in understanding behaviors. The training department staff was excited, the advisors were alarmed and the administrative staff confused. Having carefully set out his plans he realized that his systematic, well planned, rigid approach to the training and ongoing plan to match advisors to clients only served to demonstrate how different every person in his business was when he heard their reactions. He didn't appreciate each person's behavioral style; he wasn't sure how to message them in ways they would understand; he had no grasp on their learning styles. Getting this right and seeing the outcome flow on to client relationships he knew would be the differentiator, so he needed to get this right.

Andrew engaged DNA Behavior International to carry out the training. He also engaged them to run a pilot to include a few clients and advisors; using the behavioral intelligence now available through the Financial DNA Discovery process they matched advisors to clients. The feedback to the pilot was very encouraging.

Your Performance Strengths	Your Performance Struggles
•Organized and orderly •Good at following processes and procedures •Analyzes before deciding	•Tends to be inflexible or too fixed •Can be perfectionistic to avoid mistakes

Your Performance Environment Keys

- Consider my need for accuracy and detail
- Honor my need for structure, schedules and rules
- Remember my need to be thorough and prepare

Result: Andrew introduced the Financial DNA Discovery process into his business as the first entry point to the advisory/client relationship. Every staff member used their Ultimate Performance Card as part of both internal and external meetings to ensure they knew how to moderate their communication style.

The broader pay off was:

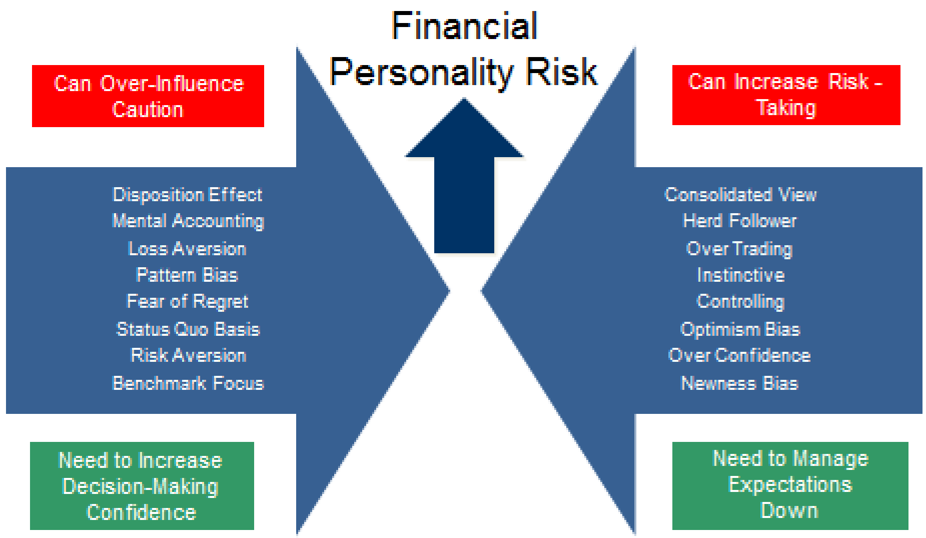
1. Matching advisor to client significantly impacted the bottom line of the business through increased sales.
2. Complaints dropped significantly; if one was received, it went straight to Andrew to investigate.
3. The company became the 'go to' place for financial advice, not just because of matching advisor to client, but because every client felt they received excellent service, had a good experience and told their friends.

Structure Factor – Spontaneous Trait Case Study

The Challenge: - Entrepreneur cashed up after selling his business: Bob is living the dream. His IT business has been bought by one of the major software companies. Bob has decided to manage his own investments and sees this as his new future career. This has proved to be more difficult than he imagined. On top of managing the day to day of his portfolio, he decides to write his own software and process solutions to automate a lot of the things that he would otherwise need to do by hand or using a spreadsheet. He is finding the bookkeeping and tax accounting required from a diverse portfolio of assets and entities too much to keep on top of. He determines he needs help.

Bob engages the services of a financial advisor. Martin the advisor is Spontaneous, Instinctive tends to make decisions quickly and emotionally; his bias is Instinctive. Bob on the other hand is ordered, naturally Systematic, able to make considered decisions and tends to have a Pattern bias, which makes decision-making quite rigid. Bob knows what he wants; he's not about wealth creation, his need is wealth protection and providing an income plus an inheritance for his children.

From the outset Bob could see that Martin was more interested in pushing him into a sale. He didn't take the time to understand Bob's need for specific facts, details, data and time to analyze. From Martins perspective he considered Bob was more an IT expert rather than a wise investor; he could see from Bobs history of investing that he had missed some sizable opportunities due to the fact that he spent so much time analyzing. As the conversation continued, Martin was suggesting opportunities to Bob that seemed to be very biased. Martin saw them as opportunities rather than considering Bob and his needs. Bob was not interested in 'exciting opportunities' he knew that he was risk and loss averse; having made a considerable amount of money through selling his business, he didn't want to do anything other than protect his wealth for his family. It could be said Bobs bias was predictability; not wanting to consider any spur-of-the-moment investments.



Bob's approach to the financial planning process was that a level of mutual trust would be built; there would be transparency; he would receive advice based on his requirements; it didn't feel like this was happening. Martin gave Bob all the reading material he requested and arranged to meet again.

Martin called a friend he knew at DNA Behavior International. Taking care to preserve confidentiality he explained he had a client, a high net worth investor whose communication style and behavior puzzled Martin. He explained to that the meeting hadn't gone well but he sensed the client could be retained if he, Martin, could understand how to understand and manage the client's inherently behavioral style.

Engagement Scope and Approach: DNA Behavioral International encouraged Martin to take Bob through the Financial DNA Discovery process; they should then share the outcomes and discuss how their relationship could be built given the insight each now had into the others behavior and decision making style. Bob agreed and was fascinated by the process and very interested in the outcomes. He and Martin recognized each other's strengths and struggles; further, they respected the skills each had in their chosen professions. Trust was being built, transparency was taking place. Martin understood how to ensure Bob was provided with information in a way that satisfied his need for flexibility with developing a strategy.

Your Performance Strengths	Your Performance Struggles
•Flexible, willing to adjust •Works well with broad concepts •Improvises or acts on the spot	•May juggle too many ideas or tasks •Can be too quick to decide

Your Performance Environment Keys

- Allow me plenty of freedom
- Use graphics and verbal communications
- Resist the temptation to prematurely edit my ideas

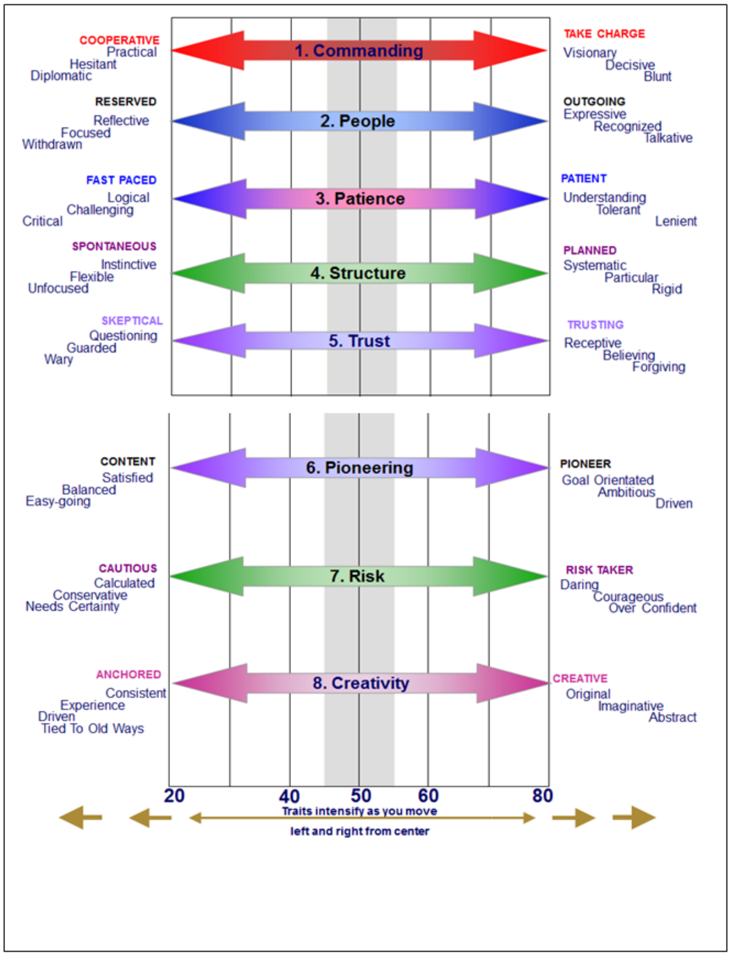
Result: Using the outcomes from the Financial DNA Discovery process, Martin was able to advise Bob and develop a plan which would deliver predictable market patterns and would satisfy his need to protect rather than speculate with his wealth.

The broader pay off was:

1. Martin realized the importance of understanding clients holistically.
2. Martin understood the need to moderate his communication style and to guard against showing his own Bias.
3. Bob, having built a good relationship with Martin, now had time within which he successfully developed personal software to manage other aspects associated with his wealth.

Financial DNA Behavioral Factors **Appendix A**

Below is a summary of each of the 8 primary behavioral factors measured by the Business DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the Structure Factor **Appendix B**

Date	Founder	Structure, Yellow Temperament, Judging, Conscientiousness, Perfectionist, Obsessional, Rigid, Steadiness, Planner, Spontaneous Idealists, The Reliable Realist
c. 450 BC	Classical elements	earth
c. 400 BC	Hippocrates's four humors	black bile
c. 190	Galen's four temperaments	melancholic
c. 1025	Avicenna's four primary temperaments	rheumatism, insomnia, wakefulness, acquired habit, lack of desire for fluids
c. 1900	Ivan Pavlov's four temperaments	melancholic (Weak inhibitory)
c. 1900	Alfred Adler's four Styles of Life	Avoiding
c. 1928	William Marston and John G. Geier DiSC assessment	Conscientiousness
c. 1947	Erich Fromm's four Types of Character	Hoarding
c. 1948	California Psychological Inventory CPI 260	Visualizer
1958	MBTI codes	ISTJ, INTJ, ISTP, INFJ
c. 1958	William Schutz, FIRO-B	See FIRO article for score names.
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Conserving-Holding
c. 1960s	David Merrill, "Social Styles"	Analytical
1964	Blake-Mouton Managerial Grid Model	Impoverished
c. 1966	Temperament by LaHaye	Melancholy
1973	Jay Hall Conflict Management[15]	Leave-lose/win
1974	Thomas-Kilmann Conflict Modes[16]	Avoiding
c. 1984	The Arno Profile System(Five Temperaments)	Melancholy
c. 1995	Worley Identification Discovery Profile	Melancholy
c. 1996	Tony Alessandra Personality Styles	Thinker
c. 1998	Hartman Personality Profile	Blue
c. 2001	Linda V. Berens' four Interaction Styles	Chart The Course

Behavior Bias Connected to Natural Behavior **Appendix C**

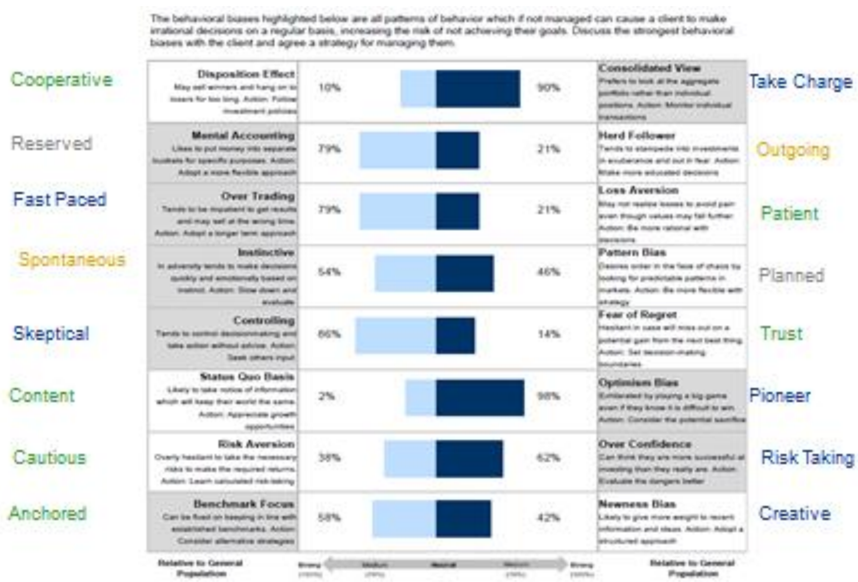
For the first time advisors can gain predictive insights into their own behavioral finance Bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:
Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well. *http://www.investopedia.com/terms/b/bias.asp*

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Bobert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/
Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.
Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:*** *Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance.* *http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References

Appendix D

Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. - Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the PBoblems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy - Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. - "Quantitative Analysis of Investor Behavior Study", 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. - Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. WBoblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams", 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. - "Myopic Investment Management", 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting - The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting - The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*
Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic
Johari Window Model And Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – "The Essential Jung", 1983, (Princeton University Press)
Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. - "Prospect Theory – An Analysis of Decisions Under Risk", 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)

Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns - A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – "The Leadership Challenge", 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business - Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy Of Needs
Massie, H. - "Financial DNA – Discovering Your Financial Personality for Living a Quality Life", 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect**.** Winning With People Developing the Leader Within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al- "Reconsidering the use of Personality Tests in Personnel Selection Contexts". by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – "Personality on the Job", 1994, (Servant Publications)

Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.

Nudge Theory - Discover The Hidden Influential Factors In People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. - The Influence of Women on the Customer Service Experience, 2007
Pictures of Personality : Guide to the Four Human Natures by John Lopker
Pink, D.H. – "A Whole New Mind", 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey
Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens
The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour

Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). "Using Personality to Differentiate Between Holland's Occupational Groups" in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis - Eric Berne And Early Theory
Transactional Analysis - Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. -"The Framing of Decisions and the Psychology of Choice", 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition by Olaf Isachse

Financial DNA®
Insight Series

Trust Factor
E-Booklet

DNA Behavior International
July 2015

Financial DNA® Insight Series: Trust Factor

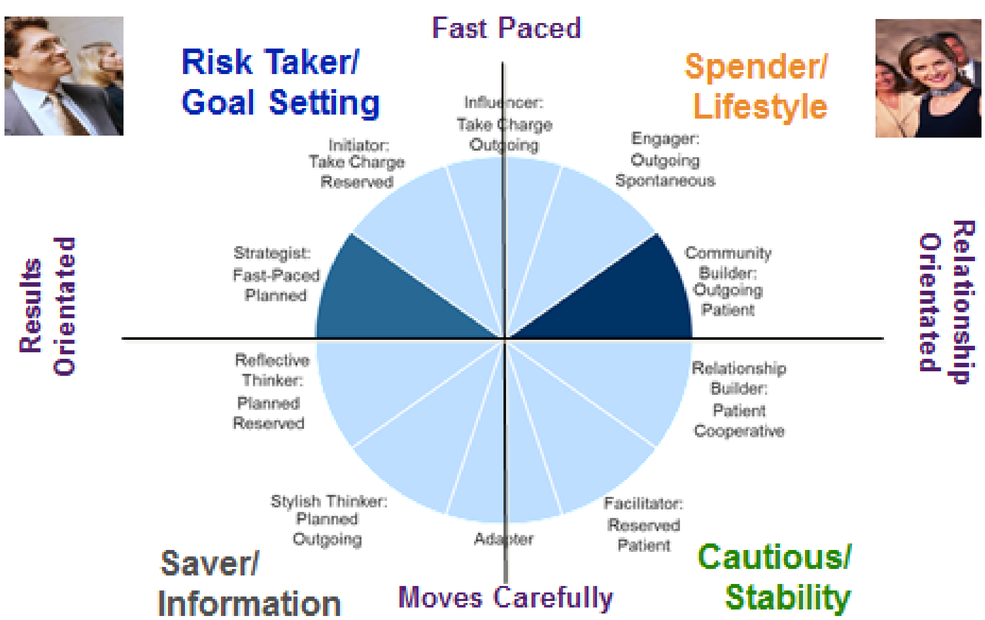
About DNA Behavior International

DNA Behavior International is the worldwide leader in delivering proprietary behavioral intelligence solutions for organizations to “Know, Engage and Grow” every employee and client online.
These solutions have been designed to reliably uncover every facet of a person’s DNA wiring (talents, communication and decision-making style) using the “Platinum Standard” for behavioral discovery and performance development.

Financial DNA® is a proprietary solution for comprehensively and reliably discovering all dimensions of a client's financial personality and bias for making life and financial decisions based on extensive behavioral finance research. The goal is to improve Financial Planning Performance.

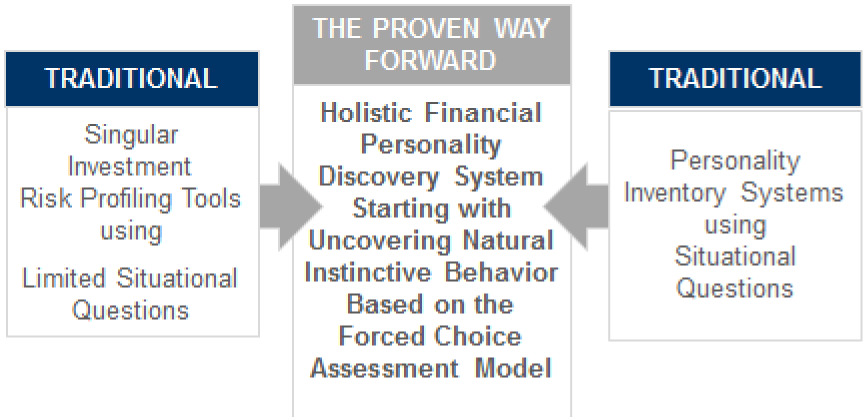
The uniqueness of our "understanding people before numbers" approach is helping advisors build a corporate memory bank of independently validated DNA behavioral intelligence for matching their team, clients and solutions offered on a continuous basis.

Achieving financial planning performance for clients is no longer just going to come from smart investment strategies, new innovative products, improving technology and better information. Rather, it will be driven by understanding that your client’s decision making is connected to their natural, inherent behavior style. Revealing this natural behavior as the foundation of discovering the client’s unique financial personality becomes an industry differentiator.



Our new behavioral discovery model for financial planning delivers a more holistic understanding of a client’s financial personality. It closes the gap between the clients’ true financial behavior and the rationality required for their investment decisions. Therefore, it is critical to gain objective measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution. Further, applying those insights in a Behavioral Investment Policy

Statement will provide advisors with a customized framework to guide their client's on their choices and minimize the impact of emotions.



The Forced Choice Scoring Model is academically proven to be one standard deviation more accurate than Likert Scoring Models (Situational Questions)

The value of our financial personality discovery approach is that we start with uncovering a person's natural instinctive behaviors at a greater level of depth and accuracy using a Forced Choice Assessment Model. This approach has been independently validated to be a more reliable predictor of long term life and financial decision-making styles and bias. Whereas most competitor systems uncover a person's risk profile on a singular basis and/or personality traits on a situational basis, and therefore are not as reliable predictors of long term decision-making.

The objective, therefore, of this e-booklet is to provide you with greater insight and understanding into how the Financial DNA Trust Factor can be effectively used in:

- Enhancing the advisory/client relationship dynamics, and
- Managing the behavioral strengths and Bias of clients in making critical life and financial decisions.

Introduction to the Trust Factor

Every participant in the Financial DNA Natural Behavior Discovery Process has a Trust Factor Score. The Financial DNA Natural Behavior Assessment is comprised of 46 sets of three non-situational items (pairs of phrases) that relate to one of the 8 factors using a forced choice rating (most like, least like) methodology. A total of 138 rating items. The responses to the 46 questions (138 rating items) produce 2,349,060 scoring combinations. The number of unique report T Score combinations is: 3,704,945,600,000,000,512,144,136.

Independent validation work using established psychometric methodologies performed by industrial psychologists from Georgia Tech University, and other independent psychologists with a total of more than 100 years relevant experience authenticates this approach.

You can review a summary of each of the 8 primary behavioral factors in Appendix (A), along with the behavioral traits associated with them. This will give you a greater understanding of how the Trust Factor fits into your overall DNA behavioral style. From DNA Behavior International's perspective, behavior refers to the way a person most naturally operates or acts, and is seen by others.

It's important to set the Trust Factor into context. The Trusting trait on the right hand side of the Trust Factor indicates a person's level of personal trust in themselves and others. They are open, believe the best of others and quick to forgive. They are comfortable delegating decision making to others.

In the financial advisory role the Trusting client will likely welcome and act upon, unequivocally, the advisors recommendations; yet could later regret or question the decisions made if they were not initially properly bought in. Conversely, the Trusting advisor could well believe everything the client says without probing deeper to establish precisely what it is they are trying to achieve with their finances.

Those on the left hand side of the Trust Factor have a Skeptical trait; they are Questioning, Guarded, and Wary of others. Skepticism is not a negative position; it's a thinking process. Skeptics are people who disbelieve what they see or hear; they are critical thinkers who question the validity of information. They take control of what people are saying to them and apply reason and critical thinking. They need to control information intake to establish whether or not it reaches an acceptable conclusion.

In the financial advisory relationship the Skeptical client will filter any and all advice. They are unlikely to tell their advisor everything preferring to research for themselves before making a decision. The Skeptical advisor will want to control the client; they might well push the client into making decisions that they later regret.

Each of us will have some level of Trust depending on whether the measured score is on the Trusting trait side (right-hand side with a higher Trust Score), Mid-Range or on the Skeptical trait side (left-hand side with a lower Trust).

Our approach is that there are both strengths and struggles from the Trusting and Skeptical trait sides of the Trust Factor. The Trust Factor Table below provides a summary of these strengths and struggles; the intensity of these strengths and struggles will be increased the stronger the participant's score is on the Trust Factor.

Becoming more effective and efficient in any role often requires a financial advisor to adapt their own behavioral style to build enhanced relationships. In particular, an advisor who is the leader of the client must learn to adapt their behavior. Therefore having the personal insight and then the understanding of how to moderate a Trust Factor desire either to be Trusting or Skeptical is a key part of the advisory/client relationship.

The relationship responsibility brings with it an added requirement, and that is to understand the behavioral bias that may influence financial decision making. This is where the advisor needs to understand the natural behavioral bias (see Appendix C) which are primarily (but not exclusively) driven by the Trusting and Skeptical traits. The Trusting trait drives a Fear of Regret Bias which is associated with people who are hesitant in case they miss out on a potential gain from the next best thing. The Skeptical trait drives a Controlling Bias which is associated with people who avoid advice and make their own decisions.

A key principle to remember is that every client reacts differently to the same market events. This is because they each have a unique mix of behavioral bias. This begs the question, how will you manage your different clients' emotions and bias? How will your own bias and 'blind spots' impact the advisory/client relationship?

Psychologists Daniel Kahneman and Amos Tversky' write in their Nobel Prize Winning book Thinking, Fast and Slow:
………there are two routes to persuasion, based on two basic modes of thinking.
"System 1" thinking is intuitive thinking – fast, automatic and emotional – and based on simple mental rules of thumb ("heuristics") and thinking bias (cognitive bias) that result in impressions, feelings and inclinations.
"System 2" thinking is rational thinking – slow, deliberate and systematic – and based on considered evaluation that result in logical conclusions. ISBN-13: 978-0374533557

Can a person's behavioral bias be uncovered? Yes. Each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with a correctly structured discovery process. The Financial DNA Discovery Process uncovers the behavioral bias that influences financial decision making; providing both the advisor and the client with insight that will need to be managed in the advice-giving conversation. Having this insight in advance of planning, not only enables the advisor to educate and behaviorally manage the client, it also flags areas where the client can be steered away from their behavioral bias which results in making irrational decisions.

Financial advisors need to be able to navigate these difficult conversations with clients. Key to understanding this relationship is to listen; appreciate the client's vision and strategy for their financial future; take time to build a relationship with the client. Remember, clients with a Skeptical trait may not be comfortable to work with a Trusting trait advisor whose hesitancy and fear they might regret a missed opportunity, causes them to actually 'miss the opportunity'. This could cause the Skeptical client to dismiss advice given and take over the decision making. The client with the Trusting trait needs the advisor to manage their fear of regret by building their confidence through citing examples of others successes.

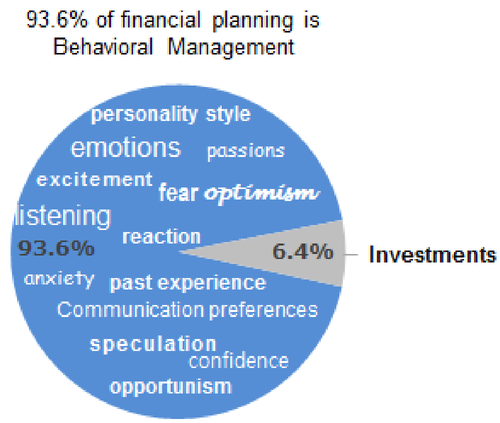
*Writing for **Journal of Financial Planning** Meir Statman in his article titled Quiet Conversations: The Expressive Nature of Socially Responsible Investors*
Financial advisors accept many preferences of clients and construct portfolios reflecting these preferences. They accept clients' preference for low risk by constructing low-risk portfolios. Advisors accept the home bias of clients, even if they advise against it, by allocating little to international stocks. They accept clients' desire for status symbols by investing in hedge funds that accept only the very rich. Advisors accept clients' preference to splurge on cruises, even if they themselves would jump overboard if forced on one. It is time for financial advisors to accept the preference for socially responsible investments as well. *SOURCE:* ***www.journalfp.net***

There could be a tendency to think that some behavioral styles are inherently more suited for making life or business decisions than others; however that is not the case. Each person may approach the same situation differently and with opposing perspectives because of their individual Trust Factor level (and because of their scores in the other 7 factors). All behavioral styles are equally valid, and all are needed. All styles and all people have strengths and struggles. The key point to remember is that people can be the most successful when they understand and maximize the positive aspects of their own unique natural styles, and can manage their areas of struggles.

Every successful financial planning business needs to have people with a variety of talents, communication styles and business behaviors to deliver services to a wide range of clients. Those who describe themselves as Trusting are open, receptive to others, forgiving and believe the best of those they interact with.

As with all behaviors there is a flip side; much depends on the reaction others have to Trusting/Skeptical people. Importantly, those with this style need to be a right fit for the culture, business and the role they are called to perform. Therefore, understanding and uncovering communication styles and inherent behaviors should be a priority for those whose responsibility it is to build client relationships.

In his article: The 93.6% Question of Financial Advisors, Meir Statman, 'states *that 93.6% of financial planning is Behavioral Management'.*



Source: The 93.6% Question of Financial Advisors, Meir Statman, 2000

The History of the Trust Factor

Historically, the Trust behavioral trait has its roots in the ancient four humors theory. It was the Greek physician Hippocrates (460–370 BC) who developed it into a medical theory. He believed certain human moods, emotions and behaviors were caused by an excess or lack of body fluids (called "humors"): Next, Galen (AD 131–200) developed the first typology of temperament in his dissertation *De temperamentis*, and searched for physiological reasons for different behaviors in humans.
http://en.wikipedia.org/wiki/Four_temperaments

Aristotle (384-322 BC), writing in the *Rhetoric*, suggested that Ethos, the Trust of a speaker by the listener, was based on the listener's perception of three characteristics of the speaker.
"Aristotle believed these three characteristics to be the intelligence of the speaker (correctness of opinions, or competence), the character of the speaker (reliability - a competence factor, and honesty - a measure of intentions), and the goodwill of the speaker (favorable intentions towards the listener). Aristotle's Rhetoric translation by W. Rhys Roberts

The Trust Factor (see table at Appendix B) illustrates how the Trust Factor (though often called by other names) has been recognized since 450BC.

In his article for the Harvard Business Review titled 'Rethinking Trust' Professor Roderick M Kramer (Stanford Graduate School of Business) observes:

To Trust Is Human. It all starts with the brain. Thanks to our large brains, humans are born physically premature and highly dependent on caretakers. Because of this need, we enter the world "hardwired" to make social connections. The evidence is impressive: Within one hour of birth, a human infant will draw her head back to look into the eyes and face of the person gazing at her. Within a few more hours, the infant will orient her head in the direction of her mother's voice. And, unbelievable as it may seem, it's *only a matter of hours before the infant can actually mimic a caretaker's expressions. A baby's mother, in turn, responds and mimics her child's expression and emotions within seconds.*

In short, we're social beings from the get-go: We're born to be engaged and to engage others, which is what Trust is largely about. That has been an advantage in our struggle for survival. As social psychologist Shelley Taylor noted in her summary of the scientific evidence, "Scientists now consider the nurturant qualities of life—the parent-child bond, cooperation, and other benign social ties—to be critical attributes that drove brain development…accounting for our success as a species." The tendency to Trust made sense in our evolutionary history.

In psychology, psychoanalyst Erik H Erikson states - *Trust is believing that the person who is Trusted will do what is expected. It starts at the family and grows to others. He asserts that the development of basic Trust is the first state psychosocial development occurring, or failing, during the first two years of life. Success results in feelings of security, Trust, and optimism, while failure leads towards an orientation of insecurity and mistrust. A person's dispositional tendency to Trust others can be considered a personality trait and as such is one of the strongest predictors of subjective well-being. It has been argued that Trust increases subjective well-being because it enhances the quality of one's interpersonal relationships, and happy people are skilled at fostering good relationships. (Stages of Social-Emotional Development – Erik H Erikson)*

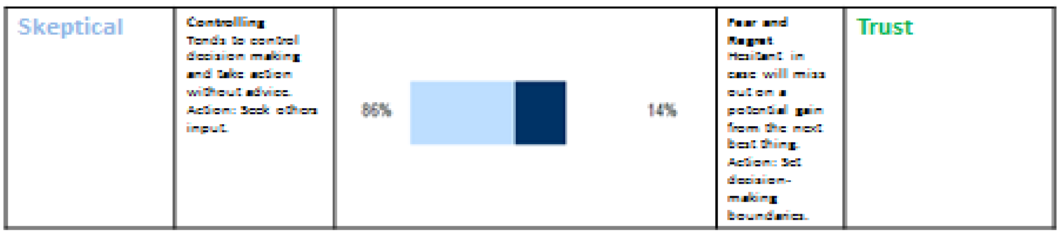
Skeptical, on the other hand, is generally,…. *any questioning attitude towards unempirical knowledge or opinions/beliefs stated as facts, or doubt regarding claims that are taken for granted elsewhere.* Source: Popkin, R. H. *The History of Skepticism from Erasmus to Descartes (rev. ed. 1968); C. L. Stough, Greek Skepticism (1969); M. Burnyeat, ed., The Skeptical Tradition (1983); B. Stroud, The Significance of Philosophical Skepticism (1984)*. *Encyclopedia2.thefreedictionary.com*.

On the other hand, in his book *The History of Skepticism from Erasmus to Descartes* (rev. ed. 1968); R. H. Popkin looks at Skeptical from a philosophical position holding that …*the possibility of knowledge is limited either because of the limitations of the mind or because of the inaccessibility of its object. It is more loosely used to denote any questioning attitude. Extreme Skepticism holds that no knowledge is possible, but this is logically untenable since the statement contradicts itself. The first important Skeptical view was held by Democritus c.460–c.370B.C.,Greek philosopher of Abdera; pupil of Leucippus. His theory of the nature of the physical world was the most radical and scientific attempted up to his time, who saw sense perception as no certain guide to objective reality.* ….

In understanding and appreciating how people affect each other when they have different behavioral styles, some may see those on the Trusting side of the Trust factor as people of integrity, good character and ready to forgive. Though others may see them as gullible, ready to believe whatever they are told. Some may see people on the Skeptical side of the Trust Factor as Controlling, lacking in trust, not easily convinced and preferring to make their own decisions.

Care needs to be taken, therefore, to ensure that any tendency to introduce bias into the financial advisory relationship is managed.

Through its Financial DNA Discovery Process that was developed in 2001 with extensive research and continuously developed since then, DNA Behavior International can measure bias. This is a significant measurement and insight that provides advisors with an understanding, firstly, of how their client will react in given circumstances, and secondly, reveals advisors own inherent bias. This is an important tool in the advisory/client relationship. It will prepare advisors to be able to manage their clients when financial markets become unpredictable.



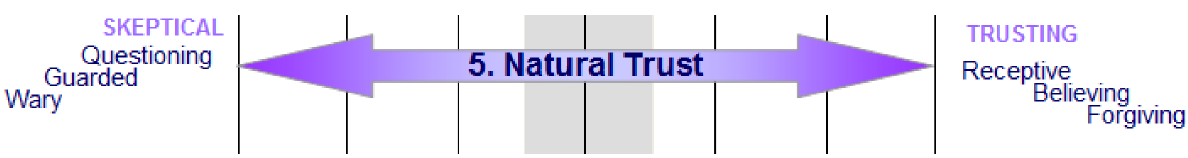
For every person there is always a lot going on below the surface that is motivating his or her life and financial behavior. Generally, these behaviors cannot be easily or quickly measured by human observation. This then makes it difficult to know how extreme and predictable the behavior will be in given situations.

As an advisor you will have your own investment bias and “blind-spots”. These must be managed so that clients are not influenced by your behavior.

The Financial DNA Discovery Process delivers a behavioral finance approach that benefits both advisor and client. It makes the advisory process more tangible and robust especially when the process is introduced at the beginning of the planning cycle.

If the primary role of an advisor is to guide and lead their client; what then is the advisory approach if the client presents with a Fear of Regret bias; hesitant in case they miss out on a potential gain from the next best thing? The client won’t be comfortable if presented with ambitious opportunities that have a tight decision making time-line. Remember, if their core driver and bias is maintaining Fear of Regret in terms of their current state of financial affairs, the advisor will need to tread carefully and manage expectations and bias if they are to work with the client to increase their wealth.

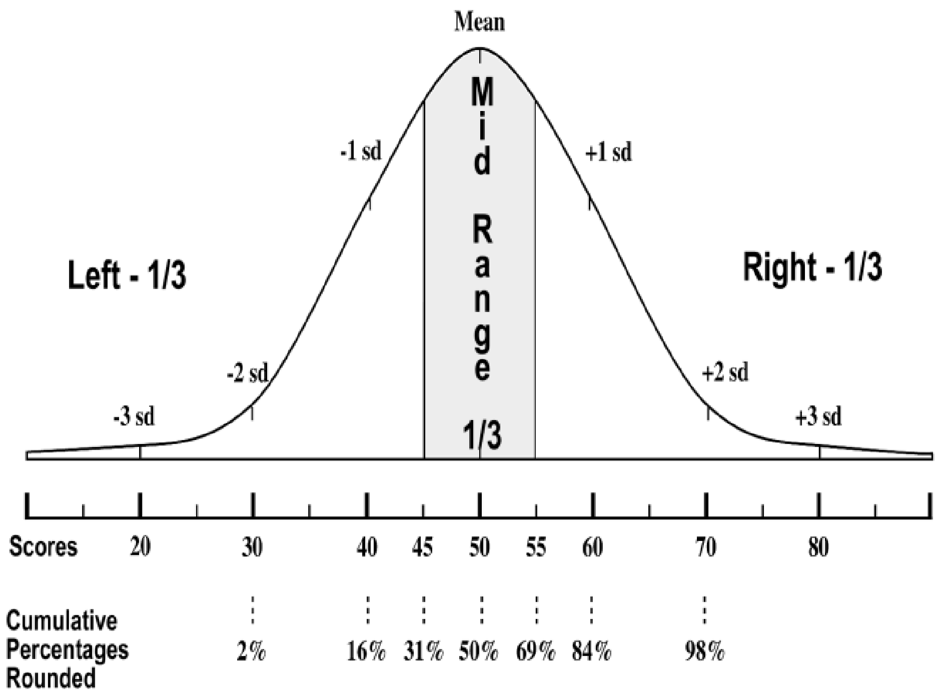
Managing the Trust Factor – Trusting Trait



The Financial DNA Discovery Process also uncovers the sub-factors that form a part of the Trust Factor. These are important components of the primary Trust Factor which are each separately measured. They provide an additional level of depth in terms of revealing the behaviors of a person. While a person may have the same Trust factor score, their mix of sub-factor scores could be different. This will mean that their behavior is different. Having this additional level of information is a critical starting point to understanding a person's strengths and predicting the areas in which they will perform in an advisory/client role.

The bell curve graph below shows the degree to which scores on the right, left or in the middle uncover extremes of behavior and the degree to which they are strengths or struggles. The closer the scores move toward 20 and 80 respectively, the stronger the behavior. Put another way, the strengths will be greater as will be the corresponding struggles. Strengths over used without behavioral awareness can become blind-spots.

- Strengths - Behaviors that come naturally and should be used.
- Struggles – Behaviors that can be managed with greater awareness of your natural behaviors. Struggles not managed can become weaknesses.
- Mid-Range Scores - Tend to be more flexible in these factors and are easier to move left or right.



How are you guiding your clients through different events? The following summary provides insight into how an advisor with a strong Trust Factor score on the Trusting side might need to moderate their approach with a client with a stronger Trust Factor on the Skeptical side.

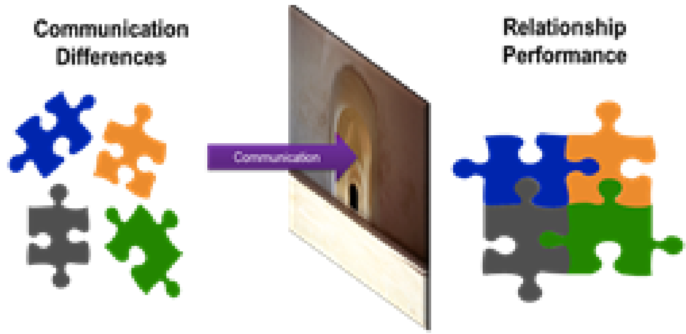
Trusting Advisor Strengths and Struggles Sub Factors Receptive Believing Forgiving Behavioral Bias: Fear of Regret	Moderating Behavior in the Advisor/Client Relationship	Skeptical Client Strengths and Struggles Sub Factors Questioning Guarded Wary Behavioral Bias: Controlling
Allows open dialogue Easily taken advantage of	Don't share personal information too quickly. Be prepared for questions. Don't assume there will be a relationship, it will take time. Be professional. Demonstrate your advisory ability through actions not words. Keep exchanges short and business like.	Critical thinker Has difficulty letting go

Approachable Does not set boundaries	If you are inclined to Trust the wrong people try to think through the signs you misunderstood. Don't assume everyone wants to be your friend. In the advisor/client relationship clients want your expertise not necessarily your friendship. Professionalism equals a job well done and builds trust. Give them time to get to absorb what you are advising; doubting clients will want to see evidence of what you are proposing. Try to establish past experiences that have led to current uncertainty from your client.	Thinks matters through Finds it difficult to commit to others
Lets people do their jobs Gets easily hurt	When opportunities, ideas or suggestions are not received by your client, don't take it personally. Sometimes a 'no' just means 'give me time to think this through'. Don't try to 'read' their feelings and emotions because they are good at masking them.	Discovers the truth Does not share emotions and feelings

Strong relationship builder Takes people for their word	Spend time establishing relationships. Allow time for others to build Trust with you. Clients are unlikely to share more than is needed for the current conversation. Probing will not reveal more. However, carefully focused questioning might.	Protective of important information Does not easily open up
Transparent Too forgiving	Be authentic when talking to clients. Keep conversations direct and accurate when reporting facts and figures. Be clear about any actions you are agreeing to undertake. Don't promise more than you can deliver. Don't over commit in an effort to build a relationship. Speak up if the client is making you feel uncomfortable and you feel scrutinized. Ask what their expectation of an advisory/client relationship looks like to them.	Asks difficult questions Makes people uncomfortable
Openly shares knowledge Fails to inspect work done	Deliver high standards in your work. This builds trust. Let others know you hold yourself accountable for setting high standards. Expect to be asked and even challenged about key points.	Watchful of important tasks Not easily forgiving

	Keep to agreed timelines	
Recognizes Trust builds Trust Overly impressionable	To build Trust, go beyond what you promised. When challenged don't take it personally; work through the issues professionally. Be consistent in your behavior. Remember others often need time to analyze and think things through before they feel they can Trust.	Confronts problems Distrust breeds distrust

The following summary provides an insight into how an advisor with a strong Trust Factor on the Trusting side might communicate with a client with a stronger Trust Factor score on the Skeptical side.



Which type of wealth management conversations are you comfortable with?

Goals
Business Transfer
Life Balance
Inheritance
Personal/ Family Relationships
Planned Giving
Investment Portfolio
Retirement Planning

Trusting **Receptive** **Believing** **Forgiving**	**How to Communicate** →	**Skeptical** **Questioning** **Guarded** **Wary**
Communication Need Allows open dialogue Approachable Transparent	Modification/Approach Be prepared. Provide assurances and back them up with facts. Build a reputation as	**Communication Response** Thinks matters through Able to ask difficult questions Watchful of important tasks

Communication Challenge May not set boundaries Can be overly impressionable **Communication Key:** Present feelings/emotions	someone to be Trusted professionally; who completes work on time, accurately and within budget. Invite questioning and have answers ready. Ask for their opinion. Ask for time to check things out before believing everything you are told. Converse in a way that others don't see you as gullible or lacking in wisdom.	**Communication Challenge** May have difficulty letting matters go May not be easily forgiving **Communication Key:** Provide logic and key points

<u>In Summary – The Trust Factor on the Trusting side</u>

Trust, Trusting, Receptive, Believing, Forgiving are words that define Trust on the Trusting side. They are a measure of relationship; they form the environment within which Trust grows or is restored. Being able to Trust is fragile; it takes time to build both in relationships with clients, colleagues and even family.

Trust can be destroyed very quickly. Promises made and broken are a good example of this. Dr. Stephen Covey, speaking at the Sydney Opera House said *"Trust cannot develop in the absence of trustworthiness'.* *The SPEED of Trust*, by Stephen M.R. Covey

One area where the ability to form Trust in a relationship is essential, is in the Financial advisory/client relationship. When the client is not the keeper of the information and is relying on and Trusting the advisor to have their best interest's front and center with the advice they are giving; advisors need to ensure they manage, not only their own bias, but also their clients. On the Trusting side of the Trust factor, Fear of Regret bias in an advisor needs to be managed with clients in particular when the client on the Skeptical side of the Trust Factor has Controlling bias. With insight into Natural inherent behaviors these issues can be managed.

The ability to Trust between advisor and client becomes even more critical during periods of market instability. This would be almost impossible to navigate without the presence of Trust. In such an environment insecurity between advisor and client can become a breeding ground for distrust.

Trust is an essential part of leading a client in the financial planning industry. Trust is the foundation upon which all relationships are built. When Trust is present in the financial advisory arena, the business grows as clients feel secure, respected and appreciated.
That said – an environment of Trusting needs to be built over a period of time. When Trust exists almost everything else is easier and more comfortable to achieve. As history records *we are born hardwired to trust* (SOURCE: Harvard Business Review titled Rethinking Trust Professor Roderick M Kramer (Stanford Graduate School of Business) therefore as human beings it could be said the Trust Factor represents the cornerstone of who we are.

Managing the Trust Factor – Skeptical Trait

How are you guiding your clients through different events? The following summary provides an insight into how an advisor with a strong Trust score on the Skeptical side might need to moderate their approach with a client with a stronger Trust score on the Trusting side.

Skeptical Advisor **Strengths and Struggles** **Sub Factors** **Questioning** **Guarded** **Wary** **Behavioral Bias:** Controlling	**Moderating Behavior in the Advisor/Client Relationship** ➡	**Trusting Client** **Strengths and Struggles** **Sub Factors** **Receptive** **Believing** **Forgiving** **Behavioral Bias:** Fear of Regret
Critical thinker Has difficulty letting go	As an advisor your client will hope to build trust with you, approach conversations using the term *'we'* rather than *'I'*. This builds inclusivity and Trust. Be careful not to take advantage of clients who readily want to build trust. They may make decisions to please you and then regret and change their mind.	Allows open dialogue Easily taken advantage of
Thinks matters through Finds it difficult to commit to others	Don't pre-judge clients who seem to trust you from the outset; don't let prejudice allow you to think you know better than the client. Use your ability to think	Approachable Does not set boundaries

	matters through to plan how best to build a relationship based on mutuality.	
Discovers the truth Does not share emotions and feelings	Ask questions that are not inquisitorial. Frame discussions when seeking information in a way that does not make others believe you are suspicious about what they are saying or doing. Smile, soften your voice.	Lets people do their jobs Gets easily hurt
Protective of important information Does not easily delegate	Share information and thoughts appropriately. Add provisos where confidentiality is required. This demonstrates Trust. Remember that Trusting clients want to build a relationship. If you mistrust their ability to manage their finances and challenge the plans they share for wealth creation they will become unsettled. Take small steps to demonstrate you Trust them. Set boundaries if necessary.	Strong relationship builder Takes people for their word
Asks difficult questions Makes people uncomfortable	Asking difficult questions will have more success in terms of the responses received if they are couched in a friendly way. Trusting clients will close down and retreat if they think they are being quizzed.	Transparent Too forgiving

	If you are too probing or blunt and realize it apologize quickly and sincerely, they are very forgiving.	
Watchful of important tasks Not easily forgiving	Try not to micro-manage clients especially if they appear indecisive. Give them space and freedom to give you feedback on how the exchange is going; this will build trust. Clients might become confused and make mistakes especially when interacting with Skeptical advisors; their confidence can be undermined. They may feel judged and intimidated. Work with them to slow down and pay attention to the detail. This approach builds mutual value into the relationship.	Openly shares knowledge Fails to inspect work done
Confronts problems Distrust breeds distrust	Lay out the issues and present solutions. Ask which solution appears to be the answer to the problem yet adds value to their financial plans. Even if you have already decided which way to go – include them in the decision making. Explain your choice of solution. This builds confidence in others. Invest time into overly Trusting people. Explain why and how being too accepting can lead to	Recognizes Trust builds Trust Overly impressionable

	problems. Describe the power of questioning to them.	

The following summary provides an insight into how a person with a strong Trust Factor on the Skeptical side might communicate with a person with a stronger Trust Factor score on the Trusting side.

Skeptical	**How to Communicate** ➡	**Trusting**
Communication Response Thinks matters through Able to ask difficult questions Watchful of important tasks **Communication Challenge** May have difficulty letting matters go May not be easily forgiving **Communication Key:** Provide logic and key points	Modification/Approach Remember to build respect and honoring into your conversations. Frame questioning in a way that is not interrogational. Set an environment for conversation that puts them at ease. Remember they want to build a relationship of Trust with you.	**Communication Need** Allows open dialogue Approachable Transparent **Communication Challenge** May not set boundaries Can be overly impressionable **Communication Key:** Present feelings/emotions

In Summary – The Trust Factor on the Skeptical Side

It's important in the advisor/client relationship to learn how to manage the inherent Skeptical trait.
As a financial advisor you will be constantly working to understand your client's goals, and to create plans for their investments that will make those goals a reality. But if you allow your Skepticism to drive the conversation, especially if you feel some of their plans are not realistic, the client will not feel able to build trust with you. Explain your need to ask questions and focus on key points.

However a client with the Trust trait will tend to avoid advisors who always seem to react to them in a negative and/or suspicious way. It's important to be aware of the impact and effect an advisor with a Skeptical trait has on others and develop a way to manage it.

While most would consider Skeptics to be negative, doubting and disbelieving, it's also possible that they are applying reason and critical thinking to determine validity of what is being said. During such times it's critical that as an advisor you don't allow your personal bias of Controlling to overtake the client's wishes or put pressure on them.

When Skeptics understand their behavioral style and have mature insight into how to apply this trait they have an important and powerful place in the financial advisory process. Their ability to probe, enquire and investigate ensures clients are provided with well thought through options.

Trust – Trusting Trait Case Study

Financial Services Industry Advisory Company Challenge: Henry, principal of the significant financial advisory firm received a letter of complaint from a client. In it the client questioned the behavior of the advisor stating that they appeared biased and somewhat cynical about the plans the client had shared with them. Having been recommended to Henrys firm by a mutual friend, the client felt to bring this matter to Henrys attention as the service he received did not line up with the reputation of the company.

Henry owned, with his father, a highly thought of financial advisory firm. Clients would describe the firm as 'old school', people of integrity, trustworthy, respectful and many other such adjectives. The business was now in the hands of the third and fourth generation; Henry was grooming his son and daughter to take their place on the executive of the business in the future.

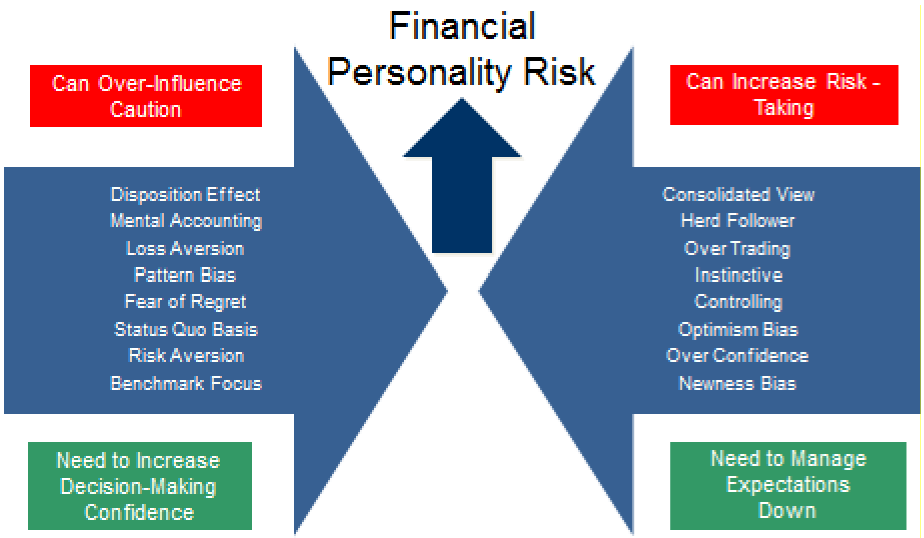
During the past year Henry hired a financial advisor with the skills to reach out to the younger generation; someone with the insight to be able to deliver appropriate advice to their circumstances. Jess was smart, questioning, confident but Skeptical and had been hired because of her past experience advising the younger generation.

Alarmed by the tone of the letter of complaint, Henry checked to see who the advisor was and found it was Jess. Further investigation revealed the client to be an older retiree.

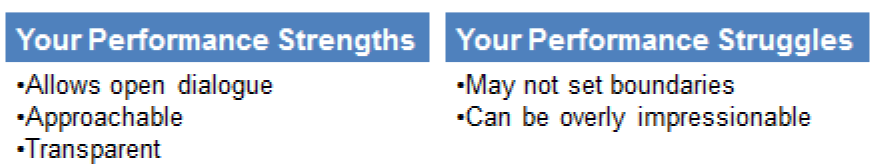
Henry interviewed Jess only to discover that the clients 'matched' advisor had called in sick and Jess took the meeting. It became clear that Jess was cynical even disparaging about the plans the retiree had to manage their wealth. In her defense Jess said that the client was clearly out of their depth and kept changing their mind which became quite frustrating.

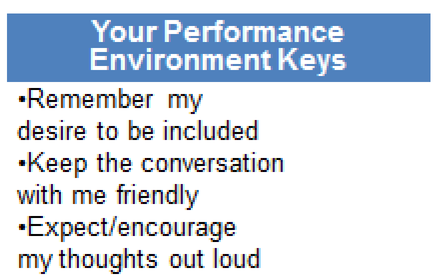
Engagement Scope and Approach: Henry was very concerned about the potential fallout from Jess behavior towards the client. The business had always been admired for its trustworthiness, for its fairness and above all else for the excellence of the service it gave to its clients.
Henry called a trusted friend at DNA Behavior International to seek advice. They explained to Henry that Jess's Skepticism could be managed and she could be given insight into how to manage her behavior towards clients. Henry engaged DNA Behavior International who undertook the Financial DNA Discovery process with Jess. The program offered individual behavioral discovery to reveal and identify inherent behaviors and talents. The next step, to demonstrate effective ways this knowledge and insight can be applied to manage and guide clients in the financial advisory process.

Henry also completed the process so that Jess could compare the two outcomes. Henrys Trust factor was on the Trusting side and Jess Trust Factor was on the Skeptical side. They each found the outcomes to be accurate and revealing. Jess could now see how her behavior and communication approach could have given offence to the retiree client. She now understood how her responses appeared disparaging and even mocking to the client and this troubled her. Further, she could now understand why Henry was so revered, respected and Trusted. His inherent behavior was Trusting and he knew how to manage his behavior. Jess could now see the value and maturity in understanding how to manage her Skepticism and her Bias.



Henry called a meeting with the client, he and Jess explained, using their Ultimate Performance cards, why Jess had communicated in the way that she did. The client was willing to continue to seek advice from Henrys Company. When Henry stated that he would of course place the client with another advisor, the client refused and said he would remain with Jess. Henry suggested the client complete the Financial DNA Discovery process so they could each gain insight into the others natural behavioral and decision making styles. The process also uncovered bias each had which they now knew could be managed as they built their relationship.





Result – the advisor/client relationship was very successful.

The broader pay-off was:

Henry asked Financial DNA International to run workshops for all his advisors to explain the importance of understanding inherent communication and behavioral styles and how to manage both these and innate Bias.

Trust Factor – Skeptical Trait Case Study

The Challenge: John heads up a large financial services firm. He is under pressure from his board to adapt to the changes social and media are bringing to the industry. John is Skeptical; he believes that restrictions regarding legislation and other regulatory requirements make this move questionable.

The Boards view is that any obstacles to such a move can be overcome and this move should be pursued as it presents significant business opportunities for their firm. Further they believe if provides a whole new approach to connecting with their clients and introducing them to investment opportunities.

John distrusts social media believing that it would open the financial advisory process open to derision. Even as the Board determines it would be willing to invest significantly into using social media, pointing out the advantages of being able to interrogate data, John is not convinced.

John finds himself isolated as even his advisors see the way forward as using social media. They even produce evidence to show John how in an industry plagued with controversy clients are asking for a relationship that includes the use of social media.

After difficult meetings with the Board and his advisors John becomes aware his reluctance to engage in the move to social media has moved significantly from questioning, or doubting its use to cynicism. He begins to see the Board and his advisors as too trusting.

John discusses this matter with his business coach. The coach gets John to complete the Financial DNA Discovery process believing that when he sees his inherent behavioral and decision making style he will understand how to moderate his approach to this important issue. The coach explained that the process would also uncover his Bias which would, undoubtedly form a significant part of how he was currently feeling.

On reading the outcomes of the process John realized how Skeptical he is. His coach tells him this can be managed; advising him to bring others input into the debate; by asking questions rather than interrogating. Further, his coach points out that Skepticism in moderation brings a protection to any business; it's the degree to which it is implemented that can cause more Trusting colleagues to feel uncomfortable. This discomfort becomes even more of an issue for Trusting people if the person (as in John's case) is in a position of authority.

Armed with this information and behavioral insight, John addresses the Board explaining that he supports the move to introducing social media. He explains his need to question and to be wary, but couches this in terms of wanting to ensure they make appropriate decisions to safe guard the integrity of the business.

Result: John determined that each of the advisors should complete the Financial DNA Discovery process. He decided that having insight into their behavioral style would be beneficial to them personally but also to the client/advisor relationship.

John also recognized the importance of managing any Bias he had. He had been very biased against social media; taking this thought further, he now realized the importance in the advisory/client relationship to ensure the advisors knew how to manage their bias in the advisory process.

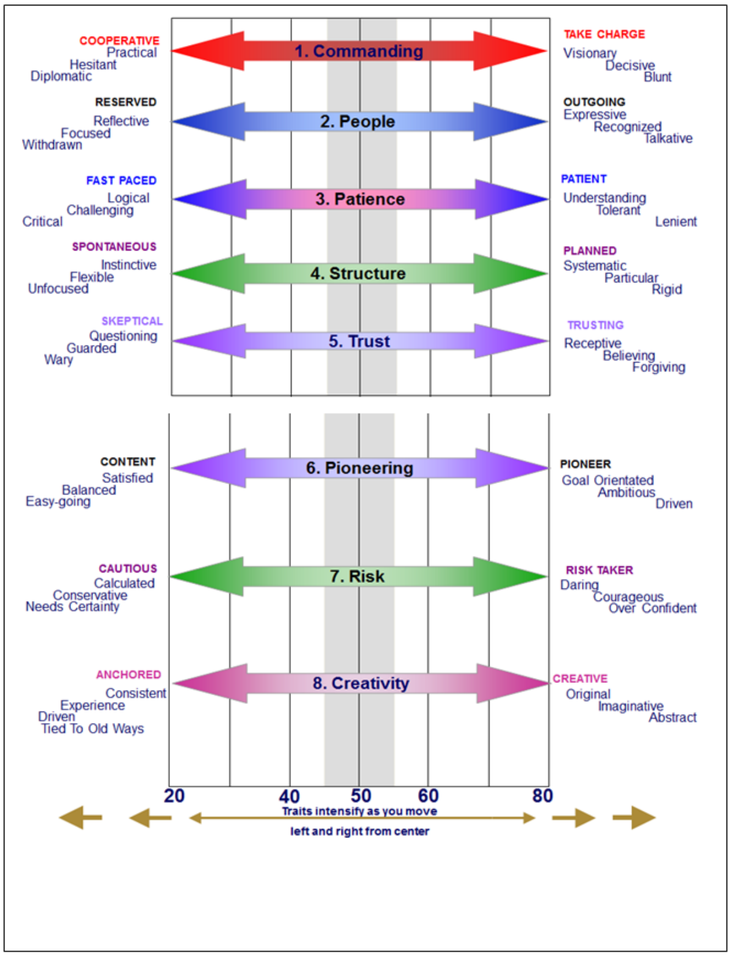
He mandated that the advisors each carried their DNA Ultimate Performance Card with them at all times and to review it before each meeting or phone call with the clients. In addition as they moved into the world of social media, he explained the need to manage their communication style in every form of social media including emails.

Your Performance Strengths	Your Performance Struggles
•Thinks matters through •Able to ask difficult questions •Watchful of important tasks	•May have difficulty letting matters go •May not be easily forgiving

Your Performance Environment Keys
•Expect me to ask for the logic and key points •Remember my need to do analysis •Allow me time to think matters through

Financial DNA Behavioral Factors Appendix A

Below is a summary of each of the 8 primary behavioral factors measured by the Business DNA Natural Behavior Discovery Process, along with the behavioral traits associated with them.



The History of the Trust Factor **Appendix B**

Date	Founder	Trust, Thinking, Feeling, Openness, Steadiness, Compliant, Faithful, Accepting, Innocent, Gullible
c. 450 BC	Classical elements	fire
c. 400 BC	Hippocrates's four humors	yellow bile
c. 190	Galen's four temperaments	choleric
c. 1025	Avicenna's four primary temperaments	loss of vigor, deficient energy, insomnia, wakefulness, high pulse rate, lassitude, acquired habit
c. 1900	Ivan Pavlov's four temperaments	choleric (Strong excitatory)
c. 1900	Alfred Adler's four Styles of Life	Ruling or Dominant
c. 1928	William Marston and John G. Geier DiSC assessment	Dominance
c. 1947	Erich Fromm's four Types of Character	Exploitative
c. 1948	California Psychological Inventory CPI 260	Leader
1958	MBTI codes	ESTJ, ENTJ, ESTP, ENFJ
c. 1958	William Schutz, FIRO-B	See FIRO article for score names.
c. 1960s	Stuart Atkins LIFO's four Orientations To Life	Controlling-Taking
c. 1960s	David Merrill, "Social Styles"	Driving
1964	Blake-Mouton Managerial Grid Model	Produce or Perish
c. 1966	Temperament by LaHaye	Choleric
1973	Jay Hall Conflict Management[15]	Win/lose
1974	Thomas-Kilmann Conflict Modes[16]	Competing
c. 1984	The Arno Profile System(Five Temperaments)	Choleric
c. 1995	Worley Identification Discovery Profile	Choleric
c. 1996	Tony Alessandra Personality Styles	Director
c. 1998	Hartman Personality Profile	Red
c. 2001	Linda V. Berens' four Interaction Styles	In Charge

<u>Behavior Bias Connected to Natural Behavior</u> **<u>Appendix C</u>**

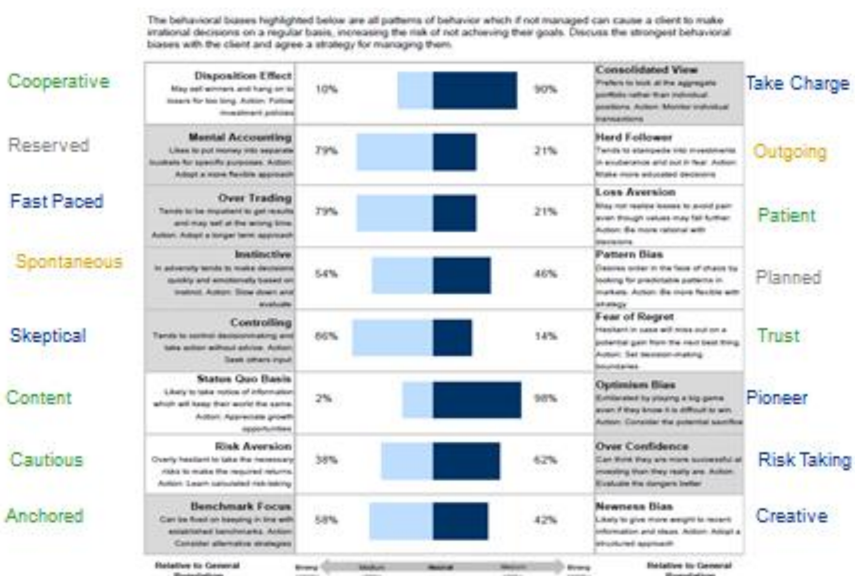
For the first time advisors can gain predictive insights into their own behavioral finance Bias and also those of their clients. Every individual reacts differently to the same market events or personal, business or other life episodes. This is because they each have a unique mix of behavioral Bias all of which are directly connected to their inherent natural behavioral style. Put another way, each person's inherent behavioral traits leads to specific behavioral Bias in decision-making that without awareness and management there is very little control of.

In the advisory/client relationship, uncovering these Bias will enable the wealth advisory relationship to be built on trust, mutuality and deliver insight into how to manage/navigate the client's emotions as the market changes and life events take place.

In the financial planning process some clients tend to make financial decisions that are based on past experiences, personal beliefs, what they like and to avoid mistakes; fewer people make well considered forward thinking, long term life financial planning decisions. But each approach suggests a bias.

Writing for News Limited's The Australian, Platinum Asset Management co-founder and managing director Kerr Neilson asks the following question. *What is the biggest factor in investing? What is it that separates the winners from the losers? You might think its experience or numeracy or a particular understanding of an industry. All of these factors will be relevant but the distinguishing feature is surely the presence of bias.*

This is an interesting thought and much in evidence in the financial fraternities' articles and blogs. But what is bias? How does it play into financial decisions? Can it be uncovered?



Investopedia explains 'Bias' as:
Some common psychological Bias plaguing investors include: taking the consolidated view, the disposition effect, following the herd, mental accounting, loss aversion, over trading, pattern bias, being instinctive, fear of regret, controlling, optimism bias, status quo bias, overconfidence bias, risk aversion, newness bias and anchoring. There are many other Bias as well.http://www.investopedia.com/terms/b/bias.asp

Can behavioral Bias be uncovered? Yes they can, because each person has an inherent "hard-wired" behavioral style which is the core of who they are and can be predicted with the right discovery process. Behavioral Bias influence not only their behavior, but also their decision making process. Daniel Kahneman (winner of the Nobel Prize in Economics) refers to this as a person's automatic decision-making Bias in his 2012 book "Thinking, Fast and Slow".

Robert Stammers, CFA Director, Investor Education notes in his article for Forbes - *Perhaps the best advice for individual investors regarding bias is this: Avoid trying to outsmart the markets and instead work to outsmart yourself. Through self-examination and reflection, learn to recognize your own Bias when they rear their heads.* http://www.forbes.com/sites/cfainstitute/2011/12/21/three-behavioral-Bias-that-can-affect-your-investment-performance/2/
Financial advisors need to be able to uncover a client's Bias; having this insight in advance of planning not only enables the advisor to educate the client, but it also flags areas where the client can be steered away from their emotional bias which results in taking action based on feelings instead of facts.
Writing for the European Financial Review, H. Kent Baker and Victor Ricciardi observe***:*** *Investor behaviour often deviates from logic and reason. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analysing numbers and making decisions to buy and sell various assets and securities. A large part of investing involves individual behaviour. Ignoring or failing to grasp this concept can have a detrimental influence on portfolio performance. http://www.europeanfinancialreview.com/?p=512*

A useful starting point in the advisor/client relationship is to uncover and understand that you as an advisor have your own investment Bias and "blind-spots" that must be managed so that clients are not influenced by your behavior. Revealing these Bias for the advisor as well as the client ensures a) the relationship will be built on trust and b) it will help mitigate the influence bias or predilection can have on decision making.

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas
Anchored	Benchmark focus: Can be fixed on keeping in line with established benchmarks

Research References

Dirks, Kurt T., Journal of Applied Psychology, Vol 85(6), Dec, 2000. pp. 1004-1012.
Jones, Del, Gannett News Service, 2001.
Meyer, R.C., Davis, J. H., and Schoorman, F. S., Academy of Management Review, 20(3), 1995.
Tway, Duane C., A Construct of Trust, Dissertation, 1993.
Tway, Duane C., Unpublished Paper, Leadership and Trust: An Imperative for the Transition Decade and Beyond, 1995.
Belbin Team Roles and Personality Types Theory
Benziger Personality Assessment Model
Bernstein, P. - Against the Gods – The Remarkable Story of Risk, 1996 (John Wiley & Sons, Inc)
Brown A and Maydeu-Olivares (2011). How Item Response Theory Can Solve the Problems of Ipsative Data. University of Cambridge Psychometrics Centre.
Buckingham, M & Coffman, C – "First Break all the Rules, 1999 (Simon & Schuster)
Businessballs.com
Carl Jung's Psychological Types
Charles Handy - Motivation Calculus
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological Assessment Resources
Costa, P.T. Jr, & McCrae, R.R. - "*The NEO Personality Inventor" (1985)*. Odessa, FL: Psychological
DALBAR, Inc. - "Quantitative Analysis of Investor Behavior Study", 2010.
Discover Your Inner Economist
Dixon, M., Freeman, K., Toman, N. - Stop Trying to Delight Your Customers, 2010 (Harvard Business Review)
Douglas N. Jackson, Victor R. Wroblewski & Michael C. Ashton (2000). The Impact of Faking on Employment Tests: Does Forced Choice Offer a Solution? Human Performance Volume 13, Issue 4, 2000.
Dynamics of Personality Type : Understanding and Applying Jung's Cognitive Processes (Understanding yourself and others series) by Linda V Berens
Ellis, Lee – "Leading Talents, Leading Teams", 2003, (Northfield Publishing)
Emotional Intelligence (Eq)
Eriksen, K. and Kvaloy, O. - "Myopic Investment Management", 2009
Erikson's Psychosocial Theory Of Human Development Charisma
Financial Planning Standards Board.
Firo-B® Personality Assessment Model
Gallup Consulting - The Economics of Wellbeing, Tom Rath and Jim Harter, 2010 (Gallup Press)
Gallup Consulting - The Next Discipline: Applying Behavioral Economics to Drive Growth and Profitability, 2009
Gardner's Multiple Intelligences
Hans Eysenck's Personality Types Theory
Herzberg's Motivational Theory
Heuristics and Bias: The Psychology of Intuitive Judgement
Thinking and Deciding
Behavioural Finance: Insights into Irrational Minds and Markets .
Hogan J., Barrett P., Hogan R., Personality Measurement, Faking and Employment Selection. Journal of Applied Psychology, 2007, Vol. 92, No 5, 1270-1285.
Influence: The Psychology of Persuasion
Nudge: Improving Decisions about Health, Wealth, and Happiness*

Why Smart People Make Big Money Mistakes
Breakdown of Will
Ipersonic
Johari Window Model And Free Diagrams
Judgment in Managerial Decision Making
Jung, C.G. – "The Essential Jung", 1983, (Princeton University Press)
Kahneman, D and Riepe, M – Aspects of Investor Psychology, 1998, (Journal of Portfolio Management)
Kahneman, D. and Tversky, A. - "Prospect Theory – An Analysis of Decisions Under Risk", 1979
Katherine Benziger, The Art Of Using Your Whole Brain (1995)
Katherine Benziger, Thriving In Mind (2000)
Frieda Fordham, An Introduction To Jung's Psychology (1953/59/66)
Maggie Hyde, Introduction To Jung (1992)
Carl Jung, Psychological Types (1921)
David Keirsey, Please Understand Me Ii (1998)
Stephen Montgomery, People Patterns - A Modern Guide To The Four Temperaments (2002)
Isabel Briggs Myers & Kathryn Briggs, Mbti Manual: A Guide To The Development And Use Of The Myers-Briggs Type Indicator® (1962)
Isabel Briggs Myers, Gifts Differing (1980)
William Moulton Marston, Emotions Of Normal People (1928)
R Meredith Belbin, Management Teams, Why They Succeed Or Fail (1981)
Katherine Benziger's Brain Type Theory
Keirsey's Personality Types Theory (Temperament Sorter Model)
Kolb Learning Styles
Kouzes J.M. & Posner, B.Z. – "The Leadership Challenge", 2007, (John Wiley & Sons)
Love And Spirituality In Management And Business - Bringing Compassion And Humanity To Work
Lumina Spark
Makransky G.M. (2007). Using the Master Person Profile to Provide an Enhanced Picture of Decision-Making Style. In press.
Martin B.A., Bowen, C.C, & Hunt, S.T (2002). How Effective are People at Faking on Occupational Personality Questionnaires? Personality and Individual Differences, 32 (2002) 247-256.
Maslow's Hierarchy Of Needs
Massie, H. - "Financial DNA – Discovering Your Financial Personality for Living a Quality Life", 2006, (John Wiley & Sons)
Maxwell John Beyond Talent. Everyone Communicates Few Connect. Winning With People Developing the Leader Within You
Mcclelland's Achievement-Motivation Theory
Morgeson et al- "Reconsidering the use of Personality Tests in Personnel Selection Contexts". by Morgeson et al, 2007 in the "Personnel Psychology" Journal,60, 683-729 (Blackwell Publishing)
Myers Briggs® Personality Types Theory (Mbti® Model)
Narramore, Kevin – "Personality on the Job", 1994, (Servant Publications)

Neil D. Christiansen, Gary N. Burns & George E. Montgomery (2005). Reconsidering Forced-Choice Item Formats for Applicant Personality Assessment. Human Performance Volume 18, Issue 3, 2005.

Nudge Theory - Discover The Hidden Influential Factors In People's Thinking
Personality Type (Jung on the Hudson Book Series) by Lenore Thomson
Peters, T. - The Influence of Women on the Customer Service Experience, 2007

Pictures of Personality : Guide to the Four Human Natures by John Lopker
Pink, D.H. – "A Whole New Mind", 2005, (Riverhead Books)
Please Understand Me II: Temperament, Character, Intelligence by David Keirsey
Please Understand Me: Character and Temperament Types by Marilyn Bates
Portraits of Temperament by David Keirsey
SEI, The Relationship Business: Expect the Unexpected, 2010
Stress And Stress Management
Survival Games Personalities Play by Eve Delunas
The 16 Personality Types, Descriptions for Self-Discovery by Linda V Berens
The 'Big Five' Factors Personality Model
The Birkman Method®
The Four Temperaments/Four Humours
Think Twice: Harnessing the Power of Counterintuition
Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being
Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*
Predictably Irrational: the Hidden Forces that Shape our Decisions*
The Irresistible Pull of Irrational Behaviour
Advances in Behavioural Economics
Behavioural Game Theory: Experiments in Strategic Interaction
Behavioural Economics and its Applications
Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences
Ulysses and the Sirens: Studies in Rationality and Irrationality.
Toth C., Stokes G, Ellis L., Noble B., (1998). "Using Personality to Differentiate Between Holland's Occupational Groups" in the American Psychological Association Magazine on August 14, 1998.
Transactional Analysis - Eric Berne And Early Theory
Transactional Analysis - Recent Theory
Tuckman's Forming Storming Norming Performing Model
Tversky, A. and Kahneman, D. -"The Framing of Decisions and the Psychology of Choice", 1981
Understanding Yourself and Others, An Introduction to Temperament - 2.0 by Linda V Berens
Was That Really Me?: How Everyday Stress Brings Out Our Hidden Personality by Naomi L. Quenk
What Type Am I? Discover Who You Really Are by Renee Baron
Wikepedia
William Moulton Marston's Disc Personality Theory (Inscape, Thomas Int., Etc)
Working Together: A Personality-Centered Approach to Management, Third Edition