



## What is Your 'Fiscalosophy'?

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### ***Fiscalosophy***

*a. What one believes about money, investing and related matters.*

*b. A set of principles or guidelines for managing one's financial affairs.*

Theodore believes that the only money that is really yours is the money you spend.

Debra believes that every person, no matter how good, is susceptible to a personal demon of greed.

Richard believes that you can never be sure enough.

Let's assume for a moment that these three people are your clients and that your goal is to establish and maintain a full-scale and long-term advisory relationship with all of them. Chances are that you already have clients like these, whether or not you have heard these sentiments. And you might have likely witnessed behaviors that reveal their underlying beliefs.

Theodore spends large sums of cash to go on trips and have experiences.

Debra shows a hesitance and reluctance to act on your advice.

In Richard you find financial anxiety and hyper-scrutiny that seem inappropriate given his net worth.

Why do Theodore, Debra and Richard believe and feel the way they do in critical areas of financial management? We learn the following things from them in an interview:

Theodore believes that the only money that is really yours is that which you spend, because his father, a man who worked extremely hard (seven days a week), never took time to really enjoy what he had earned.

Debra believes that even the best people must fight with the demons of greed. When her first husband died, he had forgotten to switch the assignment of the

life insurance benefit from his parents to his new bride, and the parents kept the money.

Richard believes that you can never be sure enough, even though he is a multimillionaire. He grew up in a large family with 11 children that his father struggled to support working 14 hours a day. The family was evicted from three different homes.

To better understand your clients' feelings about money, I suggest that you spend time exploring one another's fiscalosophy. This is one's philosophy about money, and if you're going to represent your client's interest, you need to share the same beliefs about what works and what doesn't. After all, if you and your clients don't have a common fiscalosophy, how can you serve them?

To begin this dialogue, we must start by understanding a few truisms:

1. Belief systems drive behaviors.
2. Belief systems are shaped by experiences.
3. Beliefs are philosophies constructed with what we conclude are fundamental principles for success.
4. We feel greater kinship with those who share our beliefs.

You are dealing with and managing the fruit of your client's fiscal philosophy every day. But you do not necessarily know how your client began thinking in a way that drives his particular behavior.

My recommendation is that if you will apply yourself to the second and third items (understanding the experiences that shaped your client's beliefs and facilitating a discussion about the fundamental principles for financial success), you will achieve greater agility and expediency in terms of building agreement and long-term kinship with clients who are aligned with you.

(See the sidebar for a dialogue which is designed to do just this—help you understand the established principles of your clients and the experiences that shaped them.)

#### *Your Client's Investment Philosophy*

1. *What guidelines or rules do you attempt to follow with your money and investments?*
2. *What experiences have you had with investments that have been productive?*
3. *What experiences have you had that have been disappointing?*
4. *What investment concepts are you simply not interested in?*

5. *What are your expectations of a financial advisor? How much communication would you like?*
6. *What hesitations (if any) do you have on working with an advisor?*

In this conversation, we are looking to identify the beliefs that a client has formed from personal financial experience and potentially significant financial drama as well. Each person sets guidelines and boundaries based on these experiences and observations.

There should also be a conversation about the client's experiences and comfort with the financial advising profession itself. Is there a chance that they or someone they know has had his situation mismanaged or been on the receiving end of an inappropriate sale?

We all know the answer to that question: It is likely. And the best thing that could happen for you in getting to know this client is to distance your professional approach from those others that ended badly and to establish the standard you abide by, not only professionally but personally as well.

Clients can feel palpable stress if they don't have a sense of agreement or kinship with their advisors. If they have a suspicion that the person they have entrusted their assets to is not on the exact same philosophical page, they experience a constant churning in the gut. They wonder what they should do, where they should go.

That discomfort will ease when they have a big-picture philosophical discussion with an advisor who "gets it." One who shares their principles and who connects with the lessons they have learned.

### **Who Do You Know?**

Do you understand your important clients' philosophy on investments and money matters? Do you understand the experiences that shaped (and continue to shape) their views? If not, you may find out when it's too late, and they've left you for another advisor. Do your clients understand your fiscal philosophy and the inviolable principles that you believe in? Most important, do you and your clients share the same fiscalosophy?

In my next column, I will share a fiscalosophy assessment you can use to understand where your client is coming from and, equally as important, help your client understand where you are coming from—to understand the principles and philosophies that you abide by.