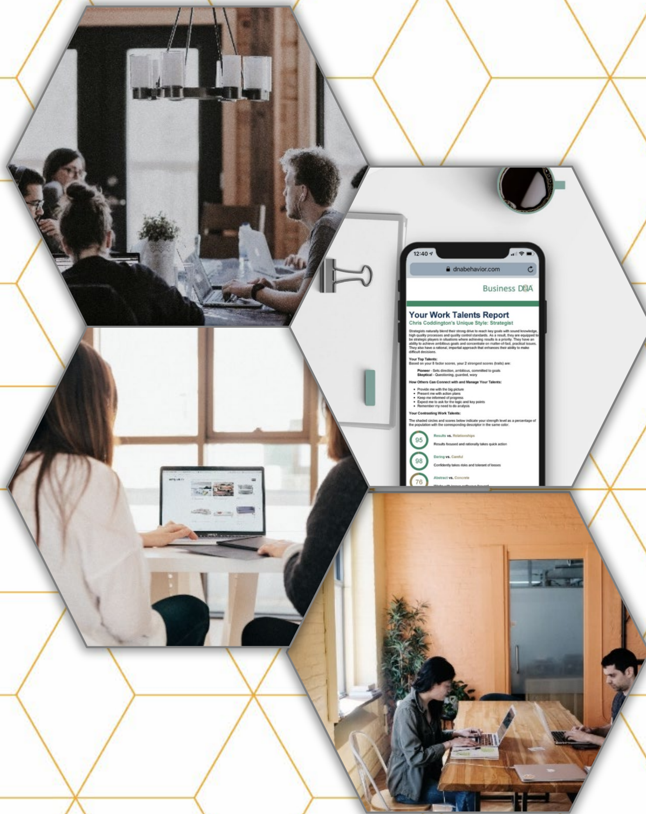

Financial Planning Performance in the New Behavioral Economy™

A Behavioral Guide for Advisors

DNA Behavior®

About this Behavioral Guide

This Behavioral Guide is intended to serve as an introductory framework for advisors so that they can improve the financial planning performance of their investor clients using behavioral insights and a behavioral finance framework. We will demonstrate in practical terms how advisors can apply behavioral concepts in guiding and communicating with their clients to more confidently make life, financial and investment decisions.

Who Is DNA Behavior International?

DNA Behavior International was established in 1999 to provide human performance solutions using behavioral insights. We are an industry-recognized worldwide leader and pioneer in:

- the measurement of human performance
- the discovery and application of natural behaviors to financial, investment and family succession planning
- the alignment of investor and advisor behavior to financial and investment solutions
- financial personality discovery
- the movement to the "New Behavioral Economy"

Since commencing business, DNA Behavior International serves people in over 47 countries and has over 20 proprietary DNA Behavior Discovery systems that reliably predict a person's behaviors and preferences in different areas of focus with an unparalleled level of depth. These behavioral insights are uniquely designed to help financial advisors guide investors to more confidently make life and financial decisions for building financial planning performance to Live with Meaning.

We currently have a client base of more than 2,000 leading international, Fortune 500 and financial services businesses that use our online hub of human performance solutions and advisory services for increasing client, customer and employee engagement.

Our proprietary DNA Behavior Discovery systems have been developed and independently validated since 1999 by a highly qualified team with 100+ years of combined academic and practical behavioral discovery instrument development experience. Further, DNA Behavior International has invested more than 50 man years of time in the development of these systems and its programs.

For more information about our internationally recognized hub of financial planning performance solutions, please contact us at inquiries@financialdna.com.

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1. Introduction to Financial Planning Performance in the New Behavioral Economy

The winds of change are moving fast through the modern economy, and this includes the financial services industry. What we are seeing is the emergence of the "New Behavioral Economy™." In the New Behavioral Economy, the client is king and behavioral finance is in. This means the approach to providing financial services will become client centered and will revolve more around behavioral insights.

Achieving financial planning performance for your 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 the behavior of clients and how they make decisions. Closing the gap between clients' true financial behavior and the rationality required for their investment decisions requires a deep understanding of their financial personality. Therefore, gaining objectively measurable, reliable and predictive behavioral insights about how a client will make financial decisions before providing a product or solution is critical. Further, applying those insights in a Behavioral Investment Policy Statement will provide advisors with a customized framework to guide their clients in making decisions and minimize the impact of emotions.

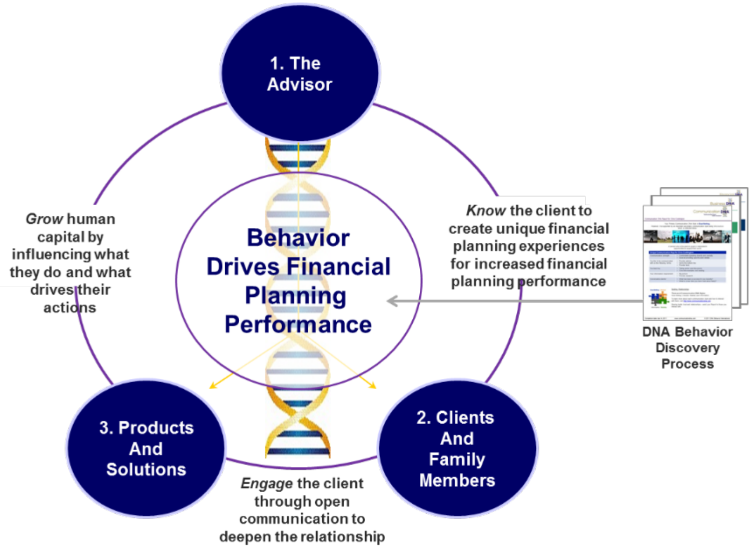
The Definition of Financial Planning Performance

Guiding your clients to more confidently and wisely make committed life and financial choices by building Relationship, Quality Life and Financial Performance. This is achieved through understanding their unique financial personality –

their "Financial DNA", and then tailoring a financial strategy to help them "Live with Meaning".

Achieving improved personal and financial results through acting with high levels of confidence and through understanding your personal life and financial motivations, and those of family members and advisors.

We believe that Financial Planning Performance in the New Behavioral Economy is going to have the following primary features:



1. **Know**…use discovery systems and tools to reveal individual unique needs
2. **Engage**…move from rational satisfaction to connection and meaning
3. **Grow**…recognize the primary driver of wealth creation is driven by the use of behavioral talents
4. **Framing**…recognizing different learning styles to re-frame solutions
5. **Customization**…solutions tailored to behavior and life, not wealth
6. **Management**…wealth management based on behavioral guidance
7. **Matching**…advisors matched to clients based on behavioral fit
8. **Responsibility**…clients guided to make emotionally committed decisions
9. **Fees**…fees for service based on value delivered, not the transaction size
10. **Trust**…a financial industry that is based on trust and not distrust.

2. Connecting Behavioral Finance to Financial Behavior Discovery

Behavioral finance provides a psychology-based framework to understand the behavior of investors in making decisions. The whole idea of behavioral finance is a relatively new concept, first getting exposure in the 1980s through the work of luminaries like Daniel Kahneman and Richard Thaler. Historically, behavioral finance has been more about understanding market reactions to investors. It is only since 2010 just getting full recognition, particularly from an understanding investor behavior perspective. There are now enough academic and industry heavyweights behind behavioral finance to indicate it is here to stay.

Behavioral Finance

Behavioral Finance is predicated on the basis that investors are not entirely rational in terms of making perfect decisions. However, their behavior can be predicted.

DNA Behavior

The Standard Theory of Finance, or what is otherwise known as Efficient Market Theory, says that investors are totally rational beings. That is, they operate in the perfect world of instantaneously considering all available information and being able to accurately analyze what it means. They determine the probable outcomes associated with various decisions and take only actions likely to maximize their overall wealth and minimize risks.

However, behavioral finance is more “real world” in that it recognizes investors are not entirely rational. They will make decisions based on imperfect or incomplete information. Further, they may not understand the information they do have access to and may not react properly to that information. Emotions will often get in the way. The outcome is that investors will not make perfect decisions because of their behavior.

The financial behavior approach we adopt assumes that while investors may not always make perfect decisions, their behavior is nevertheless relatively predictable. This is the core belief behind the DNA Behavior research that our firm has performed since 1999. Given a set of circumstances, an event or certain information, we believe it is possible to know very accurately the decisions investors will make.

Behavioral Awareness

Events and markets cannot be controlled, but how you manage your reaction to them can be. Achieving results is about how you predict and manage your team and clients’ behavior…this starts with your own behavior.

Importantly, it is also possible to educate investor clients with behavioral awareness. This will help them become more self-empowered and discerning in their decision-making.

In the future, our prediction is that the “framing” of investment information, products and concepts to the different behavioral styles of clients will hold the key to financial planning performance. Those people who can discover and adapt to different “left brain” and “right brain” learning styles will become the leaders of behavioral finance and achieve stronger financial planning performance for their clients.

3. The Paradigm Shift: Advisors Becoming the Wealth Mentor of Clients

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. As an advisor can you really say that you "know your clients" after meeting with them for 1 or 2 hours?

A behavioral finance approach benefits both advisor and client by making the advisory process more tangible and robust. This is achieved by both the advisor and client participating in an objective financial behavior discovery process when the planning starts.

Advisor Bias

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

A key point that advisors must always remember is their behavioral style will influence how they perceive the investment markets and client behavior. Research studies show that advisors can have "Over Confidence" and "Myopic Loss Aversion". Therefore, naturally advisors will have a behavioral bias that may influence their recommendations.

Client financial planning performance is driven by their behavioral style. Generally, clients' wealth creation potential comes from using their talents and strengths. However, a client's ability to successfully protect their wealth will be influenced by how they manage their struggles and their emotions. The struggles are usually strengths overplayed through having a "blind spot," and can become a weakness without conscious awareness.

Performance Belief

We believe that behavior drives financial planning performance, and the emotions triggered by money can get in the way of financial planning performance.

There is a "two-way" paradigm shift that needs to happen. Clients need to learn they need an advisor to objectively guide them to manage their struggles when making investment choices. Then advisors need to be prepared to play the role of "Wealth Mentor" to keep clients confidently on track and manage their emotions but not seek to control them. With this approach the trust becomes deeper and is accelerated.

We believe the role of Wealth Mentor for advisors goes beyond the traditional financial technician, investment manager and financial educator role to include:

- Acting as the behavioral guide based on objective behavioral insights
- Mutually sharing with each other to build deeper trust
- Using Appreciative Inquiry with behavioral questions to coach the client
- Acting as a sounding board and wisdom transferor to clients
- Tailoring financial and investment plans with behavioral insights

If anyone needs justification for the wealth mentoring approach you only have to look at the DALBAR Quantitative Analysis of Investor Behavior Studies. The DALBAR Studies have consistently shown a large gap between the returns investors actually earn and the returns they could have earned with a buy and hold strategy. The most recent study shows that while the S&P 500 returned 8.35% over a 20 year period ending in 2008, the average equity investor earned just 1.87%, which was less than the inflation rate of 2.89%.

4. Investment Behavior Research Insights

Pioneering research in the area of the psychology of investing now known as “behavioral finance” by Nobel Peace Prize winners Daniel Khaneman and Amos Tversky, and other leading academics has highlighted a number of key investment behavior insights. These insights are all a dimension of a person’s “financial personality”.

In this whitepaper, we have drawn the connection between these investment behaviors and 16 natural DNA Behavior traits. As each person is different, the extent to which each of these investment behaviors exist in any one person will be different depending on their strongest natural DNA Behavior traits. Usually, each person will clearly exhibit several of these investment behaviors depending on their natural DNA Behavior style.

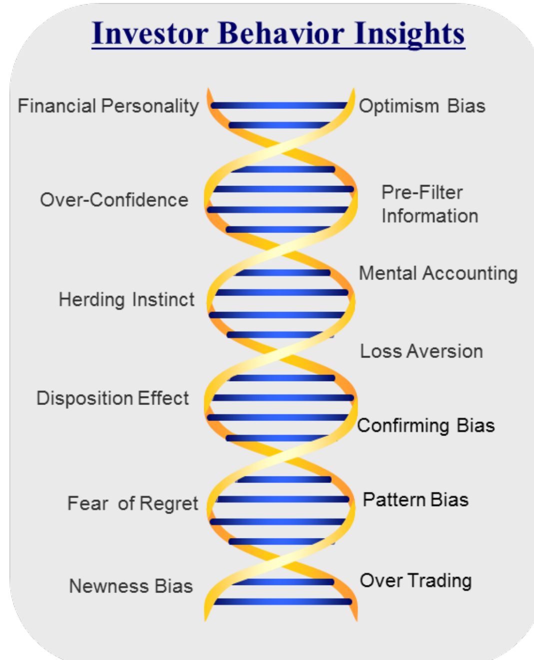
1. Investor financial personalities shaped by genetics, life experiences and cultures weigh on the balance they strike between hope and freedom from fear. (“Behavioral Insight 1”)
2. Investors cannot rationally process all information and hence “pre-filter” taking notice of what we think matters and use rules of thumb (Behavioral Insight 2”)
3. Investors have a “consolidated view” of their investments looking at the aggregate portfolio rather than individually (“Behavioral Insight 3”).
4. Investors suffer from the “disposition effect” of selling winners and hanging on to losers, rather than letting winners run and cutting losers (“Behavioral Insight 4”).

Source of Wealth Creation

Research indicates 95% of wealth creation comes from your behavior and personal talents and 5% from investment performance.

The Leavey School of Business at Santa Clara University

5. Investors have a "herding instinct" stampeding into investments in exuberance and out in fear (Behavioral Insight 5").
6. Investors "mentally account" for hard earned money with more control and less risk than money easily obtained from windfall gains ("Behavioral Insight 6").
7. Investors have a "loss aversion" meaning they procrastinate in the realization of losses to avoid pain ("Behavioral Insight 7")
8. Investors who are male tend to be more confident and "over trade" with lower long-run returns (Behavioral Insight (Behavioral Insight 8").



9. Investors have "pattern bias" where they want to see order in the face of chaos such as that they convince themselves that there is a predictable pattern to share price movements when these are random ("Behavioral Insight 9").
10. Investors have a basic "survival instinct" causing them in adversity to make decisions quickly and emotionally ("Behavioral Insight 10").
11. Investors can have a "fear of regret" not wanting to miss out on a potential gain from the "next best thing" ("Behavioral Insight 11")
12. Investors have a desire for "controlling" their investments making decisions and taking action by themselves without assistance from experts ("Behavioral Insight 12").
13. Investors have "optimism bias" being exhilarated by playing the game even if they know it is difficult to win ("Behavioral Insight 13").
14. Investors have a "confirming bias" whereby they take more notice of information that is consistent with their existing views and preferences than that which is not ("Behavioral Insight 14").
15. Investors have "over-confidence" thinking they are better at investing than they really are ("Behavioral Insight 15").
16. Investors have a "loss aversion" being loath to admit they are wrong and realize a loss, even at the greater risk of holding a losing stock that could fall further in value (Behavioral Insight 16").
17. Investors have a "newness bias" where they tend to give more weight to recent or hindsight information even if its importance on stock valuations might be of marginal importance ("Behavioral Insight 17").

18. Investors have a “benchmark focus” whereby they become fixed on making decisions to keep in line with established benchmarks (“Behavioral Insight 18”).

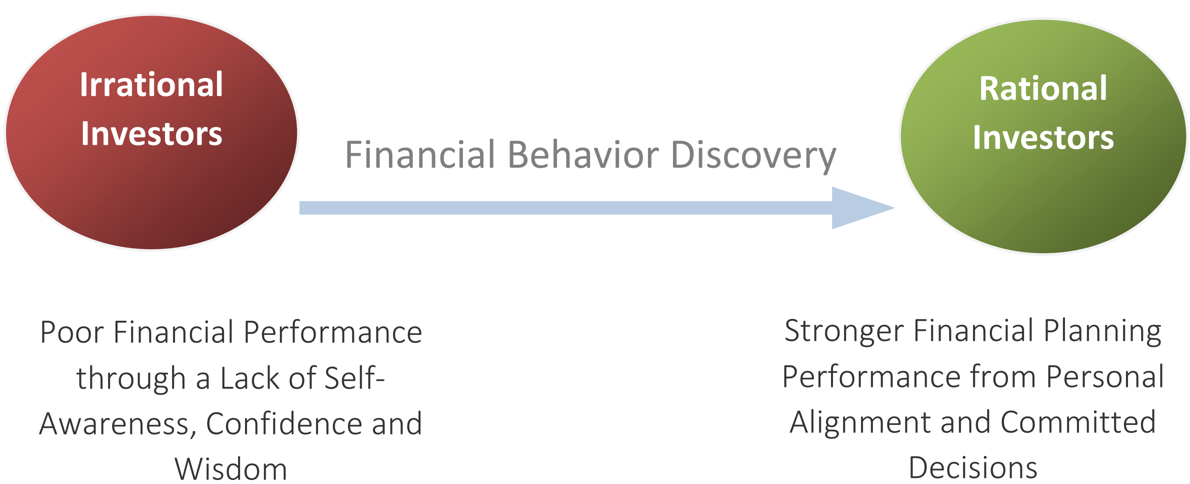
General Investment Behaviors:

1. Investors want investments with profits higher than risks.
2. Investors want to save money for tomorrow and spend it today.
3. Investors manage the “twin desires” of hope for the future by buying risky assets and freedom from the fear of poverty by buying bonds.

5. Application of Financial Behavior Insights to Specific Natural DNA Behavior Styles

The following financial behavior insights will help you gain greater self-awareness for recognizing some of your own behavioral tendencies and also those of investors. This will be a starting place to address the quality of your investment recommendations in helping investors achieve greater financial planning performance, and then wealth mentoring them to better manage the impact of their behavior. The behavioral insights we have provided below apply equally to males and females.

In the future, advisors will approach behavioral finance by using behavioral profiling systems to address the financial behaviors of clients in the markets in which they invest.



Behavioral Insight 1: The Drive of Natural Behavior on Financial Personality

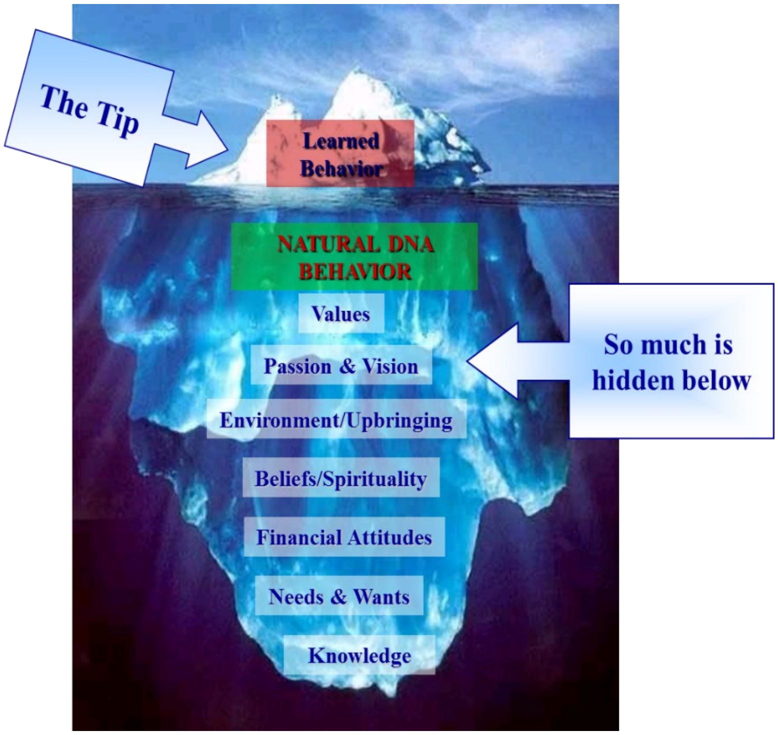
Frank Butler retired at the age of 39 as the Chief Technology Officer of a company he co-founded and banked $4 million after tax. At the first financial planning meeting Frank told his advisor that he did not want to take any risk with his money. However, this did not seem consistent with his naturally "daring and courageous style" or the fact that he had used his natural instincts to take a lot of other risks in his business and investment life. When Frank was probed further, he did say that now that he had capital he did not want to take any risks with his money. Why? Frank said that his parents had gone from "riches to rags" when he was young and that event materially impacted his life. Ultimately, Frank and his advisor decided to adopt a strategy of being cautiously invested to start with and gradually accepting more risk as results were achieved. Nevertheless, at each annual review meeting Frank would ask his advisor why the returns were not higher.

What is driving Frank's decision-making? We often assume it is the energy of money and emotions that drive investor decision-making. However, it goes much deeper than this. The correct starting point to understanding investors' behavior is to discover their natural DNA Behavior, the core of who they are. This is the behavior that was "hard wired" into the investors by the age of 3 years old based on their genetic DNA and early life experiences. The natural behavior often sits deep below the surface, and the investor and advisor can be easily blind to it.

Behavioral Insight 1

Natural DNA Behavior predicts how people will respond to life and financial events, and therefore will drive many of their decisions, particularly when under pressure. However, at times their decision may be shaped by a significant life experience, circumstances or education.

When investors are under pressure they will revert back to their natural DNA Behavior, as it is the "go to" or "flip-back" behavior. Pressure is often caused by money, relationships and events, and this then drives emotions and survival instincts. What we have learned is that a person's natural DNA Behavior drives how he or she uniquely responds to life and financial events, and therefore how financial decisions are made. A key point is that the natural DNA Behavior will remain inherently consistent throughout a person's life and therefore is highly predictive. Of course, people will make investment decisions from time to time outside of their natural DNA Behavior because of current circumstances, life history, values and education or even because of advice they receive.



Learning Point:

The advisor needs to use behavioral profiles upfront to objectively discover both his or her, and an investor's, natural DNA Behavior. Further, there needs to be discovery of the learned financial preferences from life experiences, circumstances and education.

Behavioral Insight 2: Framing

Chris Coddington, a financial advisor, has invited 20 clients with similar levels of wealth and age to his office for a "lunch and learn" presentation by Paul Southwick on a new investment strategy. The new strategy is to provide a mix of dividends and capital growth with some downside protection. Chris has vetted the investment and believes it will fit his clients well. Paul uses a PowerPoint presentation with great content in it about the bottom line of the investment and is an articulate presenter. As he goes through the presentation there are clearly some who get it and want to sign up, there are others who are totally confused by the details and switched off, others who want to do more research and some who need to understand how it meets their security needs. After the lunch Chris is very concerned about the mixed reaction and losing client trust. He knows the product is sound and he will invest personally.

Have you ever attended a presentation like the one Chris arranged and been de-energized, bamboozled and confused by the investment proposal and not responded? Understanding investors' learning styles and propensities for receiving information, new ideas, strategies, products and solutions is critical to successfully presenting to them. This will increase the chance that they understand the proposal for what it is and how it is relevant to them. The mistake many advisors and fund managers make is that they naturally present to investors through their own lens. Instead, they should be "re-framing" how they present to be much more on the investors' unique terms.

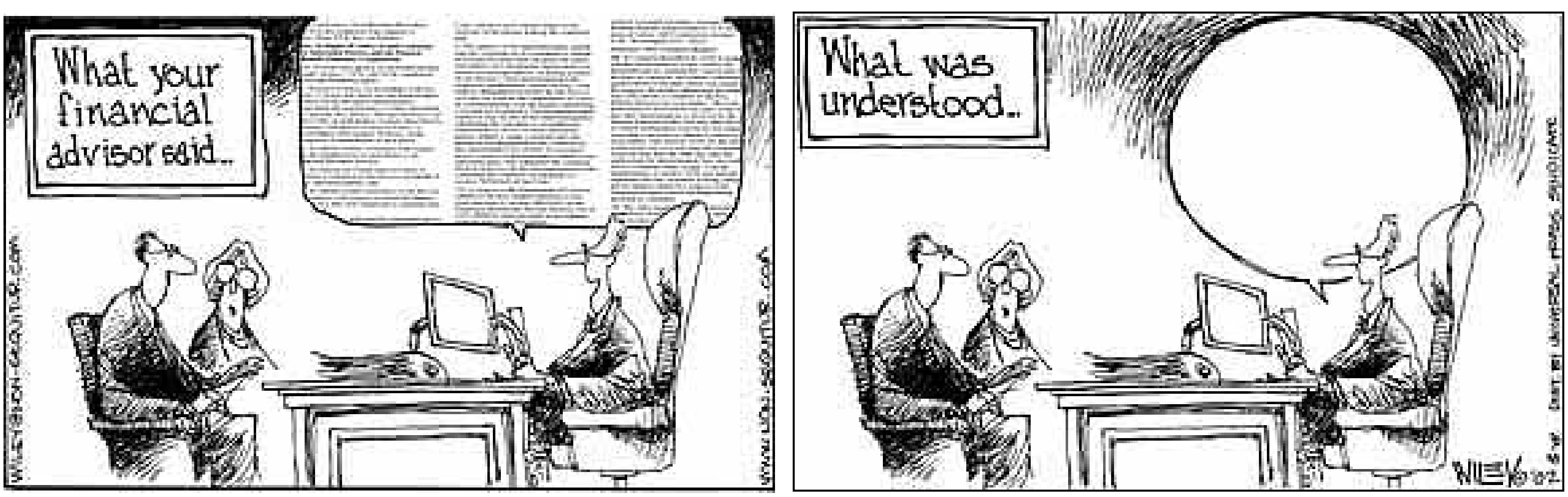
Behavioral Insight 2

The difference between what the advisor said and what the client heard will be attributable to the behavioral lens of each. The communication of products and solutions must be adapted.

Advisors need to appreciate that with 20 people in the room there could be 20 different reactions, because each person is unique. The best way to get around this is to re-structure the proposal being presented into 4 quadrants so that each broad category of behavioral needs is addressed: 1. The big picture and how it relates to achieving goals and bottom-line returns, 2. Indicate how their lifestyle needs are met along with telling them the names of the people involved in managing the product or solution, 3. Address financial security and provide feelings, 4. Make the solution tangible and provide the history and research details.

Learning Point:

Advisors need to use behavioral insights to customize their communication with clients and to re-frame the presentation of ideas and suitable solutions so the client interprets the information as intended.



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Behavioral Insight 3: Initiator - Take-Charge Visionary

Jack Sun is a 40-year-old driven businessman who has come to meet with you to discuss his finances. You have learned that Jack has just sold one of his businesses and he now has capital to re-invest. You ask Jack the question: What will your life be like in 3, 5 or 20 years? Jack is able to immediately respond that he loves running restaurants and managing people. As the discussion goes on it becomes obvious Jack has worked out his life plan and he will not be retiring. Further, he does not mind what he invests his investment capital in so long as it makes money. He says he is interested in the overall return and not the performance of any particular asset.

Jack is an Initiator with a dominant trait of being a "Take-Charge Visionary". This means he is naturally a big-picture thinker. He can see his life out a long way. Being able to more easily get the big-picture clarity does mean he will be naturally more comfortable making long term investment plans. Further, this clarity will help Jack with being able to more confidently make financial choices.

Also, when it comes to managing investments, an Initiator with Take-Charge Visionary traits will be able to more easily look at their investment portfolio in the aggregate. This will generally help them focus on the overall result and not get stuck on looking at whether each particular investment is a winner or loser.

A struggle that an Initiator will have is listening to advice from an advisor because it is about their agenda and plans. This means they could miss learning important information before making a decision and over extend themself.

An advisor who is an Initiator with Take-Charge Visionary traits will be naturally good at giving the client direction but needs to slow it down and listen to what their client has to say. This type of advisor needs to be very careful that their dominant attitudes do not overly influence the portfolio.

Behavioral Insight 3

Naturally big-picture thinkers and decisive people will be Initiators who are "Take-Charge Visionaries". They know where they are going and will have a consolidated view of their investment portfolio.
Communication key: Keep the discussion high level and provide options on recommendations.

Learning Point:

The Initiator with a Take-Charge Visionary dominant trait will more independently set the direction of their overall planning. The advisor should aim to guide them by providing options and recommendations on investment choices. Ask the client: What goals would be the most important for you to achieve in your life? Have you built a detailed plan for your wealth creation?

Behavioral Insight 4: Community Builder – Cooperative Compliant

Don Spring is a 64 year old recently retired Chief Operating Officer who has now moved on to helping with fund raising programs in his local community. Don has been to stockbrokers in the past but never had a full service financial planning relationship. However, he now recognizes the importance of having an adviser help him through making key decisions with the substantial wealth he accumulated through his working career and also an inheritance from the passing of his mother. Don has three middle aged children and 7 grand-children with a range of needs. Don feels he has to help them financially without risking his own life in retirement.

Don is a Community Builder with a dominant trait of being a "Cooperative Compliant". This means he is a person who naturally seeks to fit in with others and deal with what is immediately in front of him. He will naturally seek to work with others and get involved in group activities. In the community Don will be seen as generous.

When it comes to dealing with investments, a Community Builder with Cooperative traits will focus on each individual investment and may get lost in sorting out when to hang on to winners and sell losers. However, will follow a plan that is mapped out for them providing there are clear instructions on the investment policies and how they will be administered. This will generally help them focus on the overall result and not get stuck on looking at whether each particular investment is a winner or loser.

Behavioral Insight 4

Naturally practical and diplomatic people will be Community Builders who are "Cooperative Compliants". Without advice they will tend to suffer from the disposition effect of selling winners and hang on to losers because of their naturally hesitant nature. Communication key: Encourage their input to decision making and provide specific directions.

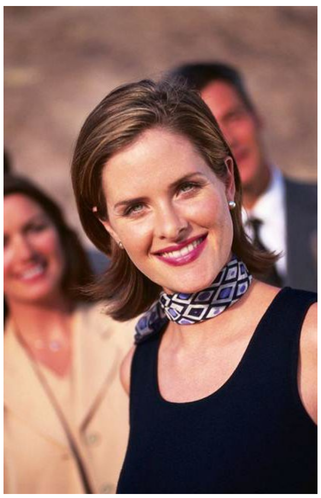
A struggle that a Community Builder will have is being hesitant in making key decisions. This will lead them to at times procrastinating and then taking what is the easy step in the short term rather than what may be best for the longer term. This will usually result in suffering from the "Disposition Effect" of keeping the winners and not selling losers.

An advisor who is a Community Builder with Cooperative Compliant traits will be naturally good at giving the client direction but needs to slow it down and listen to what their client has to say. This type of advisor needs to be very careful that their dominant attitudes do not overly influence the portfolio.

Learning Point:

The Community Builder with a Cooperative Compliant dominant trait will seek to delegate responsibility for their overall planning to an advisor. The advisor should aim to guide them by seeking their views and then giving them specific instruction which are clearly explained. Ask the client: How confident are you in making financial life and decisions? How would you like the financial planning process to be managed?

Behavioral Insight 5: Engager - Outgoing People Connector



Helen Jones is a 38-year-old mother of 3 children who has a very bubbly, outgoing personality and an active social and community life. Helen openly admits that she has gone to lunch and dinner parties and hears the latest "hot tips" on what stocks are going up. Often in the excitement of the moment Helen has taken a few bets. She justifies to herself that it will fund a vacation, or this will mean she can have some nicer clothes. However, after a few years of much heavier losses than gains, and the future of her family on the line, Helen realizes something is wrong. Outside help is needed.

Helen is clearly an Engager with the dominant trait of being an "Outgoing People Connector". This means she is constantly networking with others and always exposed to the latest idea or solution. The Outgoing People Connector will usually be the expressive and talkative type who enjoys mixing with people.

When these networking talents are used well the Engager who is an Outgoing People Connector will learn of some great ideas. The key will be using the ideas wisely. However, often this type of person is quite impressionable regarding what others have to say and will display a "herd mentality." We all know that there are people who pick up the latest money-making idea at a dinner party. "Everyone else is jumping into a deal; why shouldn't I?" Or one of their friends is talking about a hot stock tip.

Further, a struggle for these Engagers who are Outgoing People Connectors is that they are often quite emotionally vulnerable, and they have a desire for instant gratification. So this leads to impulsive decision-making and later regret. While they create the perception of being risk takers, very often they are not. Usually, the quick leap into an investment is matched by a quick leap out with great wealth destruction consequences.

Behavioral Insight 5

Naturally expressive and talkative people will be Engagers who are "Outgoing People Connectors". They are able to network with people well but may make uneducated bets from following the herd that sabotage their portfolio.

Communication key: Tell them the names of the people who are involved in the company and management of the investment.

An advisor who is an Engager with the primary trait of being an Outgoing People Connector will be naturally strong at finding out from others what the new opportunities are. However, they need to restrain themselves and only present these opportunities to clients when they have thoroughly researched them. Otherwise, their clients will each have a portfolio with a mix of poor investments.

Learning Point:

The advisor needs to be aware that the Engager who is an Outgoing People Connector will 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. Ask the client: Tell me who you consult with to get investment ideas? How do you check the opportunities that are presented to you and who is presenting them?

Behavioral Insight 6: Facilitator – Reserved Reflector

Patricia Murphy is a project manager who works on local government system projects around Atlanta, Georgia. She is married and has two children. Due to the nature of her occupation she has relocated several times and she and her family have just moved into Atlanta within the past three months. They have purchased a new home and are still getting settled. Patricia prefers to work with a financial advisor with whom she can email and only have face-to-face meetings when necessary. Patricia is 44 years old and she spends large periods of time travelling and tied up in projects. However, she wants an advisor she can stay in touch with by sending a regular email with the key information and structure conference calls when a key issue comes up for discussion.

Patricia is clearly a Facilitator with the dominant trait of being a “Reserved Reflector”. This means she tends to keep in her own world and interact with people only when needed. The Reserved Reflector will prefer to withdraw and research information. Although, when needed they can be very effective at interacting with other people.

When these reserved and reflective talents are used well the Facilitator will be good at digesting information and focusing on the matters at hand. They will be able to put the portfolio into compartments in their mind allocating money to investments with different levels of risk. Although, the downside of this is they can make it too structured not buying and selling investments in the “special purpose” accounts when needed.

Further, a struggle for these Facilitators who are Reserved Reflectors is that they naturally have a fear of not having enough money for their retirement no matter how financially secure they are. This causes them to hoard their money with the result of not spending, giving or taking an investment risk when they need to. The good point is that they are unlikely to make a rash financial decision.

Behavioral Insight 6

Naturally focused and withdrawn people will be Facilitators who are “Reserved Reflectors”. They are able to think through issues well but will mentally account for their investments taking a calculated risk with that component they are prepared to lose and act with a fear of not having enough money.

Communication key: Allow them to retreat and think and do not overwhelm them with emotion around new ideas.

An advisor who is a Facilitator with the primary trait of being a Reserved Reflector will be naturally good at performing investment research and keeping their clients on task. These advisors will be steady guides for the client although at times they will need to lift their level of social connection so they do not lose the relationship.

Learning Point:

The advisor needs to be aware that the Facilitator who is a Reserved Reflector will not always give you a lot of feedback because they are processing information. Therefore, keep clam and do not push them too hard for quick response. Further, keep their confidence up that they will have enough money in the worst case situation. Ask the client: How do you gather new information? Tell me about how comfortable you are with spending money?

Behavioral Insight 7: Relationship Builder – Patient Stabilizer

Craig Moon is a 52-year-old entrepreneur who has built a very successful software business. He started his career as an accountant and then enterprisingly used his talents to design a software solution for small business and accountants. To make the business work he brought in a marketing and sales team. He is the President of a business that is now listed on the stock exchange and he has a substantial amount of equity. Craig now wants the help of a financial advisor who can help him safely manage his wealth and provide a stable future for his children. He has not had the time to spend researching investments and feels that he is out of his comfort zone in terms of knowledge to make investments. Further, he knows at times he has to make difficult decisions and take losses even though that is painful. Craig's investment objective is wealth protection rather than substantial further wealth creation.

Craig has an unassuming approach which means it is not easy to see his natural behavioral style from the first few interactions. He is a Relationship Builder with the dominant trait of being a "Patient Stabilizer". This means he is a very approachable and warm person who values building a relationship before getting down to the specifics of dealing with the financial issues. The Patient Stabilizer will usually be understanding and tolerant who has a desire to live in a steady environment.

The strength of the Relationship Builder who is a Patient Stabilizer is that they will generally be a patient long term investor who will not unnecessarily churn their portfolio. They will seek to steadily build their portfolio and seek the guidance of a trusted advisor in the process.

Behavioral Insight 7

Naturally understanding and tolerant people will be Relationship Builders who are "Patient Stabilizers". They are able to relate with people well but will have a natural loss aversion not wanting to absorb the pain of taking losses.

Communication key: Express your feelings and emotions about the situation or proposal and create a relaxed environment.

Further, a struggle for these Relationship Builders who are Patient Stabilizers is that they do not like the personal conflict of making difficult decisions and would prefer that their investments offer guaranteed returns. They will be quite emotional if they make investment losses and will procrastinate with decision-making when there is a loss to be taken. Generally, they generally have a low risk tolerance..

An advisor who is a Relationship Builder with the primary trait of being a Patient Stabilizer will be naturally strong at listening to the needs of their clients and making them feel understood. Further, they will be very comfortable to guiding the client toward making their decisions. However, they will find it difficult to confront the client with difficult choices particularly if this will result in losses for the client.

Learning Point:

The advisor needs to be aware that the Relationship Builder who is a Patient Stabilizer will want to keep their lifestyle stable and needs to ensure that the portfolio is diverse enough so that losses do not become a threat. Ask the client: What would you have done in the past when faced with making a major life change? How do you deal with your mistakes from taking a chance?

Behavioral Insight 8: Initiator - Fast-Paced Realist

Max Speed is a 62-year-old senior corporate executive who is used to making difficult decisions. Some colleagues call him "Merciless Max" for his ruthlessness about numbers. His view is that forecasts have to be met every quarter and a "bottom line number" delivered. Predictably, Max believes that the same approach should be adopted with his investments. He looks at the portfolio quarterly and makes the tough decisions that are needed to keep the portfolio in line. He calls this "re-balancing." At times, however, his rational focus may mean a short-term swing is mistaken for a long pattern, and therefore too much pruning goes on.

Max is your classic Initiator with the dominant trait of being a "Fast-Paced Realist". A Fast-Paced Realist will generally know when to sell winners and cut his losses. Fast Paced Realists do not have an aversion to taking losses. They are rational enough to see that at times selling losers instead of winners needs to happen even if it is embarrassing or causes short-term pain. They will act decisively and move on without getting too emotional when making hard decisions. Further, unless they have been misled by an advisor, an Initiator who is a Fast-Paced Realist will generally take responsibility for their decisions and not act like they have been burned because it has all gone wrong.

Behavioral Insight 8

A naturally logical and challenging person will be an Initiator who is a "Fast Paced Realist. They are able to make very rational decisions without getting stuck but may over trade the account through impatience for returns.

The struggle for the Initiator who is a Fast-Paced Realist is that their more aggressive results focused nature can lead them to heavily trading the investment account. Also, their natural lack patience may cause them to sell investments too fast because of a market blip. Therefore, the risk is they may sacrifice what is a good long-term investment for short-term results.

An advisor who is an Initiator with the dominant trait of being a Fast-Paced Realist has the logical strength of being able to help their client make rational decisions. Although, the struggle will be that whilst providing the rationality they may not recognize the client's feelings about the situation and the decisions to be made. Further, advisors who are Fast–Paced Realists would also be more likely by nature to over trade or "churn" their clients' investments.

Learning Point:

Initiators who are Fast-Paced Realists need an advisor to help them with re-balancing their portfolio on a regular basis to maintain diversification, and in doing so show them the long-term investment fundamentals before short-term decisions get made. Ask the client: How do you approach making difficult investment decisions? What type of performance are you expecting on your investments?

Behavioral Insight 9: Reflective Thinker – Planned Analyzer

Joshua Connor is the finance manager for the local legal firm. He is single and due to the nature of his job, his schedule is very predictable. Joshua is 41 years old and has worked his way up through various positions in the police department since graduating college. He loves to travel and tries to get away frequently to help him manage the mundane nature of his job. Joshua has worked with four different financial advisors over the past eight years. He is constantly frustrated by their inability to demonstrate tangible results and has asked you to review his account to see if you can help get him on track.

Joshua is your typical Reflective Thinker with the dominant trait of being a "Planned Analyzer". A Planned Analyzer will typically prefer to systematically research a lot of information and seek to make considered decisions. They do not like being rushed or pushed into a sale by an advisor. Their ability to trust in the financial planning process will be determined by the level of transparency and accuracy of information.

The Planned Analyzer will have a pattern bias where they will want to see order even in the face of chaos. So, they will convince themselves that there is a predictable pattern to share price movements even if random. This can cause them to make a lot of mistakes from getting locked into a strategy.

Behavioral Insight 9

A naturally systematic and particular person will be a Reflective Thinker who is a "Planned Analyzer". They are able to make considered decisions and will tend to have a pattern bias which makes their decision-making quite rigid. Communication key: Provide the specific facts, details and data for them to analyze.

The struggle for the Reflective Thinker who is a Planned Analyzer is that their desire for information can make them very picky and rigid. They can get stuck in a lot of analysis and miss opportunities. They will naturally set a high standard for advisors with their demand for perfection.

An advisor who is a Reflective Thinker with the dominant trait of being a Planned Analyzer will provide a very structured and reliable service. Although, the struggle will be that some clients may get overwhelmed by the information overload.

Learning Point:

Reflective Thinkers who are Planned Analyzers can be demanding clients who require extensive amounts of detailed information so that they can be satisfied as to the reliability and integrity of what is being offered. Ask the client: How much information do you need to be comfortable in making decisions? Explain about a situation when your expectations were not managed? When do you feel out of control?

Behavioral Insight 10: Adapter - Spontaneous Intuitive

Jenny Miller, 48, has been investing for some years now based on her "gut feel" of what she thinks is going on in the economy and the behavior of the markets. She has a clear idea of what she wants out of life, is confident in her abilities and is quite happy making investment decisions based on what feels right. Jenny by nature does not like reading a lot of research. Just some graphs, illustrations and a few bullet points are enough for her. For Jenny too much analysis gets in the way. She feels too many plans will lock her in and opportunities may be missed.

Jenny is the Adapter with the dominant trait of being a "Spontaneous Intuitive". A Spontaneous Intuitive will generally be flexible enough to take opportunities when they are there and not get stuck in over-analysis. This type of person will generally make confident decisions unless he or she has experienced a very negative event. The key is that they need to have enough prior investment experience to intuitively know that their gut feeling is right. Once a decision is made, an Adapter who is a Spontaneous Intuitive will run with it and not look back. They will have a strong sense that things will work out.

Behavioral Insight 10

A naturally instinctive and flexible person will be an Adapter – who is a "Spontaneous Intuitive". They are naturally instinctive with making financial decisions and often quite impulsive leading to the making of judgment errors.

Communication key: Provide the broad facts and encourage them to discuss their thinking out loud.

The struggle for an Adapter with a strong Spontaneous Intuitive trait is not to be too overconfident in their abilities and make rash decisions that they find out later were poor. The poor decisions can come from insufficient research and also not taking time out for enough listening.

The other dimension an Adapter with a dominant Spontaneous Intuitive trait must address is that because of their flexible nature they may end up with an unstructured investment portfolio. The portfolio will reflect no attention to asset allocation, appropriate risk weighting or diversification. This is not to say they will be failing, either. Nevertheless, they could suffer from taking some big chances that are not well thought out.

An advisor who is an Adapter with a Spontaneous Intuitive dominant trait will be strong at responding to changing circumstances and making instinctive decisions. However, these types of advisors need to ensure they have access to solid research to support their recommendations. Also, they need to provide enough for structure for clients and set boundaries.

Learning Point:

Adapters who are Spontaneous Intuitive's need the advisor to provide objective analysis to validate their intuitive feel. The advisor should not allow the Spontaneous Intuitive client to become too over confident in their abilities and make impulsive decisions. Ask the client: Tell me about the best financial decision you made? How do you set boundaries in your life and financial decision-making?

Behavioral Insight 11: Community Builder – Trusting Believer

Michael Johnson is a one of your favorite clients and over the years, you and your wife have developed a strong relationship with him and his family. Your kids are best friends with his and they spend a lot of time together including regular ski trips during the winter and summers at Michael's vacation home. Michael is 50 years old and owns a very successful printing business. He makes $350,000 per year. He is feeling a little squeezed right now in that he undertook a project to build his dream home about four years ago. He held both his home and the new property for two years and then began building his new home right at the beginning of the recession. He recently *sold his original home, moved in to his new home. He has taken on a lot of debt and is having difficulty finding the necessary financing. He is very active in the community, enjoys time on the golf course and he and his wife love to travel.*

Michael is the Community Builder with the dominant trait of being a "Trusting Believer". A Trusting Believer will generally follow the advice that is provided to them. They will be very open to being guided and will share information with others. Further, they have a strong desire to build relationships with everyone and generally look good in the community. They will be generous givers and entertainers.

The struggle for a Community Builder with a strong Trusting Believer trait is not setting boundaries and checking the representations that get made to them. Then when things get difficult they find it difficult to make a rational decision.

When investing, this person does need to manage having a possible fear of regret of missing out on potential gains from the next best thing. They need to show restraint and not allow themselves to be pushed into the latest deal. The worst thing they can do is chase the latest high-flying stock or get into a poor real estate deal.

An advisor who is a Community Builder with a Trusting Believer trait will be strong at making their clients feel comfortable and appreciated. However, these types of advisors need to ensure that they properly monitor the results and verify all representations made to them.

Behavioral Insight 11

A naturally receptive and forgiving person will be a Community Builder who is a "Trusting Believer". They are naturally agreeable in making financial decisions and often have a fear of regret on missing out on an opportunity leading to them being taken advantage of.

Communication key: Provide your feelings and emotions about the ideas.

Learning Point:

Community Builders who are Trusting Believers will work very well with advisors who are seeking to genuinely build a long-term relationship with them and have their best interests in mind at all times. Ask the client: In what circumstances have you been taken advantage of by not setting appropriate boundaries? What is a fear for you? How could you overcome it? What processes do you use to review new information that is provided to you?

Behavioral Insight 12: Strategist - Skeptical Questioner

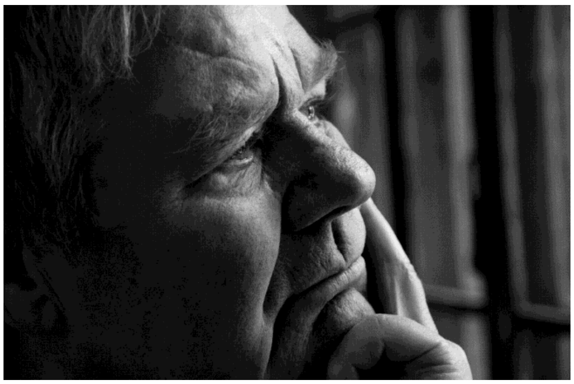
Peter Madden is 67 years old and recently retired from his chief executive role for a Fortune 1000 company. He has been around financial professionals a long time and always sees them as being out for themselves and not him. Further, he has been watching the market himself now with a Bloomberg screen in the home office. Peter thinks he can outwit the market and get in low and out high. In Peter's mind, what do advisors know? "Most of them do not have as much money as I do." So, he says, "Why should I delegate to an advisor?"

Peter is a Strategist Skeptical Questioner and better known as a "do it yourself investor." Typically, these investors by nature will be very investigative and are independent decision-makers. You will often recognize these investors by the fact that they are very guarded in what they say and yet ask a lot of questions and expect plenty of information. Also, very often the Strategist with a Skeptical Questioners' mindset will be that they have the capability to invest better than the professionals. However, the good news is that these investors will take responsibility for the choices that they do make.

Behavioral Insight 12

Naturally guarded and wary people will be Strategists who are "Skeptical Questioners". Skeptical Questioners who seek to remain in control of their portfolio but do not easily delegate to advisors.

Communication key: Provide logical explanations and the key points in a straightforward manner.



The struggle for Strategists who are Skeptical Questioners is learning that they will be the ones who are in the way of their own success. They will be prone to trying to time the market and always believe they can control the outcome. The Skeptical Questioner will not find it easy to delegate to an advisor who can show them how to achieve market returns through a well-diversified portfolio. This will come only after making a lot of mistakes and realizing that they do need help. If, for some reason, they do delegate to an advisor, then watch them take back control when the expected results have not been achieved. Therefore, by trusting no one, then they cannot be really helped, regardless of their knowledge level.

Advisors who are Strategists with the dominant trait of Skeptical Questioning have the natural strength that they will be highly questioning of all information that is provided to them and check all representations made out. However, because they are by nature quite controlling and closed they will find it difficult to build trust with their clients. They will only ever be comfortable when the client completely delegates to them.

Learning Point:

Strategists who are Skeptical Questioner's need the advisor to play the role of an experienced sounding board that is capable of asking insightful and wise questions to challenge their decisions. The advisor needs to learn they have to wait before being allowed into their inner world. Ask the client: How could you empower your advisors to more effectively help you? In what ways have you got in the way of your own success?

Behavioral Insight 13: Influencer - Pioneering Goal Driver

Anna Summer is a 45-year-old executive who leads the sales team for a large international foods company. To Anna, being wealthy and seen as professionally and financially successful is important. In the early meetings with the financial advisor, Anna communicated her goals and asked that the advisor keep her on track to meet them. Coming with her driving approach are significant financial goals and a lifestyle that has to be maintained. Anna did say that now that she has found her passions in business and life, her competitive drive has become relentless.

Anna is the typical Influencer with the dominant trait of being a Pioneering Goal Driver. They typically have big goals that need to be achieved in a hurry. She is naturally ambitious and determined to reach higher levels of success. So long as a Pioneering Goal Driver can see the goal is viable and there are signs of success, they will keep on going and may even increase their intensity toward the goal. From an investment perspective they can set long-term goals, and with their high optimism bias they will keep with the strategy so long as progress is being made. They usually will not make emotional decisions that ruin any progress that has been made.

Behavioral Insight 13

Naturally ambitious and driven people will be Influencers who are "Pioneering Goal Drivers". They are focused on growing their wealth with a high level of optimism but may be overly focused on success and fail to change their plans when needed..

Communication key: Address their goals and remember their need for quick action.

The struggle for an Influencer who is a Pioneering Goal Driver is that they are not going to be a content person satisfied to take the more "work life balance" option. They will always be striving to make their world better. Therefore, they could sacrifice too much for success.

The reality is that most people have goals of some sort that they want to pursue. The question becomes, Can a person who expresses a desire to achieve big goals do what is needed over the long term to achieve those goals when the going gets tough? Not all people can, although they may think they can. Will they be persistent enough to follow through and make the necessary life change and accept the bumps on the road? Again, this can be difficult as there will always be many factors competing for attention and self-doubt that can creep in.

Advisors who are Influencers with a dominant Pioneering Goal Driver trait will naturally be focused on helping their clients set and achieve goals. However, they will need to realize that not all clients will be goal focused in the same way. Some clients will be very driven and results focused and others only want enough for their lifestyle needs.

Learning Point:

Influencers who have a Pioneering Goal Driver trait need to be questioned by the advisor in depth on the realism of their goals and deep-down desire to diligently achieve them. Then they need to be guided to set a concrete plan of action. Ask the client: Tell me about how you are progressing towards achieving your goals? How important for you is it to be seen as financially successful?

Behavioral Insight 14: Adapter – Content Balancer

Sarah Autumn is a 44-year-old acquaintance from church who approached you recently and asked if you could give her a second opinion on her family's financial condition. Sarah is employed part-time at a bookstore. Her husband Benjamin is a sales representative for an equipment manufacturer and is relatively successful. Both are fairly social and involved in a lot of activities with friends and in the community. Where Benjamin is a bit of a risk taker, Sarah is much more cautious and needs to ensure the family's lifestyle is stable. The recent turmoil in the financial markets has really shaken Sarah to the point where she is having trouble sleeping at night. Terri would like you to review their investment portfolio and discuss the steps that can be taken to protect them from further financial losses.

Sarah is the typical Adapter with the dominant trait of being a Content Balancer. The typically like to focus on maintaining their current lifestyle and building their community life. Staying in the one community living comfortably is important to them otherwise they can be fairly flexible. They will generally not set goals that are ambitious and will not want to move out of their comfort zone particularly if that will cause any stress. From a financial planning perspective they will want steady growth with the end result being a comfortable retirement.

The struggle for an Adapter who is a Content Balancer is that they can be somewhat complacent and not seek to take on a challenge. They may accept the current status quo so long as it is reasonably balanced. For Sarah the challenge will be that her husband takes risks and she does not know this will impact the family's lifestyle if he loses money. Sarah will generally be comfortable with financial information that is consistent with her existing views and preferences rather than a lot of new information that challenges her thinking. When the information is confronting it will be hard for Sarah to accept she may have to make changes.

Behavioral Insight 14

Naturally satisfied and easy-going people will be Adapters who are "Content Balancers". They prefer a balanced life and have a confirming bias toward to hearing consistent information and are not prepared to step outside their comfort zone.

Communication key: Focus on their life balance and stability.

Advisors who are Adapters with a dominant Content Balancer trait will naturally be focused on helping their clients set and achieve goals which maintain work life balance. However, they will need to realize that some clients are not so easy going and will be more ambitious.

Learning Point:

Adapters who have a Content Balancer trait need a comfortable environment and made to feel at ease. Nevertheless, they need to be challenged at times not to take life for granted and to ensure they are committed to achieving their goals. Working toward building the desired lifestyle does involve challenges and discipline at times. Ask the client: What would you like to do more of in the future to focus on your life? Tell me about your track record in following through on goals?

Behavioral Insight 15: Influencer - Risk-Taking Venturer

Mike Tudor is a 35-year-old entrepreneur who has been taking investment risks since he was 18 years old. He first learned from his father, who was always studying the stock market. For Mike it was natural to start dabbling in investment opportunities. However, Mike explained that he was very calculated in his approach, always ensuring that the perceived upside was more than the downside. He knows that at times he has taken what many would say are very bold risks, but he can live with the consequences when a loss is made. Mike admits he rationalizes losses as part of the game and gets on to the next opportunity.

Mike is an Influencer with a dominant trait of being a “Risk-Taking Venturer”. This person sees taking risks as an inherent part of life and investing money. These investors are naturally opportunistic and will be comfortable taking risks. They will also be comfortable living with the dangers of taking those risks. Their mind-set will be that the next opportunity is around the corner and not to worry about the past too much.

However, the struggle for Influencers who are Risk-Taking Optimists is that they can be suffer from over confident in making investments. This can result in taking too many speculative risks that leave them with more losses than wins, and a portfolio that is not balanced. Their blind-spot is that they may not see the dangers and gamble too much against the odds.

Without a high level of self-awareness many investors think they are far more risk tolerant than what they really are. Often they are being driven by outside pressures and desires to make money or are simply ignorant about investment returns and how money is made. As soon

Behavioral Insight 15

Naturally daring and courageous people will be Influencers who are “Risk Taking Venturers”. They are prepared to take opportunities but with their over confidence may take poor chances at times. Communication key: Present the risk and return of each investment.

as the market goes down severely, like in 2008, you soon see who has high risk tolerance. The problem becomes greater if the investor naturally has a significantly greater behavioral propensity to take risks beyond their risk tolerance capacity. Our research shows this is true in 20% of cases in terms of natural behavior. You can imagine the dangers of investors who leap at a profit-making opportunity when it comes up, yet when the loss is later made they are an emotional wreck because they do not have the tolerance.

An Advisor who is naturally an Influencer with a dominant Risk-Taking Optimist trait will generally be comfortable in guiding their clients through the uncertain gyrations of financial markets, particularly if they know their clients have a higher risk tolerance. The risk is that they do not see the dangers and take the wrong chance without fully informing the client. The portfolio can quickly have the wrong balance if there are too many speculative chances taken.

Learning Point:

Influencers who are Risk-Taking Optimists need advisors to provide clients with boundaries to manage their propensity to take risks and provide a reality check on their tolerance for living with those risks. Ask the client: What courageous goal have you set? What safety nets do you need in your life?

Behavioral Insight 16: Stylish Thinker – Cautious Conservative

Penny Martin is retired and living alone following the death of her husband two years ago. She is very active in her community and is a leader in her church, chairing the finance committee and active in fund raising. Penny is 68 years old and has always been the person in her family responsible for managing the household finances. She has found the past couple of years to be very stressful in dealing with her husband's financial affairs and feels that she has a pretty good handle on things now.

*Penny likes to travel and prefers to travel in groups, many of which she has been the person to plan and organize the trips*Penny is a Stylish Thinker with a dominant trait of being a "Cautious Conservative". This person generally likes to have the best of everything and will design their life to achieve it. They can be very shrewd investors knowing how to use their networking skills to find ideas and opportunities and then be calculated to discern what is sound. They like to get the best advice and guidance available. The key for them is to get enough technical information to confirm the advice is correct and at the same time they want to engage in discussion.

However, the struggle for Stylish Innovators who are Cautious Conservatives is that they want everything in their life ordered and yet they also have a high lifestyle desire. There is a motivation to look good, be in the spot light, have enjoyment and be involved in community activities. However, it must all fit into a plan which at times causes them personal tension. Ultimately, their need to act cautiously on the financial side making conservative decisions will win the day.

There will always be a fear for a Cautious Conservative that making financial losses on their investments will make them look bad. This loss aversion will cause them at times to hang on to losing investments in the hope they will one day come good. The helping hand of an adviser will be valued so that there is not portfolio under performance threating their lifestyle.

Behavioral Insight 16

Naturally calculated and careful people will be Stylish Thinkers who are "Cautious Conservatives". They require a high degree of certainty before committing to opportunities and with their loss aversion the portfolio can underperform from not taking losses when it is rational to do so. Communication key: Focus on the certainties and minimize the risks.

An Advisor who is naturally a Stylish Thinker with a dominant Cautious Conservative trait will generally be very client service orientated seeking to engage them in discussions and yet provide a very structure service that is reliable. The risk is that their advice could be too security orientated leading to portfolio under performance.

Learning Point:

Stylish Thinkers who are Cautious Conservatives need to find the balance between achieving their lifestyle goals and taking the necessary level of risk to achieve them. Ask the client: How do you assess the merits of taking a risk? Tell me about how you approached a new opportunity that was presented?

Behavioral Insight 17: Relationship Builder – Creative Idea Generator

Kim Grant is a 39-year-old creative director in an advertising agency who was introduced to you by your accountant. She and her husband Geoff have both been married before and have agreed to have some shared investments, like their home, but keep all personal investments separate. Generally, Kim enjoys brainstorming and sharing ideas with others. She has been very frustrated in her former advisor's ability to engage in discussions about the best financial planning ideas and then help her structure a comprehensive wealth management strategy. Although, by nature Kim has been a bit frightened to *challenge her existing advisor You have met with Kim once and she has asked you to demonstrate how this situation might be improved if she were to begin working with you. Kim is impressed with the recommendation she received from her CPA and trusts his judgment.*

Kim is clearly a Relationship Builder who is a "Creative Idea Generator". For this person being given a steady flow of new ideas makes her feel comfortable she is getting the best service. It is even more important she can openly discuss her feelings about these ideas, and present "out of the box" thoughts. At times her thinking will be quite random with a more creative "right brained" investing approach. Kim will back new ideas and a more creative solution so long as it will not de-stabilize her overall need for life security.

Behavioral Insight 17

Naturally original and imaginative people will be Relationship Builders who are "Creative Idea Generators". They are able to openly discuss new ideas but must make sure they do not have a newness bias for information that causes them to miss key existing data.

Communication key: allow brainstorming sessions and feelings to be presented.

A struggle will be that Relationship Builders who are Creative Idea Generators get too many ideas and their financial planning and investment portfolio becomes unstructured. This gets more difficult with a natural aversion to take losses. Further, they will tend to make decisions with a newness bias whereby the give more weight to recent information, even if its impact on share valuations might be of marginal importance relative to other information.

For advisors who are Relationship Builders with the dominant trait of being a Creative Idea Generator their strength will be identifying the latest investment ideas and presenting them to clients in a relaxed and non-overbearing way. However, the Relationship Builder who is a Creative Idea Generator may struggle to keep the planning on track with a clear structure.

Learning Point:

The key for advisors in advising Relationship Builder's with a Creative Idea Generator dominant trait is to allow open dialogue of new investment ideas. However, they should not be provided only with the latest information which does not properly correlated with other pre-existing information. Ask the client: Tell me about how you would like your financial plan presented and monitored? What would keep you from being an early adopter of a new product? Explain what results you have got from taking initiative with ideas?

DNA Behavior®

Behavioral Insight 18: Reflective Thinker - Anchored Implementer

Mary Winter is 55 years old and hopes to retire in 5 years. For some years now, Mary has been working with a financial advisor to manage her finances. The advisor has focused Mary on a specific rate of return for her portfolio and some benchmarks to watch. Mary says she is quite comfortable because the process is concrete and she knows her advisor is following a simple and disciplined process. At times when the advisor does suggest a new idea that could be tested out, Mary says it makes her uncomfortable.

Mary is a traditional Reflective Thinker who is an "Anchored Implementer". For this person investing in the familiar is very important to her emotional comfort. Anchored Implementers will adopt a logical and sequential "left brained" approach in choosing tried and tested products and solutions. They are interested in being provided with straightforward strategies and a concrete investment plan with clear implementation steps. Further, they need clear benchmarks to measure performance. Generally, they do not want to be exposed to new ideas that they cannot get their head around. For a Reflective Thinker who is an Anchored Implementer, taking on new ideas is quite risky. They do not need to be on the cutting edge of everything and are overwhelmed by advisors who give them non-traditional investments to try out.

Behavioral Insight 18

Naturally consistent and experience-driven people will be Reflective Thinkers who are "Anchored Implementers". They are able to focus on a plan and follow investment benchmarks but may be too fixed on existing ways and fail to adjust..

Communication key: keep it tangible and provide the logical steps.

A struggle will be that Reflective Thinkers who are Anchored Implementers become too focused on a strategy and fixed on specific investment benchmarks to monitor performance. The consequence being they do not look out to re-adjust when needed. They can lock themselves into a strategy and a plan without the drive or creativity to get out of the box.

For advisors who are Reflective Thinkers with the dominant trait of being an Anchored Implementer their strength will be following a consistent process in how they advise their clients and execute the plan. The clients will know where they stand and have clarity. However, the Anchored Implementer as an advisor may struggle to be flexible when a different path needs to be followed or they have a client who wants to explore more creative ideas.

Learning Point:

The key for advisors in advising Reflective Thinker's with an Anchored Implementers dominant trait is to keep them focused on their overall long-term investment goals and maintain a consistent process. However, they should not be provided with artificial or narrowly focused benchmarks that are followed in a way which distracts them from the bigger picture of achieving their goals. Ask the client: Tell me about how you would like your financial plan presented and monitored? Tell me about how would you prefer new products and solutions to be introduced to you?

6. Solutions for Building the Financial Planning Performance of Your Clients

As you can see, having greater self-awareness of your behavioral propensities and those of your clients will help to enhance performance for everyone. Remember that it is the clients' behavior that will drive much of the performance of their investments, not the behavior of the markets. Further, having greater behavioral knowledge will help you in communication and add more value to the relationship.

Step 1: Behavioral Discovery

You should consider participating in a validated behavioral discovery (assessment) process that provides objectively measured insights into your natural hard-wired behaviors using a validated model. The clients should also participate in a structured behavioral discovery process. Such a process will provide predictive insights into how you and they make investment decisions and your and their reaction to market events. Also, the behavioral discovery report will help you play the role of behavioral guide and ask your clients more insightful questions.

Then ask: How does your behavioral style relate to the insights in this guide? How will you modify your investment behavior going forward? How will you modify your recommendations to clients?

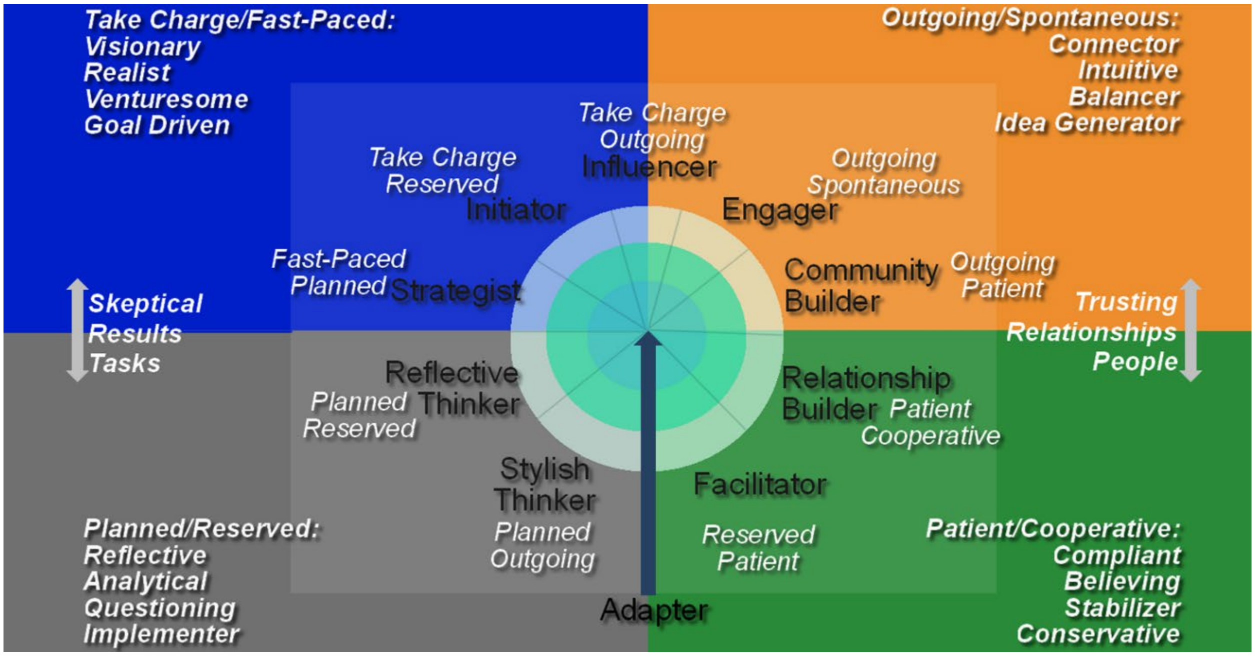
Step 2: Behavioral Investment Policy Statement ("IPS")

A Behavioral IPS will help you connect your clients' unique financial personality and Quality Life goals to your investment recommendations. It will provide a useful framework for managing the clients' behavior and not allowing them to make irrational investment decisions when life and market events occur, or if there is a significant change in their financial position. The Behavioral IPS should be used as a reference at every review meeting before any major investment decision is made.

Step 3: Performance Reviews

You should have regular performance reviews to monitor how your clients' overall wealth management is progressing relative to their emotional comfort. The idea is to keep their focus on achieving the broader Quality Life goals and not short-term performance or allowing them to do investment-by-investment analysis.

Appendix A: An Overview of the Financial DNA Natural Behavior Styles



Appendix B: The Need for Financial Personality Awareness

DNA Behavioral Factor	Financial Performance Strength	Behavioral Challenge Under Pressure	Financial Performance Risk	Behavioral Finance Approach
Take Charge	Visionary	Does not listen	Over extends	Consolidated view
Cooperative	Compliant	Hesitant	Holds losses	Disposition effect
Outgoing	People connector	Becomes emotional	Sabotages self	Herd follower
Reserved	Reflector	Hoards	Fear of not enough	Mental accounting
Patient	Stabilizer	Procrastinates	Expects guarantees	Loss aversion
Fast Paced	Realist	Impatient for returns	Sells at wrong time	Over trading
Planned	Analyzer	Paralysis	Misses opportunities	Pattern bias
Spontaneous	Intuitive	Impulsive	Makes judgment errors	Instinctive
Trusting	Believer	Too receptive	Taken advantage of	Fear of regret
Skeptical	Questioner	Does not delegate	Misses market timing	Controlling
Pioneer	Goal driver	Over focused on success	Fails to change plans	Optimism bias
Content	Balancer	Stays in comfort zone	Lacks commitment	Confirming bias

Risk Taker	Venturesome	Takes poor chances	Low portfolio balance	Over confidence
Cautious	Conservative	Too calculated	Under performs	Loss aversion
Creative	Idea connector	Easily bored	Loses financial direction	Newness bias
Anchored	Implementer	Fixed on existing ways	Fails to adjust	Benchmark focus

Appendix C: Background Information

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The DNA Behavior International Research Team Leaders

Justin A. DeSimone, Georgia Institute of Technology

Justin serves as a consultant to DNA Behavior International focused on behavioral research and content development. He is a non-executive member of the DNA Behavior International Advisory Board for Behavioral Research. Justin has a B.A. in Psychology from Duke University. Justin has more than 10 years of experience in psychometric research and will in May 2012 complete his PHD in Industrial and Organizational Psychology. He works closely and is supervised by Dr. Lawrence James, PHD at Georgia Institute of Technology's Industrial and Organizational Psychology Department on the creation and validation of new personality measures for multi-national and Fortune 500 corporations. Justin has taken twelve graduate-level courses in research methodology and statistics and has served as a teaching assistant at Georgia Tech for six graduate level statistics courses since 2006. He has previously worked with AON Talent Solutions and Ramsay Corporation in order to develop and validate selection tests for The Coca-Cola Company. He also has experience working with training and organizational development for The Coca-Cola Company and CJC International.

Lee Ellis, Leadership Freedom, LLC

Lee serves as a consultant to DNA Behavior International focused on behavioral research and content development. He is a non-executive member of the DNA Behavior International Advisory Board for Behavioral Research. Lee has a B.A. in History and an M.S. in Counseling and Human Development. He is the president of Leadership Freedom, LLC. Lee has twenty years of experience in psychometric research. He led the team that researched and developed the Career Direct Personality Inventory (Career Direct® assessment system) and the RightPATH® Profile assessments that have been used internationally by more than 250,000 individuals. Lee has sixteen years of experience in leadership training and education as well as twelve years of experience in guidance counseling. Lee is the author of is *Leading with Honor: Leadership Lessons from the Hanoi Hilton* and *Leading Talents, Leading Teams* and the co-author of three books on career planning.

Carol Pocklington, Consultant

Carol serves as a consultant to DNA Behavior International focused on behavioral research and content development. She is a non-executive member of the DNA Behavior International Advisory Board for Behavioral Research. She has over forty years of technical and practical experience in the development and use of personality systems for Government Departments, the Banking Sector, the Airline Industry and many multi-national corporations undergoing significant internal re-structuring. She is a world authority on how personality insights can be used in human development and specializes in their application within the workplace. Carol conducted an independent research study for DNA Behavior International in 2001 on all of the major personality profiling systems being utilized in business with a view to assessing their strengths and limitations. The findings formed the foundation for establishing the criterion required in the development of new personality assessment tools for use in personal development, career, financial and business consulting services. She led the development of the DNA Discovery Processes which are currently applied to more than twenty specific applications worldwide under 8 different DNA brands.

Hugh Massie, DNA Behavior International

Hugh serves as the President of DNA Behavior International and is the company's executive leading the company's behavioral research and content development. Hugh has a Bachelor's of Commerce, is a member of the Institute of Chartered Accountants in Australia, and has a diploma in Financial Planning. Hugh has more than eleven years of technical and practical international experience in using and developing personality systems for a wide range of business applications. With a team of behavioral experts in Australia, the United States, and Europe, he visioned and led the development of the DNA Discovery Processes which are currently applied to more than twenty specific applications worldwide under 8 different DNA brands. Hugh is a world authority on the connection of natural DNA behaviors to life, financial, and business decisions providing consulting and training services to international corporations, Fortune 500 Companies and financial service firms.

Ryan Scott, DNA Behavior International

Ryan serves as the Product Development Manager at DNA Behavior International and is a company assisting with the management of the company's behavioral research and content development. Ryan has a Bachelor's of Science in Management from the Georgia Institute of Technology. Ryan has worked closely with Hugh Massie and the non-executive consultants during the development and commercialization of the DNA Discovery Processes which are currently applied to more than twenty specific applications worldwide under 8 different DNA brands.