Behavior Modification

April 01, 2011, 1:00 a.m. EDT

Every financial planner has had this experience. A client couple comes to you in some financial distress. And they came to the right place: This is what you do, and you're good at it (if you don't say so yourself).

After establishing rapport, you gather data, analyze it, establish goals, develop solutions and deliver a stellar comprehensive financial plan. As you review the plan and your recommendations, your clients nod their heads frequently, ask questions, smile, thank you vigorously for your wisdom and insight, shake your hand and walk out the door.

Three months later you follow up with a phone call, only to discover that they have not made progress on any of the recommendations. They assure you that the plan is solid and important, but they just haven't gotten to it.

UNCONSCIOUS BELIEFS

Stalling-and other seemingly illogical client behavior-makes total sense when we have insight into what I call "money scripts." They are those typically unconscious, but deeply held beliefs we have about money that drive all of our financial behavior. It is likely that a significant part of the financial distress that brought your client through your door is the result of the same beliefs that are keeping him or her from following your plan.

Money scripts are developed in childhood. The child-mind is a simple one, and a child's need to figure out how the world works is great. Children have a tendency to see things in all-or-nothing terms, especially when the learning experience is emotionally charged or painful. After you have been bitten by a snake, it makes sense to run the next time you see something stirring in the grass, although this time you could be running from a squirrel.

Since most families don't talk much about money, teaching more by example than words, parents may not notice misunderstandings or key experiences. The euphoria that comes with watching a parent win at the horse track may end up in a lifelong gambling problem; growing up in poverty can set up a workaholic personality; or hearing family discussions about betrayal can lead you to keep financial secrets from a trustworthy partner. The human brain automatically takes on the job of protecting us from experiencing more pain or works to re-create remembered pleasures.

Rarely do we take the time and energy to think about our thinking, digging into our histories to discover the origins of our assumptions about money, or anything else for that matter. Our cultural taboo against talking about money also allows the scripts to run unchallenged. Psychologically minded financial planners are in an excellent position to help clients become conscious of their assumptions about money, the first step to changing them.

You don't need to tell clients they are wrong. Even the most outrageous money scripts are 100% true in a specific set of circumstances.

My grandfather's family lost all their money when the banks collapsed during the Great Depression. As a young man, my grandfather concluded that he wouldn't make the same mistake, and for the rest of his 94-year life, he refused to put a dime in a bank and kept his money in a lockbox in his attic. It didn't matter that laws had passed insuring bank deposits. Instead of telling clients they are wrong, you can help them see that their beliefs are based on real experiences and it's the facts that have changed.

Chances are your client is going along with or reacting against family history. My grandfather passed down his financial mistrust to my mother. As a result, she was very conservative with her money, preferring CDs and savings accounts and avoiding the stock market.

Until I investigated my own family financial history, I had no idea why I was anxious about money, especially about being poor. In an effort to do things differently, I swung in the opposite direction of their caution and ended up losing half of my money when the tech bubble burst.

At that point, it would have been easy for me to revert to my grandfather's all-encompassing mistrust of financial institutions and repeat the family cycle. Instead, I began questioning my assumptions, exploring the emotional intensity of my fear of ending up poor. I interviewed family members and sought advice and counsel from others. Knowing their family history will give your clients insight and allow them to change their behavior.

THREE MONEY SCRIPTS

We recently concluded a web-based survey of more than 400 people from all walks of life, investigating their beliefs about money and whether these beliefs were associated with financial health. The study is set to be published in the spring 2011 edition of the Journal of Financial Therapy.

We discovered three categories of money scripts linked to income and net worth: money avoidance, money status and money worship. The more people endorsed these beliefs, the more likely they were to have less income and lower net worth.

* **Money avoidance**. Have you ever heard a client say, "Rich people are greedy," "Money corrupts people" or "I don't deserve to have money"? Often such beliefs are rooted in childhood experiences in which money was misused or misunderstood by parents. Unless we understand

that money is just a tool that can be used for good or evil, we may unconsciously sabotage ourselves when we choose careers or investment products.

* **Money status.** You'll probably hear it said with a cynical chuckle, but many people believe, "Money is what gives life meaning" or "Your self-worth equals your net worth." When we equate money with all human value and status, we may take excessive risks or overspend to keep up appearances.

* **Money worship.** People who don't think they equate money with status may nonetheless deeply feel that more money or more possessions will fix all problems in their lives and make them feel complete or whole. Money worship is epidemic in this country and at the heart of our financial dysfunction. We still think, "More money will always make me happier" and "I can never have enough money."

ENLIGHTENING CLIENTS

Integrating a thorough discussion about money scripts into the early stages of the planning process can be crucial to your success. It is most important to bring up the topic during interviews and to ask clients to keep a money script log.

* **Interviews**. Ask your clients to talk about their early experiences around money and their family history. Start with questions such as: "What is your earliest memory around money?" "What is your most joyful money memory?" "What is your most painful money experience?" and "What were you taught about the wealthy/poor?"

Introduce the idea of a money script as an early, unconscious belief about money that persists later in life. After hearing the stories, ask: "What money script would a person who had that experience walk away with?" "How have these experiences and the resulting lessons helped you?" "How have they hurt you?" "What would you like to do differently now, if anything?"

Michael J. Hardy of Mollot & Hardy in Amherst, N.Y. begins his initial client interviews with an exploration of money scripts to help clients make more conscious financial decisions. He just includes it as a normal part of his data-gathering process.

"I always begin an interview by asking my clients about their past in a very curious and unimposing way, as if I were a friend," he explains. "I have them identify incidents they may have had around joyful money moments and negative money moments." Hardy adds that he often dives deeper into how his clients pictured their parents or anyone close to them around money. "You can cover a lot of ground in these simple questions," he says.

* **Money script log**. People are not typically aware of what happens in their minds in the minutes, hours or days before they take action with money, whether it's buying a car or checking their investment accounts. If clients understand that they need to change their behavior, they may be willing to put effort into examining and writing down those thoughts after the fact.

The money script log asks clients to answer four important questions. (For an example of a money script log, see "Writing It Down," on opposite page.)

1. *What was the trigger?* It is important to identify a situation, event or emotion that prompted the behavior. Clients who know their triggers can learn to avoid them or counteract automatic responses.

2. *What went through your mind?* This question forces clients to think about their thinking in retrospect. With some practice, we can learn to observe our thinking in the moment as well and distinguish between helpful thoughts in the here-and-now and old money scripts that are no longer useful to us today.

3. *What was your impulse?* This asks clients to identify what actions the belief compelled them to take.

4. *What did you do?* This tracks the behavior that resulted from the trigger, money script and impulse.

Ideally clients would bring the money script log back to the planner's office for discussion. But simply keeping the log can be invaluable. Typically, we move from trigger to action automatically, unconsciously and rapidly. When clients see the sequence of events written down later, it can help slow them down the next time they are subjected to a trigger.

Work with your client to establish questions they can ask themselves in the moment, such as "Is it really worth it?" "Is there something else I can do right now to make me feel better?" "Does this decision fit with my goals?"

Kathleen S. Parks of Patriot Investments in Knoxville, Tenn., integrates money script questions into her annual goal sheets and tracks them over the years. When she notices a problem financial belief or behavior, she uses active listening and statements like, "Help me understand..." or "Tell me more about..." to explore it further.

She finds tracking money scripts and exploring them with clients to be an important aspect of her work. "One client, when asked what emotions he felt around money, went from a lifetime of 'caution' and 'anxiety' to a future of 'security' and 'freedom,'" she recalls.

NOT THERAPY

Delving into your clients' early money experiences and money beliefs can be a valuable part of the planning process, but it isn't therapy. As Bhaj Townsend, president of Legacy Plus, a planning firm in Kirkland, Wash., puts it, "Our objective is to get from anxiety to stewardship rather than conduct therapy sessions. In the event there is a block they cannot overcome on their own, I will suggest they talk to a professional counselor."

We are all susceptible to the delusion that we know how life-and ourselves-work, when in reality we just know part of the truth. Helping your clients identify their money scripts will deepen your understanding as a planner, help make sense of confusing behaviors and help your clients make better choices.

Brad Klontz, PsyD, is a clinical psychologist and associate research professor at Kansas State University's Institute of Personal Financial Planning. He is also the co-author of Mind Over Money: Overcoming the Money Disorders that Threaten our Financial Health.