

# Mind Over Money: Using Financial Psychology to ~~Enhance~~ *Transform* Client Outcomes





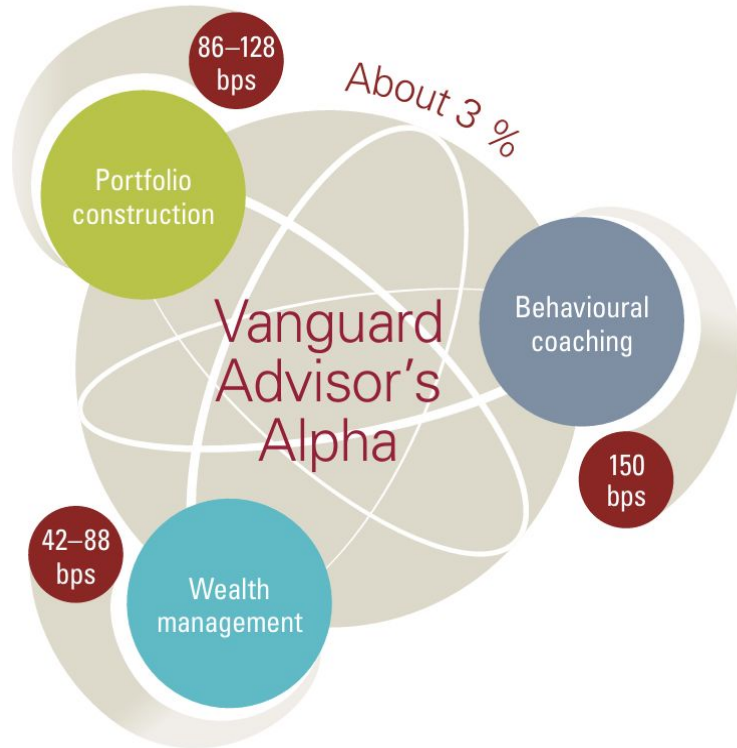
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## Learning Objectives:

- Develop an understanding of Financial Psychology: money scripts, positive psychology.
- Introduce essential client discovery techniques.
- Learn from real-life client scenarios.



# Vanguard Advisor's Alpha



## Building a plan customized to a client's unique situation

Suitable asset allocation using broadly diversified funds/ETFs*	> 0 bps
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Cost-effective implementation (expense ratios)	86 bps
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Asset location between taxable and tax-advantaged accounts	0-42 bps
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Total-return versus income investing*	> 0 bps
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## Deploying strategies to minimize tax impact and risk

Regular rebalancing	42 bps
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Spending strategy for drawdowns	0-46 bps
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## Helping clients to stay the course

Behavioural coaching	150 bps
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\* Value is deemed significant but too unique to each investor to quantify.

Source: Schlanger, et al., 2018. Putting a value on your value: Quantifying Vanguard Advisor's Alpha in Canada.: The Vanguard Group, Inc.

# Common Behavioral Challenges

- Clients not following through with your recommendations
- Clients resisting your advice (despite evidence)
- Financial disagreements between couples and family members
- Clients financially enabling adult children
- Client's upbringing/beliefs, etc. leading to self-sabotage of their financial plan
- Clients being unwilling to diversify from a concentrated stock position
- Clients struggling to adjust to a life change such as inheritance or retirement

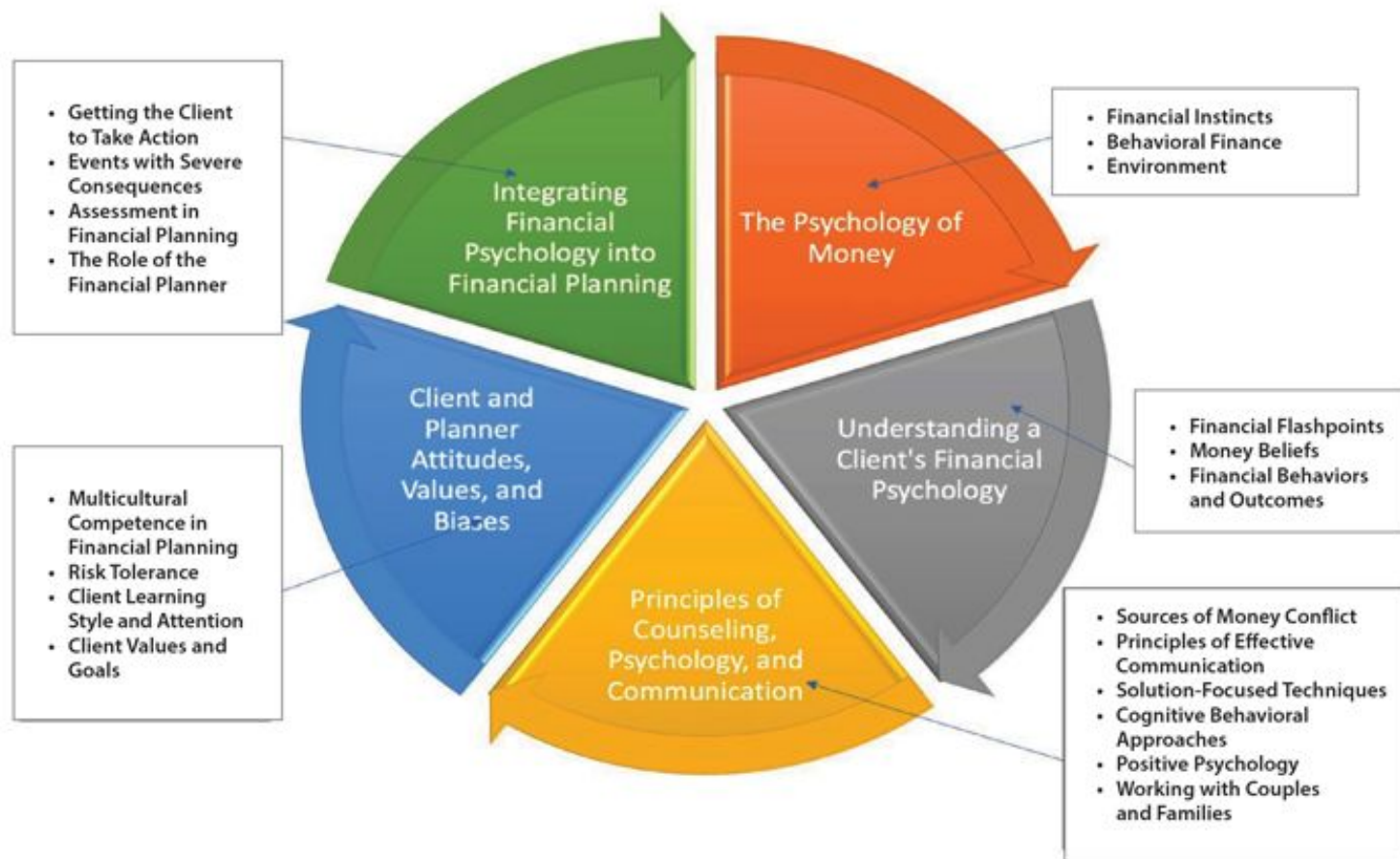
# Financial Psychology

CFP Board defines the psychology of financial planning as: “identifying and responding to attitudes, behaviors, and situations that impact decision-making, the client-planner relationship, and the client’s financial well-being.”

The psychology of financial planning is more than client psychology or behavioral finance and includes the interaction of planner characteristics with client characteristics. It is the system within which clients planning for their financial goals and financial well-being are aided by **financial planners who possess their own history, biases and values that must be recognized and sometimes subsumed in service to the client.**



**Figure 1: Psychology of Financial Planning: The Practitioner's Guide to Money and Behavior**



# Additional Components of Financial Psychology

- Financial Therapy
- Positive Psychology
- Appreciative Financial Planning
- Financial/Behavioral Coaching
- Life Planning or Financial Life Planning



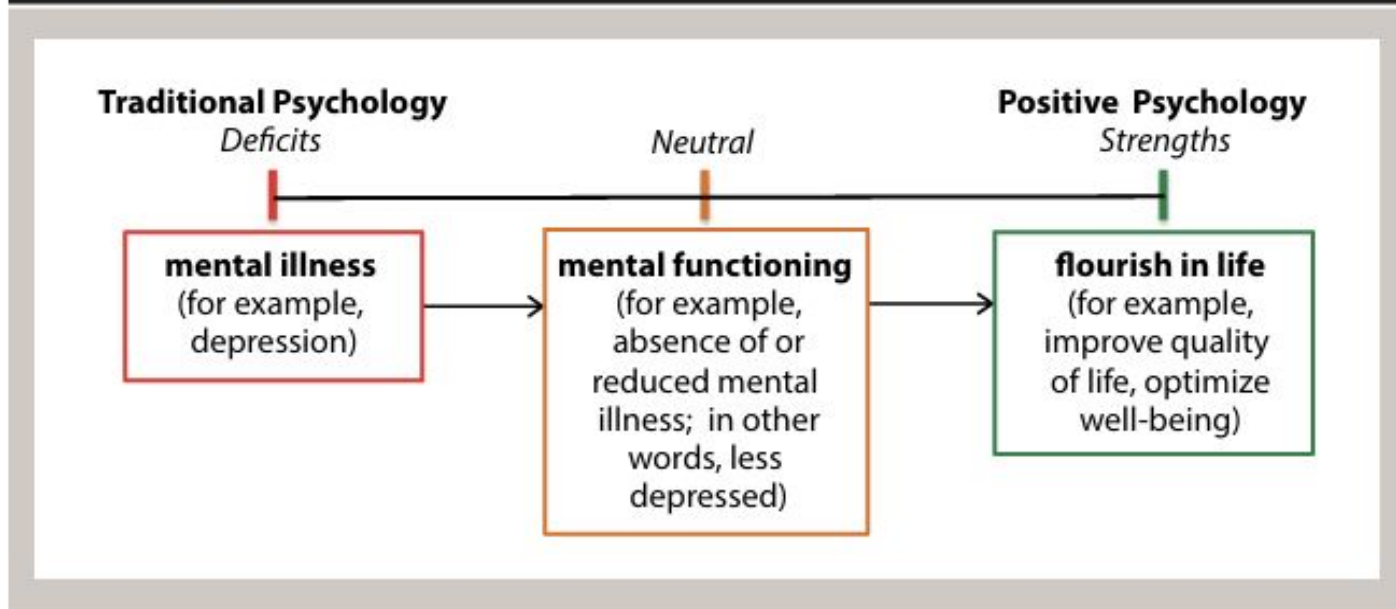
# Positive Psychology

“The scientific study of the strengths that enable individuals and communities to thrive. The field is founded on the belief that people want to lead meaningful and fulfilling lives, to cultivate what is best within themselves, and to enhance their experiences of love, work, and play.”

-Positive Psychology Center, University of Pennsylvania

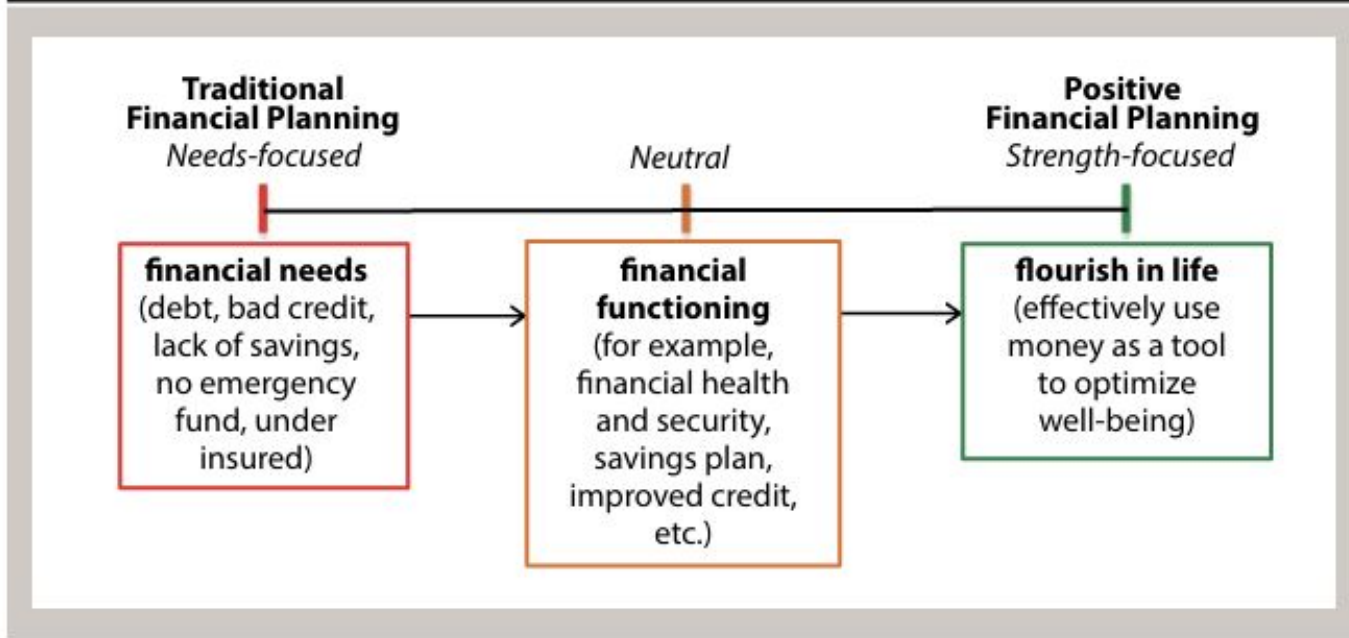
# Traditional Psychology -> Positive Psychology

**Figure 1:** From Traditional Psychology to Positive Psychology

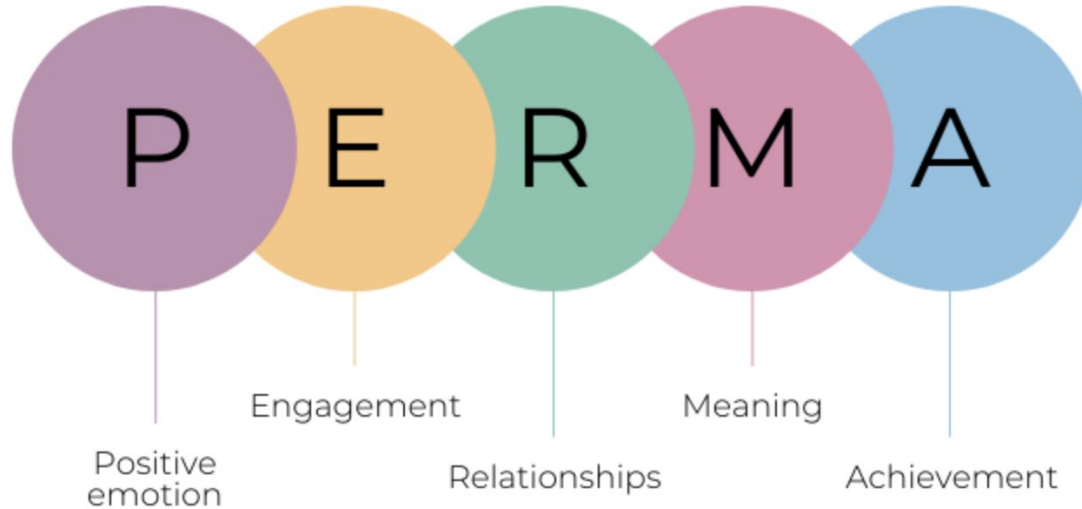


# Traditional Financial Planning -> Positive Financial Planning

**Figure 2:** From Traditional Financial Planning to Positive Financial Planning



# The PERMA Model



# Appreciative Financial Planning

- Ed Jacobson stressed that this is an appreciative model, versus a deficit model.
- Appreciative questions reduce stress and create deeper conversations.
- "Tell me a story of a time when you used money wisely and enjoyed the result."
- Real self vs ideal self. Limitations vs possibilities.
  - Real-self question: "How much money do you need for retirement?" or "What are your biggest financial worries?"
  - Ideal-self question: "What does an ideal retirement look like for you?" or "If money weren't a concern, what would you want to experience in life?"

<sup>5</sup><https://www.kitces.com/blog/financial-advisor-inspired-discovery-meeting-vision-question-intentional-positive-emotional-attractor-ideal-real-self/>

# Money Scripts

“Money scripts are underlying mental narratives clients may harbor—consciously or subconsciously—about their own money beliefs, and the resulting ‘money behaviors’”.  
(McCoy/Klontz)

- Money avoidance- money is bad.
- Money worship- more money will make everything better.
- Money status- high value on possessions.
- Money vigilance- careful, conscientious.

# Favorite Client Questions

- George Kinder's 3 questions.
- If you had “the thing”, what would that provide for you?
- Tell me about one (financial) thing you've done in the past year that you're proud of.
- What's something that you spend money on that brings you joy?
- What's possible now?
- Anything else? (broadening)
- Tell me more? (deepening)



## Other Tools & Techniques

- Do you own work.
- The pause.
- Reframing.
- Statement of (financial) purpose.
- Coaching framework: guide the client to find their own solution.



## Additional Resources

- Kinder Institute- Registered Life Planner designation
- Golden Gate University Life Planning Certificate
- Financial Therapy Association
- Money Quotient
- Shaping Wealth
- Meghaan Lurtz's writing re: questions
- Sudden Money Institute
- Carl Richards' work (podcast, retreats)
- KMSI-R: Klontz Money Script Inventory
- Positive Psychology Center

“Always the beautiful  
answer who asks a more  
beautiful question.”  
-e.e. cummings

