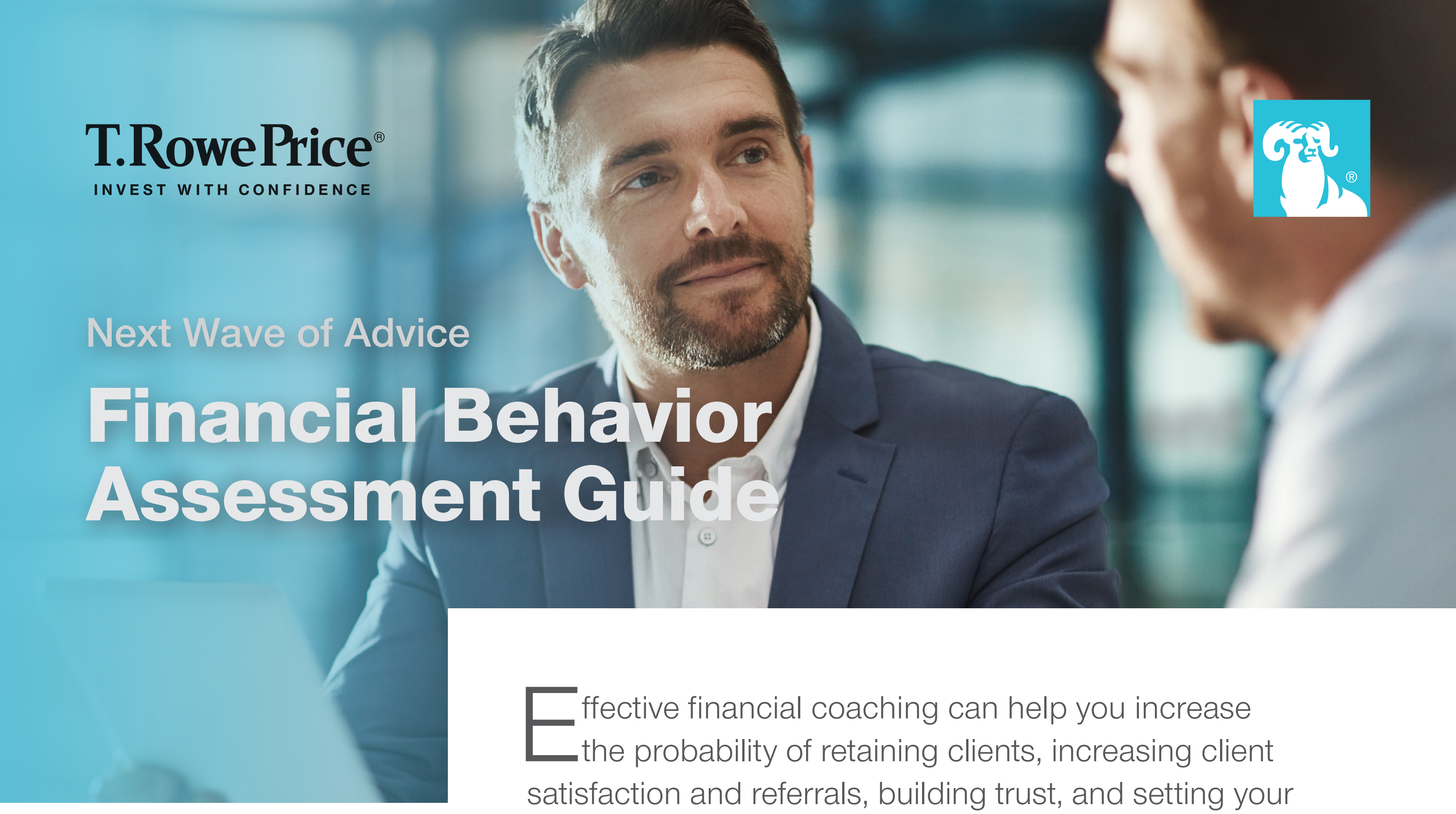

T. Rowe Price
INVEST WITH CONFIDENCE

Next Wave of Advice

Financial Behavior Assessment Guide

Effective financial coaching can help you increase the probability of retaining clients, increasing client satisfaction and referrals, building trust, and setting your practice apart from competitors. To achieve this, we believe you must go beyond quantitative data-gathering and get to the emotions, perceptions, and behaviors that influence your clients' financial decision-making.

The Financial Behavior Assessment is a tool that you can use to help develop this deep understanding. After clients have completed the assessment, follow this three-step guide to create and maintain a more successful partnership.

Getting Started: Positioning the assessment with your clients and prospects

After identifying clients who are good candidates for coaching—such as high earners under age 50—share the Financial Behavior Assessment and ask them to consider their responses to each of the questions.

The type of open-ended questions in the assessment are based on behavioral psychology and T. Rowe Price's own research on wealthy investors. These kinds of questions were shown to be the most effective in getting investors to open up about how they really feel about money and how they behave with it.

- Create a judgment-free environment to capture the most honest responses from your clients.
- Emphasize that there are no right or wrong answers. The goal is to uncover feelings, behaviors, and motivations about money.

Coaching Can Enable Client Success

Successful coaching can have a direct impact on your clients. A study on the effects of coaching showed that individuals who participated in a coaching program were more likely to:

- Achieve their goals
- Report feeling confident in their ability to achieve their goals
- Engage in self-reflection
- Develop a better understanding of their own thinking and behavior

Source: Towards a Psychology of Coaching: The Impact of Coaching on Metacognition, Mental Health and Goal Attainment, October 2001.

- Strive to increase rapport and trust while also improving communication by mirroring the client or prospect's posture.
- Pay attention to not just what they say, but also to their body language and how they say it. ("I noticed your voice shifts every time you talk about X. Your face lights up every time you talk about Y. You sound nervous about Z. It sounds like A is something that really frustrates you.")
- Acknowledge the emotion behind their answers and the insights they're sharing. Show a genuine concern for their well-being.
- Reaffirm that the goal of the exercise is to bolster their confidence and empower them to make the best decisions for themselves.

The questions are designed to identify each client's unique needs and goals and any biases that could hinder them along the way. The *why* behind their answers is as important as the answers themselves. Have them explain their rationale as best they can.

1 Looking back

- If you're having trouble getting a client or prospect to respond to the question, "What's true for you about the role money played in your childhood?," consider answering the question yourself. Sharing your memory first can help establish trust and model the type of exchange you'd like to see.
- Restate and/or summarize their response back to them to affirm their experience, and give them an opportunity to process what they've just shared from a different point of view.
- Remember to ask thoughtful, probing, and clarifying follow-up questions, based on what you're hearing, while keeping the focus on the client or prospect. They should be doing the majority of the talking.
- As you progress through the assessment, remember the key themes you hear. Be on the lookout for ways to connect the dots between formative memories and beliefs to the thoughts, emotions, behaviors, and financial attitudes they share in the next section. These connections can help clients and prospects better understand and acknowledge the "why" behind their behaviors. It can also help you identify the client's most pressing financial concerns you want to prioritize.

2 Focusing on the present

- Ask your client or prospect to explain the definition of each word on the continuums as they understand it. These definitions will vary from person to person, so asking will offer you a better understanding. If you're meeting with a couple or family members, get everyone to agree to a working definition of each.
- When moving through the four money mindsets, consider the following points:

Saver/Spender
Based on T. Rowe Price's research, childhood money experiences tend to have a significant impact on saving and spending behavior in adulthood as individuals either mirror or react to parental behavior.

Security/Opportunity
Researchers found that women scored significantly higher on a risk aversion scale than men.* Men tend to think of risk as a corollary to reward and something to be tolerated and managed in pursuit of reward. Women tend to think of risk more negatively and as something to be avoided.

Fascinated/Obligated
Those who score themselves highly on the obligated side of the spectrum may mistakenly assume that, due to their disinterest in money management, they should take a backseat in their finances. Change that perception by focusing on their non-financial vision for the next few decades. Explain that there are two sides to every financial plan and that their vision for the future is just as important as the technical investment aspects of the plan.

Private/Open
Based on our research, people are split evenly when it comes to being private or talking openly about money. And parents tend to be reluctant to talk about money with their children. For those who score themselves as highly private, focus on striking the balance between respecting their privacy and ensuring that the right people get the information they need.

- Remind clients and prospects that being at one end of the spectrum or the other isn't inherently good or bad, but it can help them make sense of their financial lives and behavioral patterns.

* "Measuring Risk Perceptions and Risk Behaviors." Weber, Bias, and Betz, 2002.

- **Throughout the process, avoid judgment by remaining curious.** Ask open-ended questions to help clients become aware of attitudes and behaviors they may never have identified before. Challenge or reframe their negative assumptions and limitations. This can help build their sense of self and their ability to make their own decisions.
- Direct your financial coaching efforts based on the client or prospect's response to, **"Which of the four mindsets above are most significant to you right now?"**
- **Remember that there can sometimes be a stark disconnect** between the way a person perceives their financial situation and their actual financial situation on paper. The last three questions will help you discern between the two.
- **Refer back to these responses in future meetings.** Financial coaching research suggests that your clients' feelings about their finances and confidence in their financial situation (and in you) is likely to improve over time. If a client is ever discouraged in the future, you can pull out this assessment, point to their answers, and remind them of how far they've come.

3 Looking forward

- Help clients visualize their future. It's very common to get trapped in repetitive, sometimes unhelpful, and/or short-sighted patterns of thought.
- Ask clients and prospects aspirational, open-ended questions like:

  "If you had a magic wand and could instantly change anything about your finances today, what would you change?"

  "If things work out exactly as you want them to, what will your life look like?"

- Questions like this can help your clients and prospects break through these barriers—reducing stress, increasing motivation, and helping them think more creatively. On top of getting to know your client or prospect better, this can also help you ensure that their financial plan and goals are truly aligned with their vision for the future.
- Use the final question in this section to identify opportunities to better serve the client or prospect by zeroing in on what you and the client or prospect will address moving forward:

  "Are there any areas from the assessment above that you'd like to change in particular?"

Consider offering coaching based on what you learned

Armed with insight from your discussions, now it's time to offer clients and prospects tangible ways to take action. Start by:

- **Taking stock of skills and strengths** they already possess. This can build confidence.
- **Acknowledging and commending them** on the positive steps they've already taken.
- **Discussing their barriers to progress.**

Document clear actions for the client to take, describing:

- **What they can do now** to start on the path toward a specific goal.
- **Their opportunities to make steady progress.**
- **How they'll respond** when they encounter barriers.

Stress the need for accountability throughout the process. While you can't force a client to act, you can help them monitor progress by asking:

- **Would they like to be held accountable** for meeting their goals?
- Are they willing to **set deadlines?**
- How will they inform you about **their progress?**

Assess clients' progress regularly

There is no progress without measurement. Be sure to keep track of your client's satisfaction with:

- Their financial health
- Their confidence in their ability to achieve their goals
- Their emotional state—how they're feeling about their financial journey at the moment
- You, being sure to give them an opportunity to provide feedback

Part of being an effective coach is maintaining consistent interaction. Establishing a regular check-in allows you to offer ongoing support and helps you keep clients accountable without being pushy.

During these check-ins, be sure to reinforce positive behaviors. You can also check in on the challenges the client continues to face and offer timely, focused advice.

And remember to revisit the Financial Behavior Assessment regularly. An annual review of the assessment—especially the question about how confident the client is about their finances—can serve as a clear progress measure.

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