

Personal Relationship with Money

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Executive Summary

A growing field of financial advice is behavioral finance. The relationship investors have with money is often deep rooted and working to alter or live within that life experience is an important part of working with a financial advisor. These deep-rooted money relationships often come from investor upbringing and family. Working within clients preexisting relationships with money can help them to expand their understanding and achieve their financial objectives.

Behavioral Financial Advice

Investors are often familiar with the idea of being a “conservative”, “moderate” or “aggressive” person. They may have seen these terms in a work sponsored retirement plan or perhaps in the general media. How each person might define those terms can vary greatly. A comprehensive conversation and a risk tolerance assessment can be very important in quantifying those ideas. A “conservative” investor may seek to minimize risk in their personal accounts but may also understand a need for long term growth in their retirement accounts and may have a very different perspective on those. Investors often say one thing and feel a different way and it is that behavior that can often have a big impact on achieving their financial goals. Working to understand, work within or alter an investors behavior can be as important as selecting the correct investment vehicles in someone’s financial plan.

Relationship with Numbers

Not every person relates to numbers the same way. We might see a small child and say “Wow they have a great understanding of numbers they’d make a great engineer/accountant/etc.” For other people numbers are a little more abstract. Investors may benefit from working with a financial advisor who uses a process of identifying life and retirement objectives around the goals and desires rather than the numbers themselves. Planning processes may include ideas such as “needs”, “wants” and “wishes” or even the use of colors for people who relate less to numbers than ideas. By taking the “numbers” out of a financial plan and making it more about objectives can also alter how a person views that money. What is “a lot of money” for a person to spend on a goal that isn’t important to them might be seen as a reasonable amount to spend on a goal that is of high importance. Just as working with a therapist can help with achieving personal goals, working with a financial advisor can offer that outside perspective to help achieve financial, life and retirement goals.