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COVER STORY

CFP Board Code and Standards:
Your Questions Answered | 28

Take a Deep Dive into the
SEC's Investment Advice Rule
Package | 36

10 QUESTIONS

Walter Clarke on Navigating
an SEC Enforcement Action and
Learning from Mistakes | 18

PRACTICE MANAGEMENT

Using Financial Psychology to
Better Serve Female Clients | 24

SPECIAL REPORT

Financial Advisers as Well-Being
Advisers: Enhance Your Clients'
Well-Being by Understanding Its
Four Domains | 48

CE EXAM

Earn one hour of continuing
education credit in this issue | 58



September 2019 | Vol. 32 | No. 9
FPAJournal.org

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PRACTICE MANAGEMENT

Using Financial Psychology to Better Serve Female Clients

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THE SOCIOECONOMIC environment related to gender is changing dramatically. Financial planners who fail to adapt to servicing women in a culturally competent manner may face extinction in the future. To survive and thrive in these changing times, planners will need to recalibrate to connect with and best serve women in an evolved competent way.

In 1985, approximately 25 percent of households had women as primary breadwinners. By 2016, that number had doubled to nearly 50 percent, according to the Center for American Progress.¹ That means that women currently influence nearly half of the wealth in the United States, a figure that is expected to rise to approximately 75 percent of the nation's wealth by the year 2030.² In fact, the global wealth of women is expected to grow from \$13 trillion in 2018 to \$21 trillion by 2021, about 1.6 percent faster year-over-year growth than that of wealth controlled by men.³ And according to Fidelity, 44 percent of Generation X and Generation Y self-made millionaires are women, yet nearly half (46 percent) are not working with a financial adviser.⁴

Meanwhile, a 2015 survey by StrategyMarketing.ca found that 87 percent of women looking for a financial adviser said they couldn't find one with whom they could connect.⁵ A planner's ability to rethink and effectively refine their service-model approach to meaningfully align with women could be a strategic

competitive advantage moving forward.

Based on a combination of recent studies of women in the financial services industry, three dynamics are commonly cited by female investors as critically important in a financial planner relationship: (1) to be listened to and understood; (2) a collaborative partner who provides ongoing education; and (3) a financial plan aligned to serve their lifestyle needs, personal values, and goals.⁶

We'll discuss each of these needs and how financial planners can use techniques from financial psychology to better serve female clients (see the table for a summary).

To Be Listened to and Understood

Men and women often have different goals when communicating. Often with women, that goal is simply to be heard and understood.

Psychotherapist Richard Drobnick has identified some of the differences in how men and women prefer to communicate.⁷ He suggests that men: (1) believe communication should

| Techniques for Using Financial Psychology in the Financial Planning Process | | |
|---|---|--|
| Women's Financial Planning Expectations | Financial Psychology Tools and Techniques | Applied to Financial Planning |
| Be Listened to and Understood | Exquisite listening: <ul style="list-style-type: none"> • Illustrate your direct interest in hearing someone; • Listen intently without interruption; • Create a positive emotional experience. | <ul style="list-style-type: none"> • Open client meetings with an invitation statement to first hear the client's needs and concerns. • Use statements that elicit elaboration. • Practice reflective listening by clarifying and verifying what is said. |
| Collaborative Partner and Ongoing Education | Integrated financial planning approach: <ul style="list-style-type: none"> • Past, present, and future; interior and exterior aspects of financial health. • Traditional planning only considers "exterior" aspects. | <ul style="list-style-type: none"> • Incorporate past, present, and future "interior" aspects of financial health. • Incorporate beliefs, values, and goals. |
| A Financial Plan Aligned with Needs, Values, and Goals | Positive psychology PERMA elements: | Aligning time and resources with value elements: |
| | Positive emotion: reflects one's subjective emotional evaluation of their life's past (satisfaction), present (ease/happiness), and future (optimism). | Leisure activities or items that create a positive emotional experience (dining out, travel, sports, theater, spas, etc.). |
| | Engagement: ability to regularly use one's strengths and talents in activities that result in a feeling of satisfaction and deep fulfillment. | Hobbies and activities that promote use of unique personal strengths and talents (playing a musical instrument, writing, exercise, arts, etc.). |
| | Relationships: embody one's experience of healthy, supportive, and fulfilling relationships in life. | Experiences with others (group events, travel with family and friends, gifts to others, etc.). |
| | Meaning: one's feelings of purpose in life; belonging or contributing to something greater than oneself. | Contributions to meaningful interests (special interest groups, charitable/political contributions, religious support, etc.). |
| | Accomplishment: one's pursuit of success, mastery, and achievement in life. | Supporting personally fulfilling endeavors (personal professional development, specialized education). |

Sources: "From Functioning to Flourishing: Applying Positive Psychology to Financial Planning," by Sarah Asebedo and Martin Seay, (November 2015 *Journal of Financial Planning*). *Facilitating Financial Health: Tools for Financial Planners, Coaches, and Therapists* (2nd edition) by Brad Klontz, Rick Kahler, and Ted Klontz (2008, National Underwriter Co.); "7 Steps to Facilitate Exquisite Listening," by Brad Klontz and Ted Klontz (November 2017 *Journal of Financial Planning*).

have a clear purpose; behind every conversation is a point that needs to be made and/or a problem that needs to be solved; (2) prioritize productivity and efficiency in communication and will often interrupt once he has heard enough to offer a solution; and (3) listen, particularly to women, by filtering everything said through the lens of, what can we actually do about this? He argues that for men, learning to listen patiently does not come naturally.

Drobnick suggests that women: (1) believe conversation and being sufficiently heard or understood is a productive end in-and-of itself; (2) use communication to explore and organize thoughts, discover how she is feeling, and what it is she wants to say; and (3) see conversation as an act of sharing and an opportunity to increase closeness, understanding, and trust.

With those communication differences in mind, here are suggestions

for how to improve the effectiveness of financial planning services with women.

Become an exquisite listener.

When we truly feel heard, we not only feel connected, we feel valued. Listening techniques drawn from financial psychology⁸ can help planners better connect with female clients by helping them feel heard and understood.

It can be helpful to open all client meetings with an invitational statement that illustrates your direct interest in hearing the clients' needs and concerns, rather than jumping into your own agenda. For example: "I'm interested in hearing what brings you in today." Or, "Tell me the most important item on your agenda that you'd like to make sure we cover today."

After the statement is offered, the planner's job is to listen intently and follow-up to create the experience of being listened to and understood. (We recommend letting the client do 75

percent of the talking during a meeting).

Follow-up with relevant, open-ended prompts to promote deeper discussion. Examples include: "Say more about how that is affecting your life." "Tell me more about how you are coping with that (change/challenge)." And, "Please give me an example of how that is happening for you."

Use reflective listening. Reflective listening is a useful communication tool for financial planners. It involves clarifying and verifying what clients have actually said, as opposed to what you think they have said.⁹ Listen attentively to what the client is saying and then paraphrase, offering the summary back to the client. This gives clients the opportunity to clarify and expand. Ultimately, the experience for the planner is one in which he or she has a clear understanding of the client's values, goals, and situation, while the client feels uniquely validated and understood.

Collaborative Partner Who Provides Ongoing Education

A more holistic financial coaching approach to more accurately reflect how women relate to money emotionally is likely to provide increasingly meaningful opportunities for collaborative planning. And financial literacy efforts can address women's need for ongoing education.

Adopt an integrated planning approach. Integrated financial planning works to combine and address both the “interior” alongside the “exterior” aspects of a client's financial health.¹⁰ Traditional financial planning takes into account “exterior” finance components, which include historical financial data, tax returns, investments, insurance, cash flow, estate planning, retirement projections, and financial goals. Integrated financial planning takes a more evolved approach to also include the “interior” finance components into the planning process, such as taking into account the client's values, feelings about money scripts, and how money intersects with their relationships.

Men and women have distinctively different training and socialization tracks around money.

Such a holistic approach to financial planning is likely to be more attractive than traditional financial planning to female clients. It is not only essential for creating and maintaining a client's healthy relationship with money, but it may also serve as a tool for developing and promoting a collaborative planning partnership.¹¹

Invest in financial literacy. While financial education is an important factor in many client-planner relationships,

it is especially important when working with women, given factors including gaps in both gender-pay and time in the workforce, and women's increasingly longer life spans.

Many women (and men) come from families who taught their children that discussing money was more taboo than discussing topics like politics, sex, and religion. Compounding this, studies have shown that when parents do introduce children to money, girls are more likely to be excluded and brought up to believe that money is not as important an issue for them as it is for men.¹² Research has also shown that children are raised differently dependent on gender and girls are significantly more likely to have more money problems and less income in adulthood.¹³

These familial and societal factors offer a significant opportunity for financial planners to help today's generations of women by educating them on ways to improve their financial health and the overall quality of their lives to come.

A Financial Plan to Serve Lifestyle Needs and Goals

Men and women have distinctly different training and socialization tracks around money, resulting in different attitudes, beliefs, financial fears, and future desires about money. In general, men tend to glamorize money as a measure of status and self-worth with a greater drive for significant earnings.¹⁴ With regard to investing, women tend to be somewhat more fearful and have been found to view investing as much more of a risky venture, relative to men.¹⁵

According to researchers Sarah Asebedo and Martin Seay, what is broadly missing from the traditional financial planning model is the foundation of combining the vital role that money plays in our lives with the basic human ambition that exists as meaningful to all of us—the desire to flourish by living a full, thriving, and prosperous life. They argue

for the profession to evolve beyond the basic needs-based planning model to a focus on a value-based approach designed to move from *functioning* to *flourishing*.¹⁶ To effectively serve women, financial planners would benefit from reframing their approach to include a client's overall life purpose and values.

Assess a client's needs and values. The first step to develop a comprehensive financial plan congruent with a client's needs and values is to help the client gain clarity on needs and values. Then, the planner can help the client determine the extent to which their current allocation of time and money may be aligned (or misaligned) with those needs and values, and can develop, implement, and monitor a financial plan based on those needs and values.

Needs and values are associated with well-being, and include five elements, according to psychologist Martin Seligman.¹⁷ Those elements are abbreviated as PERMA: positive emotion, engagement, relationships, meaning, and accomplishment. The idea is to use these elements as a tool to create clarity and enhance the client's understanding of how strategically aligning their behaviors and financial resources with these five values can promote financial and overall well-being. Each of these PERMA value elements can translate into aspects of time and resources within the realm of financial planning. In their 2015 *Journal of Financial Planning* paper, Asebedo and Seay offer ideas for integrating PERMA elements into the financial planning process.¹⁸

Conclusion

Given the growing segment of female financial planning clients, financial planners would benefit from providing women investors with what they are looking for in a client-planner relationship. This includes a focus on communication, collaboration, and personal values. For planners, adapting to this

perspective involves a commitment to not only adapting your approach and delivery, but also a commitment to learning new tools and techniques for further understanding how women relate to money and how it fits into the realm of their personal values and areas that matter most in their lives. ■

Endnotes

1. See the 2016 report, “Breadwinning Mothers are Increasingly the U.S. Norm,” at cdn.american-progress.org/content/uploads/2016/12/19065819/Breadwinners-report.pdf.
2. See the 2017 CNBC.com article, “Women Face Significant Retirement Challenges,” at cnbc.com/2017/01/19/for-women-retirement-can-be-a-serious-challenge.html.
3. See the 2019 *Financial Times* article “Wealthy Women Targeted by UBS,” at ft.com/content/d446ffe0-e23e-11e6-8405-9e5580d6e5fb.
4. From the February 2018 Fidelity Investments presentation, “What Women Say They Want Most in a Financial Planner,” presented at the American Bankers Association Annual Conference.
5. See “Financial Advisors Are Failing Women: What Female Clients Really Want and How to Change the Dialogue,” at strategymarketing.ca.
6. See “The Allianz Women, Money, and Power® Study: Empowered and Underserved” (allianzlife.com); the “2015 Fidelity Investments Money FIT Women Study” (fidelity.com); and SunTrust’s presentation at the February 2019 American Bankers Association Annual Conference titled, “How Women Prefer to be Advised by Financial Planners.”
7. See “Five Ways Men and Women Communicate Differently,” at psychcentral.com/blog/6-ways-men-and-women-communicate-differently.
8. See *Facilitating Financial Health: Tools for Financial Planners, Coaches, and Therapists* (2nd edition) by Brad Klontz, Rick Kahler, and Ted Klontz; and the November 2017 *Journal of Financial Planning* article, “7 Steps to Facilitate Exquisite Listening,” by Brad Klontz and Ted Klontz.
9. See *Facilitating Financial Health: Tools for Financial Planners, Coaches, and Therapists* (2nd edition) by Brad Klontz, Rick Kahler, and Ted Klontz.
10. Ibid.
11. Ibid.
12. See the April 1999 paper, “Gender, Socialization, and Money,” by Michael D. Newcomb and Jerome Rabow in the *Journal of Applied Social Psychology*.
13. See the August 2014 paper, “Moneygrams: Recalled Childhood Memories about Money and Adult Money Pathology,” by Adrian Furnham, Sophie von Stumm, and Rebecca Milner in the *Journal of Financial Therapy*.
14. See endnote No. 12.
15. Ibid.
16. See “From Functioning to Flourishing: Applying Positive Psychology to Financial Planning,” in the November 2015 *Journal of Financial Planning*.
17. See *Flourish: A Visionary New Understanding of Happiness and Well-Being* (reprinted in 2012 by Atria Books).
18. See endnote No. 16.

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