



## Therapeutic Finance

Once, finance was finance and therapy was therapy. That's different now — to the benefit of many advisors and their clients

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A while ago, I took part in a committee retreat about teaching communication and counseling-related skills to financial planners. The discussion was sponsored by the National Association of Personal Financial Advisors (NAPFA), which has been particularly open to employing money psychology tools and principles.

But as we discussed how to help advisors communicate more effectively with clients, someone suggested that we avoid using the terms “therapeutic educator” and “therapy.” It was a vivid reminder that these concepts still provoke strong reactions in many people. Any approach smacking of therapy rankles some advisors and makes others uneasy.

Despite the many commonalities between financial advisory services and psychotherapy, this wariness has kept lots of advisors from taking greater advantage of what therapy professionals have learned. As someone with a foot in both camps, I thought it might be time to investigate successful therapy principles and techniques that financial advisors can use to enhance their work with clients.

### **How You Do It, Not What You Do**

My research began with a summary of therapy techniques by Jay Lebow, Ph.D., a clinical psychology professor at Northwestern University (“A Look At the Evidence: Top 10 Research Findings of the Last 25 Years,” *Psychotherapy Networker*, March/April 2007). Dr. Lebow observes that certain psychotherapy modalities seem appropriate for particular problems, such as depression, obsessive-compulsive disorder, and substance-use disorders, to name a few.

Unfortunately no single school or method of therapy appears to stand out as universally effective, but there is one important predictor of across-the-board success: the therapist-client relationship. Dr. Lebow says firmly, “Without a positive alliance, virtually any psychotherapy is ineffective.”

In fact, the quality of the relationship is a more potent predictor of outcome than orientation, experience, or professional discipline. The client’s perception of the relationship tends to predict its outcome even better than the therapist’s.

I think this has a huge implication for financial advisors. Like therapists, you’re unlikely to take exactly the same approach with clients who have different needs—say, asset management, life planning, or charitable giving. You use the process that best suits the individual client. But in all cases, your chances of success with that client are enhanced if you can build a connection of trust and respect.

## The Power of the Alliance

How can a financial advisor strengthen this connection? Studies in the therapy world suggest these five guidelines:

1. **Listen more empathetically.** Learning to listen carefully and fully is part of every therapist's training. Many advisors think they listen well, but clients often disagree. In a Financial Psychology Corporation/Investment Advisor survey reported in December 2001, an overwhelming 69% of individual investors wanted their relationship with their advisor to focus more on their feelings about money. (For suggestions on how to listen better, see "Hear! Hear!" *IA* May 2002.)
2. **Focus on clients' strengths and successes.** Confronting and pressuring clients makes them less likely to comply with a plan or sustain a change for the better. In his research into changing self-destructive behaviors, James Prochaska, Ph.D., a clinical psychology professor at the University of Rhode Island, found that positive reinforcement was more powerful than negative comments in helping people change. You don't have to ignore clients' problems, but make an effort to avoid putting the primary emphasis on their faults.

To tease out strengths and weaknesses, I suggest asking new clients to write down three things about their approach to money that they feel good about, and three things they feel uncomfortable or regretful about. I call this exercise "finding your baseline." If the "good" list is harder for them to write, it may be useful to spend time shoring up their confidence and feelings of self-worth. If the "bad" list is harder, gently help them turn their attention to one item on the list that they can begin to take action on. To reinforce this new behavior, encourage them to reward themselves for making a change.

3. **Don't rush.** Trying to move things along too fast, or interpret a client's behavior or motivation too early, can compromise the success of the work. Many therapists know that unless they match their pace to the client's own process, emotions, and thoughts, listening deeply and sharing feedback when the client is ready to hear it, progress can easily be derailed.

Dick Vodra, vice president of Legacy Advisors in McLean, Virginia, had an experience with a new client that illustrates this point. Introduced to him by an attorney, she wanted an overview on part of her portfolio. But after years of family conflicts and bad experiences with two other financial advisors, she had great trouble opening up. When Dick asked what she envisioned her life like in a few years once these things were worked out, she said she had no idea, that she could not look ahead. Dick quickly realized that instead of moving toward long-term goals, he had to start slowly, building trust, stanching the wounds, and allowing her to set the pace of future planning. Like many good advisors, while he has a good process for getting to know a client's dreams, goals, and values, he knew when to put that aside and simply be with his client.

4. **Be open to what your clients really need.** When Rick Kahler, president of Kahler Financial Group in Rapid City, South Dakota, recently met with a client for an annual review, he asked, "Before I launch into my agenda, what has changed since the last time that you want me to know?" The client told him she had been diagnosed with breast cancer, talking about her fear of death and her unresolved relationship with her daughter. He listened for over an hour, handing her tissue after tissue as she cried and talked. With about five minutes left, she asked how her portfolio was doing. Although Kahler had prepared more than an hour's worth of charts and graphs, he gave her a one-minute summary that basically said, "Everything is fine." The client thanked him for a wonderfully productive meeting, leaving him stunned. As he said, "In my book, we had accomplished nothing; in hers, everything."
5. **Ask for feedback.** Therapy research has determined that feedback from clients about what's working and what isn't can improve the outcome, if the practitioner acts on that information to tweak the process. According to Barry Duncan, Psy.D., co-director of the Institute for the Study of Therapeutic Change, therapy that is going badly can change direction and become effective if this feedback loop is created.

If you solicit frequent feedback from your clients and keep adjusting your process to meet their needs, the

probability of client satisfaction and success increases exponentially. Ask questions such as: Are we meeting frequently enough or too often? Do you prefer face-to-face visits? How do you feel about phone or e-mail contacts? Are you getting the kind of help you need? Is there any way I can serve you better? Is there anything that bothers you about the way we've set up our relationship? Do you feel my fee is fair? What do you value most about the service I'm providing? What would you change? The answers can help you fine-tune your rapport with clients, improving relationships to create more and more satisfaction.

### **Lessons From Couples Therapy**

Dr. John Gottman, together with his wife, psychotherapist Julie Gottman, has spent decades studying the factors that lead to a successful or a failed marriage. Throughout the 1980s and '90s, this mathematician-turned-psychologist followed couples to see who got divorced, who established parallel lives (living separately, though still married), and who stayed together, happily or not. Using heart monitors and spring-loaded platforms to record fidgeting, he videotaped ordinary people in their most ordinary moments. His research (reported in *Psychotherapy Networker*, March/April 2007) showed that it wasn't only how a couple fought that mattered, but how they made up.

Whether a couple is married or not, Dr. Gottman found three elements that predict success in their relationship: a five-to-one ratio of positive to negative interactions, increased positive interactions during conflicts (*italics are mine*), and decreased negative interactions during conflicts.

The Gottmans also identified four negative behaviors, which they call the "Four Horsemen of Marital Apocalypse"—contempt, criticism, defensiveness, and stonewalling. This may manifest in your office as couples blaming each other instead of attacking a problem; refusing to acknowledge their own role in creating conflict; sarcasm, belittling, name calling, or withdrawing into stony silence.

You can gently point out to a couple like this that in order to find a solution to their conflict, they need to learn to communicate with more care, respect, and regard for one another. Or you may be able to set an example by referring to their differences with the right kind of humor, which could help them move toward a better way of relating.

In any case, try to notice more quickly when the "four horsemen" are in the room with you, so you can nip these negative interactions in the bud. I usually handle this by teaching clients to mirror (playing back verbatim what their partner just said), validate (saying what made sense about it from their partner's perspective), and empathize (sharing what else they imagine their partner might be feeling). You may be willing to educate some clients on this simple approach taught by psychotherapist and author Harville Hendrix, especially if you practice it yourself.

If you hesitate to intervene in a case of serious marital tension, an alternative is to refer your clients to a couples therapist, counselor, or coach. Meet ahead of time with a professional you may want to recommend and see if you're comfortable collaborating with each other. Your referrals will feel more solid, and your clients will be more likely to end up with someone who can help them learn to build on their strengths, rather than indulging their weaknesses.

Even if you're thinking, "These are deeper waters than I've been trained to handle," try to be aware of negative or positive interactions in couples who consult you. If they snipe at each other in your office, there's a good chance they'll end up in divorce court. When you're approached by couples who interact with respect, affection, and a light touch, you'll know these are clients you'd like to have in your practice.

### **Forecasting a Positive Outcome**

Therapy research has also revealed that if a client's behavior or attitude hasn't improved by the sixth visit, success over the long run is not likely. Clients who are doing worse by the third visit are twice as likely to drop out. The inverse is also true: early progress often predicts a successful longer-term relationship. I suspect that this axiom holds for advisors and clients as well.

If so, it's more important than ever to cultivate a strong relationship as early as possible. According to Barry

Duncan, the strength of a therapeutic alliance is responsible for more than 50% of the outcome. He defines the components of this alliance as the relational bond (how connected your clients feel to you), agreement on goals, and agreement on tasks necessary to achieve those goals.

Dr. Duncan's analysis will resonate with many advisors. If you and your clients feel connected and comfortable early in the process, and you help them identify their goals and commit to actions that are in their best interest, you are both likely to feel that the advisory process is a success.

### **When Planning Meets Therapy**

Until recently, little or no information was available about therapeutic treatment of what we might call "money disorders," where someone shows dysfunctional behavior over money matters. Two pioneers in this area are Ted Klontz, Ph.D., and Rick Kahler, who have developed a Healing Money Issues workshop that combines traditional financial planning with experiential therapy.

Klontz, an author, coach, and president of Onsite Workshops in Cumberland Furnace, Tennessee, ascribes the uniqueness of his program to the extensive historical inventory that clients are asked to create. "Usually we find elements of significant trauma regarding money that prevent them from doing what they know they need to do," he says. During the course of the five-day program, he and Kahler help clients work through these emotional blocks, freeing them to embrace more positive money behaviors.

Kahler focuses on "left-brain stuff" in this process, while Klontz works with the right brain. "When facts and figures are presented, the left side of the brain begins firing, while the right side literally goes quiet, as if asleep," Klontz explains. "However, when the client is told a story or shown a picture, the right side begins firing also." Using anecdotes, photographs, drawings, metaphors, physical exercises, and three-dimensional sculptures, he helps illustrate what Kahler is saying. "The left side is the facts and figures recorder," Klontz says, "but it never decides anything. The emotional or right brain does the deciding."

To test the program's effectiveness, the Klontz Kahler Institute compared 31 workshop participants with a 31-person control group. Participants showed a significantly greater and longer-lasting reduction of depression and anxiety around money issues, as well as lasting improvements in financial well-being.

### **The Future of Planning?**

It makes perfect sense to me that an intensive program integrating money psychology with financial planning can effect real change. By lightening clients' emotional load, it allows them to transform their moneylife, their self-esteem, and their inner sense of security.

Ted Klontz and Rick Kahler have codified their findings about the combined power of these two disciplines into an Integrated Financial Planning Model. In this model, a trained therapist and a trained financial planner work as a team with a client, or sometimes collaborate while counseling a client separately.

It would be easy for many advisors to adopt this model by teaming up with a financially savvy mental health professional— who may not always be easy to find. (*See sidebar "Helping Therapists Get Over Moneyphobia."*) Rick Kahler suggests introducing clients to a financial therapist as part of the team of professionals you call on as needed. This greatly reduces clients' hesitation to talk to a therapist. Even if you don't introduce your therapy pro at the onset of the engagement, the two of you can still get together to strategize an approach to a challenging issue or personality.

Armed with a more solid understanding of your clients' feelings and needs, you'll have a better opportunity to transform your business model from "exterior finance" (traditional financial planning, asset management, accounting) to "interior finance" (life planning, coaching, financial counseling).

In my opinion, this is the direction in which the planning profession will evolve. However, there will always be a place for advisors who prefer to practice solely in the realm of exterior finance. As long as you and your clients see eye to eye on what they want and the services you provide, you can draw your practice boundaries wherever you feel most comfortable.

## Interior Finance and Problem Clients

It's sometimes hard for advisors to counter their own left-brain bias toward "exterior finance" solutions. But by learning to tune into a client's deeper needs and feelings, you can often build a much stronger bond. In fact, helping clients open up about their deepest concerns and areas of conflict may actually turn a difficult relationship around. That was Rick Kahler's experience with a client we'll call Sam.

Meetings with Sam, who had some off-the-wall ideas about investing and tended to nitpick returns data, often felt draining and unproductive. This time, Rick knew Sam was gung-ho to convert his portfolio into euro-denominated investments. When Sam arrived after a seven-hour drive, Rick chose a different approach. Instead of pulling out a portfolio summary, he opened the meeting by asking, "What's at the top of your agenda for us to cover today?"

Sam began to talk about his struggle with deciding whether to sell his family farm. He explained its long history and told Rick that he and his father had both been born there. Mirroring Sam's thoughts and feelings to him, Rick understood why this client, who had no wife or kids, no living parents, and a strained relationship with his one sibling, deeply wanted to keep the place that made him feel emotionally and literally grounded.

At the end of a marathon three-hour session, Sam announced that he had decided not to sell the farm. Rick agreed that the decision made sense. They spent 10 minutes talking about the euro, and ended up keeping Sam's investments dollar-denominated. Unlike past meetings, there was no talk of investment returns or quibbling about Rick's fee.

Rick wondered whether his client viewed the 14-hour round trip as a colossal waste of time. But as he left, Sam turned and said, "We sure covered a lot of ground today. This is one of the best meetings we've ever had. Thanks!"

Today, Sam is among the clients that Rick most enjoys working with. Although he still asks tough investment questions, he no longer grills Rick on portfolio decisions or compensation. Rick says, "Allowing him to set the agenda moved our relationship into a whole new territory."

## Putting Principles Into Practice

Among the financial advisors and planners who have become more comfortable with incorporating therapeutic techniques are many, I suspect, who have benefited personally from therapy, counseling, or coaching or know friends or relatives who have. Others may have been influenced by such practitioners as holistic planner Dick Wagner, founder of WorthLiving, and George Kinder, founder of the Kinder Institute of Life Planning.

In the olden days, advisors would exit the room as soon as George talked about clients' feelings. Today, many financial professionals sign up for training based on his Seven Stages of Money Maturity work. More and more advisors are comfortable referring clients to a therapist, counselor or coach; others develop partnerships with therapists and similar experts, and many are comfortable inviting a therapist, like me, to speak at client appreciation events. So there's a good chance that insights from the field of therapy are infusing your work, helping you forge deeper connections with your clients.

If you now find therapy less mysterious and stigmatizing, I hope you'll be more open to using its tools to strengthen client relationships. Whatever you can do to increase the strength of the bond with your clients will make successful outcomes more likely than before.

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