

10 Questions

John Grable on Managing Stress and Linking Research with Practice

by Carly Schulaka



WHO: John Grable Ph.D., CFP®

WHAT: Professor at the University of Georgia, researcher, volunteer leader of FPA's Academic Committee, and academic editor of the *Journal of Financial Planning*

WHAT'S ON HIS MIND: "If financial planning is a profession, it needs to be broad enough that it works for a low-income person or an ultra-high net worth person. The model you would use for a low-income person may be different than the model you would use for a high net worth person, but the process should be applicable across the board."



PODCAST: Listen to our podcast with Grable at FPA.net.org/Journal/Home/PodcastPage.

Even in childhood John Grable liked the idea of money. Not necessarily possessing it; more about how money and finance make the world go round, and that led him to study business and economics, eventually earning an MBA. But what he really wanted to learn was personal finance. When a co-worker told him about the CFP certification, he studied up, earned the designation, and quit his job in benefits administration to do planning.

"What I loved most about my [planning] job was thinking of strategies, thinking of the models, thinking about the analytical side of the financial planning process," says Grable. What he soon learned is that financial planning is more of an interpersonal business than an analytical one—something he tries to instill in the undergraduate and graduate financial planning students he teaches today.

His passion for the analytical side of planning led to a Ph.D. in personal financial planning and the world of academia. Today, Grable teaches courses in foundations of financial planning, estate planning, and research methods at the University of Georgia. His research interests include the management of financial stress, financial therapy, risk tolerance, and help-seeking behavior.

Grable recognizes that successful planners come in all business models and planning philosophies. To all those successful planners, he says, "Show me the evidence." In Grable's opinion, the planning profession will be legitimized as an unquestioned profession when enough evidence-based research exists to prove certain models of financial planning work, and those models can be brought together to train students.

The *Journal* recently talked to Grable about some of his groundbreaking research on stress management, his forthcoming book on communication essentials for planners, and what the profession needs to do to better link research to practice.

1. *You have done research on financial stress management with Sonya Britt, Ph.D. What has your research revealed about the effect financial stress has on the planner-client relationship, and are there differences between how male and female clients handle financial stress?*

As financial planners, we tend to view the word pretty simply. We're the planner. We have expertise. We analyze a client's situation and we give great recommendations. We often wonder, why didn't they do what we asked? This got us thinking, what's driving client

behavior? And that led us down this whole stress path.

What we found, and what we continue to find, is that what's driving behavior is not strictly cognitive. There's a physical reaction as well as a mental reaction, and they are interrelated, and they exhibit themselves through stress.

The higher the degree of stress, the less likely clients are going to implement recommendations, even if the recommendations are in their best interests. And there's a lot of stress happening between the adviser and the client. Going to a financial planner is slightly better than somebody's opinion of going to a dentist. You do it reluctantly, and it's because there's all of these unknowns. What's this adviser going to think of me? Am I going to be judged because I'm not good with my money? This is creating stress even before the client sees the adviser. So what we're finding is yes, there's a lot of stress in that relationship, and the adviser who can control the stress of their clients will probably generate the highest level of trust and commitment and have the best outcomes for their clients.

And we're measuring stress physiologically. If you ask, "How stressed are you?" we found that most clients don't know how stressed they are. The adviser cannot look at the client and 100 percent say how stressed the client is. It's very deceiving. But [in our research] we measure how sweaty they are, how much their heart rate is fluctuating, and what their skin temperature is, and we can get a very accurate measure of their stress level.

2. *After seeing you present some of your financial stress management research at the 2012 FPA Business Solutions conference, I walked away with the tip: buy a couch, ditch the table. Can the furniture in a planner's office really make a difference in clients' stress levels?*

Yes. I think our results were totally shocking to financial planners, but they were not shocking at all to psychologists or therapists.

Thinking back to my original office [as a planner], I had a desk, a round table, and chairs. I would sit on one side of my desk and the client on the other side, or we would sit at this round table. And the argument was, I needed a place to show clients paperwork or to let them lay out materials.

It turns out that if you put a desk or a table between the client and the adviser, the client perceives that as a barrier. If you remove the barrier, the level of trust increases dramatically, and the stress level drops dramatically for the client, simply by removing the barrier.

That works 90 percent of the time. It's totally ineffective with men who are older than age 60. There's something about that generation of men who view financial planning as a transaction-based approach. I always think of my dad. He doesn't want a relationship with an adviser or even with his physician. He wants the facts, he wants the treatment, and he wants to go home. He wants to be friendly, but he doesn't want a long-term trusting relationship. And anything that would interfere with the transaction is a stressor to him.

3. *I've also heard you talk about transference. What does your research show about the importance of the planner's stress levels?*

Everything we think about from the advisory point of view is focused on the client. But you need to put the clients' lenses on and look at yourself from their perspective. What happens is called transference. Clients pick up on nonverbal cues. It even goes beyond nonverbal cues; it's like a sixth sense. If you, as an adviser, are experiencing stress—you could be worried about work or family—that stress is transferring directly to the client. And that's not what you want to do. You want your client to be in a low level of stress.

Advisers need to consider, am I feeling stressed, and how do I counteract that? Even simple things such as just before going into a client meeting, you stand outside that door and take three deep, long,

invigorating breaths. That will reduce your physiological stress enough that when you walk into the meeting, you're not transferring that level of stress to the client.

There's something called countertransference too, where as an adviser, if your client is stressed, you need to be careful that you don't start reflecting back that stress to them.

You know, nobody taught me this when I decided to become a financial planner. I had my CFP [designation] in hand. I had my MBA. I knew how to crunch numbers. Nobody ever explained that I could be doing things in my office, totally unintentionally, that would be driving a client away or limiting their outcomes. That just wasn't taught or even considered.

4. *You and Joseph Goetz, Ph.D., are working on a new book that will cover more than a dozen communication skills, including non-verbal communication. Why is this an important skill for planners, and can you share any tips from the forthcoming book?*

Financial planning as a profession is, in my opinion, at a significant crossroads, and that is because the majority of financial planners look just like me—they are white males who have a certain socioeconomic and demographic profile. In other words, in the financial planning profession, we have a cultural bias. Counter that with the fact that the culture and the society in which we live is changing quite dramatically; there's a demographic shift occurring.

Many of the ways financial planners communicate, the gestures that they use, or how they interact interpersonally, that's nonverbal communication, and it works well if you're culturally attuned to that. But if you're not in that culture, what some advisers are doing could be considered rude, offensive, or quite negative in terms of a client perception.

Let me give you an example. I took several [U.S.] practitioners on a tour of South Korea, and we were meeting with

Korean practitioners. I went through some of the cultural dos and don'ts of Asia, such as when you go into somebody's house, take your shoes off, unless they tell you not to. In South Korea and many parts of Asia, blowing your nose in public is the height of rudeness. One practitioner had a cold and was blowing his nose constantly. He was sending a nonverbal communication: "I don't respect your culture." That's not something you want to do if you're trying to build a practice. So know who your clients are. Know your target market, and be culturally sensitive to that market.

5. *Financial Planning and Counseling Scales, a 2011 manual you co-edited, included an introduction to the then-emerging field of financial therapy. What is financial therapy, and has the field of study matured since 2011?*

I'll give you a little bit of a history on that, because there are a few people claiming that financial therapy is something they developed, and it may or may not be true, but here's how it developed on the academic side.

Given my background as a financial planner—I have an econ degree, MBA, then I go to Virginia Tech and get my Ph.D.—I'm doing financial planning; that's what I know. Then I go to Kansas State, and financial planning's in the same school as the marriage and family therapy department. And I start hanging out with these therapists, and the first thing I recognize is that they have models of practice. We don't. They have no clue about money, but we do. And you start to talk to them about what couples fight about, and it turns out that money is a big issue. It drives a lot of divorce and separation. But marriage and family therapists don't really deal with money. They think that money issues, financial issues, are a symptom of something deeper. I kept thinking, but what if money and financial issues really are the topics they're fighting about?

So we start working together. It turns out that there are a number of people around

the country who are interested in blending the cognitive behavioral aspects with the financial aspects of practice. Sonya Britt, who was working on her Ph.D. at Texas Tech and was my master's student at Kansas State, has her undergrad in financial planning and a master's in marriage and family therapy. We thought, there's got to be other people who think this is a cool idea.

We got 30 people to fly to Los Angeles, and we came up with this name, financial therapy, and a definition, and then I went back to Manhattan, Kansas, and created the *Journal of Financial Therapy*, and went to the IRS and set up the Financial Therapy Association. It's grown to several hundred members around the country today.

I look at financial therapy as this blending of the cognitive behavioral aspects with the financial aspects, and trying to help people move toward better decisions and better outcomes. Where I find it to be really interesting, is taking these models, like cognitive behavioral approaches or solution-focused approaches that are very common in therapy, and overlaying those in the financial planning world, and asking, could you use these psychological or therapeutic approaches in the financial planning marketplace?

6. *Are there certain communication techniques planners should be using when working with married couples?*

Going back to this whole notion of financial therapy, therapists have been spending the past 50 to 60 years dealing with this question. There may be three papers in all of the finance literature that even address this issue. It doesn't exist, and it's primarily because our cultural perspective as financial planners has tended to be that men make the decisions. It's an unwritten rule. It's a totally bogus and wrong rule, but I would guess if a married couple walks into the average adviser's office, the adviser will talk primarily to the husband. It's a total mistake, by the way, because the majority of financial decisions are either

made jointly or by the woman.

It's a cultural bias. Back to our research, male clients do not want to look stupid in the eyes of their financial adviser. Women are much more willing to admit that they don't know anything. But financial advisers interpret that as the man making the decisions and the female following the decisions. That's exactly the wrong thing to be assuming. Yet, that is what the majority of financial planners are doing. My advice is do not make assumptions regarding who is the primary decision maker. Be inquisitive. Include both. Prompt open discussion between the couple.

One great way to prompt discussion is to use scaling questions, and a scaling question is, "In terms of taking risks, on a scale of 1 to 10 with 1 being 'I would put my money in the bank only,' or 10, 'I'm willing to gamble in Las Vegas all night,' where would you fall?" By using scaling questions you can get a couple to give relatively honest responses that may contradict. So the wife contradicts the husband, or the husband contradicts the wife, but it generates an opportunity for discussion. If you ask somebody, "How risk tolerant are you?" you're going to get a totally different answer than if you scale it.

7. *You've done a lot of research on risk tolerance issues. Does a planner's ability to adequately address their clients' risk tolerance influence the level of trust those clients will have with their planner?*

The financial planning field is split into two camps. One camp says risk tolerance is absolutely an essential building block of all financial plans. If you don't know the risk tolerance of the client, you could be building recommendations that don't match their intrinsic perceptions and attitudes, and you're going to lose the client.

There's an entirely separate group, who I call goal-based based financial planners, who do not consider risk tolerance in the planning process. These advisers would say, "You want to retire at age 67. You need \$3.5 million. This is what you're currently

saving, therefore you must take this level of risk in your portfolio. Do you want to take that level of risk? Yes or no?”

If you say no, then they say, “Well, you’re going to have to change your retirement objective.” If you say yes, they invest your money. Well, as a planner, how do I know that your yes is true? That is the problem for a goal-based planner. I know from my research that clients don’t lie to you maliciously, but they’re not always truthful. They’re trying to answer the question in the way that they think you want.

There are methods of assessing and categorizing somebody’s risk tolerance so their willingness to take risks, appropriately, should lead to a better client outcome. And hopefully better client outcomes do lead to a commitment and trust.

By the way, a huge problem within financial planning is we use terms like risk tolerance, risk preference, risk capacity, and risk perception synonymously. But in fact, they’re not the same. For me, risk tolerance is your willingness to take risk; not your preference to take risk, not your perceptions of risk, not your ability to take risk.

8. *A few years ago you conducted the first experimental study to look at the role of video narration as a factor influencing risk tolerance attitudes. Has there been new research in this area, and what are results telling us about planner-client communication methods?*

I have a colleague [at the University of Georgia], Lance Palmer, who is doing something similar, based on this idea that how you receive a question determines how you respond, and the narration or the voice used to deliver a question can alter your response.

He’s primarily looking at people who go in and have their taxes done. From a financial literacy point of view, we would love to see people save a portion of their tax refund rather than spend it, so the question is, is there a way to prime someone so that they would be more

willing to save part of their refund?

It turns out, at least initially, that old voice recognition research that we did on how the question, the information, or the opportunity is delivered, does impact the behaviors of people. For instance, women respond favorably to messages that are presented by males with deep voices. Men respond favorably to a voice that they perceive to be female and with a higher pitch. And none of this is conscious; it’s all biological.

How all of this reverts back to financial planning, is remember, clients lie to you, but it’s not always malicious. If you’re a female adviser and you have a male client, the simple fact that that’s the relationship means you’re influencing that male client’s responses to some extent. So in those initial meetings, the male client will probably inflate his responses to risk questions or to any question that would entail power or risk-taking or risk-aversion. They’re doing it because biologically, they don’t want to appear weak, and a female adviser needs to know that and may want to spend more time over the next few meetings to confirm.

9. *Prior to entering the academic profession, you worked as a pension and benefits administrator and later as a registered investment adviser at an asset management firm. How have those experiences influenced your research?*

It probably has too much of an influence in some ways. In the academic world, I would be classified as an applied researcher; I want the research I do to have some application to practice. And in the academic world, that’s almost looked down upon, because the pure researchers would say they could care less if a practitioner values it, they’re doing it for the knowledge gained and their research is for a higher purpose. My research would, in the academic world, be considered a lower purpose, in that I have this passion for moving financial planning beyond an industry to a profession.

It seems to me the only way we’re going to do that is if we have research that is

evidence-based, that’s applicable, and that practitioners can incorporate into their practice that would change the outcomes to clients for the better. That’s what’s driving me all of the time.

10. *You are active in promoting the link between research and financial planning practice. What more needs to be done to achieve this, and what role do you think the Journal of Financial Planning plays?*

I would love to see research where we were looking at practice approaches. I might choose 10 financial advisers around the country and study them: document what they’re doing, what the outcomes are, then go back and look for commonalities, for differences, and for which model—if there is a model—had better outcomes for clients, and then bring that to the practitioner community. We need things to train the next generation of financial planners.

Maybe there is no right model, but we need to figure this out, because if there’s no right model, then it would be like going to medical school and learning this is how you could do an appendectomy, or you could do it this way, or you might do it this way.

The *Journal of Financial Planning* is the one link between practitioners and those in the financial planning academic community. There are other journals, but they’re read almost entirely by academics; very few practitioners will read them or want to read them, so the *Journal* is that bridge, and it can be a stronger bridge in the future. I would like to see more of that evidence-based research. Unfortunately, it doesn’t exist, and one of the reasons is because it is significantly easier to run an Excel spreadsheet on a withdrawal rate than it is to figure out if there’s a practice model.

But I think that what FPA [did] this year at the annual conference [an academic mini-track where academics presented unpublished research to practitioners for feedback] is an opportunity for people who like applied research to see the connection and for us all to start thinking about it. ■