The Changing Role of the Financial Planner Part II: Prescriptions for Coaching and Life Planning

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Executive Summary

- This paper is an extension and elaboration of our earlier paper, which reported the results of a Web-based survey of 2,006 financial planners. Those results called for planners to carefully consider the implications of the financial planning role as it increasingly incorporates coaching and life planning activities.
- An online survey was sent to 38,810 members of the Financial Planning Association and CFP Board mailing list participants, to determine the non-financial coaching and life planning activities of financial planners.
- The primary research question for this study concerns the changing role of the financial planner and the major implications of that change for the financial planner of today and tomorrow.
- The purpose of this paper is (1) to underscore the importance of confronting your personal philosophy, proclivity, and biases regarding non-financial coaching and counseling, (2) to outline and highlight the competencies required of financial planners who also serve as life coaches for their clients, and (3) to discuss the major ethical issues raised by our survey.
- The authors explore ways to assess a planner's personal comfort level with non-financial issues and their role in financial planning.
- The article outlines a holistic approach to planning, increased emotional intelligence, and better communication skills as fundamental competencies for planners who engage in non-financial planning.
- The authors explore ethical implications that planners engaging in non-financial counseling should consider, including the responsibilities to refer clients when planners are not competent to offer advice, to disclose material facts about referral relationships, and to avoid and disclose conflicts of interest.
- The article concludes that professionalism and an investment in the client-planner bond work together to create the opportunity for better service.

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This paper is both an extension and elaboration of our earlier paper, "The Changing Role of the Financial Planner Part 1: From Financial Analytics to Coaching and Life Planning" (Dubofsky and Sussman, 2009), published in the August *Journal*. In that paper, we reported results of a national, Web-based survey of practicing financial planners. We received 2,006 responses, and 98 percent of the respondents were CFP certificants. We urge readers to refer to that paper for the specific results that provided the impetus for this article.

In essence, that survey found that (1) approximately 25 percent of the financial planner's job is devoted to non-financial coaching, (2) non-financial coaching and life planning are becoming increasingly important in the client-planner relationship, (3) financial planners are often called upon to provide counsel regarding personal and intimate life-altering issues and decisions, and (4) formal training in coaching and life planning skills represents the exception rather than the norm, among financial planners.

The earlier paper was thus a description of "life in the trenches": what financial planners are *actually* experiencing and doing regarding non-financial issues. It was an analysis based on empirical data, concluding with a call for financial planners to seriously consider the demands and implications of this new and emerging role. In this paper, we provide prescriptions designed to enable financial planners to execute the demands of their dual role.

Purpose

The purpose of this paper is threefold: (1) to underscore the importance of confronting your personal philosophy, proclivity, and biases regarding non-financial coaching and counseling, (2) to outline and highlight the competencies required of financial planners who also serve as life coaches for their clients, and (3) to discuss the major ethical issues raised by our survey.

Non-Financial Coaching: Your Personal Philosophy and Biases

Eighty-nine percent of our respondents have engaged in non-financial coaching and counseling. At the conclusion of our survey we provided respondents an opportunity to offer open-ended comments. These written responses were illuminating, adding significant insight to the quantitative findings. Many planners were passionate about their beliefs concerning these non-financial coaching activities. So much so that we believe the financial planning industry is experiencing a schism on this issue. Whereas the majority felt that life planning and coaching were inevitable and a value-added services, others saw life planning and coaching as problematic at best, fraught with potentially perilous ethical, legal, and interpersonal entanglements. This latter group envisioned a metaphorical firewall between financial planning and life planning, a firewall never to be breached, even if a client were to request it.

Consider two statements offered by our respondents. One proponent of coaching and life planning stated, "It is the only kind of planning that works. Most people receive tax, estate, and investment advice which is only loosely correlated with happiness, if at all." An opposing perspective was voiced by a planner who felt that, "Life planning walks a very dangerous line. I have concerns about people who are strongly motivated to mix counseling on money and personal matters."

Thus, for financial planners, answering the question, "Where do I stand on the issue of coaching and life planning?" may serve as a litmus test. This test forces you to confront and address your personal philosophy and biases regarding non-financial coaching and planning. We choose the phrase, "philosophy and biases," to emphasize the fact that you do have a choice regarding your approach toward, and execution of, your perception of the financial planning role. This choice ultimately reflects your personal values and predisposition toward, and beliefs concerning, coaching and life planning.

The following questions are corollary questions to the litmus test posed above and will help you come to grips with your personal acceptance or rejection of the life planning role:

- Do I believe a firewall should exist between financial planning and life coaching?
- Do I believe my role as a financial adviser is compromised if I also provide coaching and life planning, and vice versa?
- Should religious views as expressed by me or my client play a role in financial planning?
- Do I believe that counseling improves my clients' quality of life or do I believe it is a waste of time, energy, and money?
- Do I believe that financial planning should focus only on financial issues and decisions in order to achieve financial well-being, or do I believe that financial planning must also incorporate human feelings, emotions, fears, and hopes?

Your answers to these questions reflect your philosophy of the role that financial planners play in their clients' lives; that is, they will reveal where you stand regarding non-financial coaching activities, reflected in the divergent open-ended responses we presented above. Our survey documented the modal sentiments of financial planners today, including those who support coaching and life planning and those who oppose it. What is your personal sentiment?

Financial Planner as Coach: Required Competencies

As stated earlier, the reality of financial planning requires that planners confront personal, non-financial issues. Whether you want it or not, some of your clients are going to open up to you about their non-financial lives. As one respondent wrote, "Once clients truly trust you, they will tell you anything and everything. As a planner, you must be prepared for how you will handle it when they do tell you."

Our survey results show that a large number of planners accept this reality and engage in non-financial coaching as a given. These planners have thus "taken the litmus test" and defined their professional role accordingly. For these planners and for those who are contemplating bridging the firewall, we highlight three required competencies for successfully executing the non-financial coaching and life planning role: developing a holistic view of financial planning, increasing emotional intelligence (EQ), and improving communication skills.

Financial Planning as Holistic Planning. Our earlier paper empirically supported the thesis that financial planners are increasingly called upon to provide non-financial counseling and support as their clients live out the human drama of day-to-day living. This thesis supported the major tenet of a holistic perspective: clients' decisions about managing financial assets are inextricably related to their physical and psycho-social well-being (Kinder and Galvan, 2006). How one values, acquires, invests, spends, and bequeaths financial assets directly affects quality of life. In the words of one of our survey respondents:

Our profession is ever-changing, we get closer to our clients, and they open up to us with the good, the bad, and the personal. It's in large part a relationship business. I go to weddings (was best man last December for a client), funerals, college graduations, make hospital visits and on occasion have shoveled snow, raked leaves, moved boxes to storage, etc., and simply cried with clients. Planning is all about life, and being a small part of the fabric of all that happens to each of us. It's not all about money, that's simply part of the tapestry of life, and we can be a common thread by choice.

Moreover, this drama becomes increasingly poignant, emotional, and complex as the client's relationship with family members becomes dysfunctional and strained. Thus, we prescribe a holistic perspective for the planner engaged in life planning. The differences of opinion revealed by our open-ended responses suggest that acceptance and comfort level with life planning and coaching represent a pivotal issue defining two camps within the financial planning profession. Of course, if you believe that financial planning is only about financial decisions, you will not be comfortable with or accept this first prescription.

Increase Your Emotional Intelligence. Financial planners are unquestionably computer savvy and skilled in quantitative analysis, financial rules, and laws. Their affinity for, and proficiency with, financial analytics undoubtedly provided the impetus for choosing financial planning as a career. Once in this career, however, another set of skills becomes increasingly important. Proficiency in financial analytics is necessary for financial planning, but for many practitioners, it is not sufficient. In short, financial IQ is necessary, but financial IQ is not enough. Emotional intelligence (EQ) augments and strengthens a planner's financial skills (see also Darwish (2006) and Finley (2008)).

Daniel Goleman (1995, p. 34), the "father" of emotional intelligence, defines this competency as "… being able to motivate oneself and persist in the face of frustrations; to control impulse and delay gratification; to regulate one's moods and keep distress from swamping the ability to think, empathize, and to hope." Goleman (1995) also identifies four complements of EQ: self-awareness, social awareness, self-management, and relationship management. Briefly, each is defined as follows:

- **Self awareness:** An introspective understanding of personal strengths and weaknesses regarding interpersonal relationships.
- **Social awareness:** An ability to appropriately adapt to the demands imposed across various social settings.
- **Self management:** An ability to control emotions that might otherwise negatively affect interpersonal relationships; that is, impulse control.
- **Relationship management:** The ability to create rapport, mutually rewarding emotional bonds, teamwork, and collaboration.

Even the most cursory review of the coaching and life planning literature underscores the importance of these four EQ dimensions, which could easily serve as an integral part of a financial planner's job description. We support this conclusion by referring to two findings in our survey. First, almost 75 percent of our respondents agreed with the following statement: "During a planning session, a client became emotionally distraught (for example, started crying, trembling, sobbing, or became violent)." Second, 26 percent of our respondents reported that they had to reschedule sessions because their clients were too emotionally distressed to continue. The four dimensions of EQ defined above were undoubtedly put to a test by the planners whose clients exhibited these strong emotions.

Improve Your Communication Skills. The third competency required for coaching and life planning is the ability to effectively communicate with clients. Although communication competence is important in any client-service provider relationship, it is even more important in the financial planner-client relationship. The reason is simple: Money is a taboo topic for many, not easily discussed, even among family members. Secrecy, denial, and subterfuge regarding financial affairs may not be the norm in families, but it is a possible scenario that financial planners may confront. Moreover, money represents security, self esteem, ego, and other significant psychological needs, often manifested in secrecy and denial (Kinder and Galvan, 2006).

Just as EQ includes specific subcategories, so do communication skills. Specifically, effective coaches are adept at editing their verbal and nonverbal messages. There is fidelity between their intended message and the message received. Effective coaches also focus on empathic listening, a skill highlighted by other proponents of the coaching role of planners (Kinder and Galvan, 2007). In short, communication skills may be reduced to a simple principle: validating intended meaning, whether sending or receiving—focusing on what the client actually says, and what the client is trying to say but may be having difficulty expressing. There is a strong relationship between trust and commitment, and communication is the glue that bonds the planner-client relationship (Christiansen and DeVaney, 2006).

Ethical Issues

Many of our survey questions, and the answers to those questions, indicate that financial planners face ethical dilemmas. In this section, we discuss the most salient dilemmas raised by our survey.

Perhaps the overarching ethical prescription is that CFP Board certificants must apply the *Code of Ethics and Professional Responsibility* in two dimensions: to their financial planning activities and to their non-financial coaching and life planning activities. We found that 89 percent of our respondents engage in non-financial coaching and counseling. But we argue that every financial planner, even those who don't actually offer non-financial coaching services, must consider how the *Code of Ethics* applies to their practice, in which they will almost surely face situations that involve non-financial matters. Financial planners who believe the *Code of Ethics* applies only to their financial planning practice are violating, perhaps unwittingly and indirectly, many of its principles and rules.

Principle 3 (competence) in the *Code of Ethics* requires that CFP Board designees "… shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the CFP Board designee is engaged." Rule 302 adds that advice should be offered only in areas in which the CFP Board designee is competent. We interpret this principle and rule to mean that practicing financial planners must also provide non-financial advice competently.

There are three ways to do this. One is to graciously do nothing and let the client seek help elsewhere. But financial planners can do better by developing a network of knowledgeable and skilled specialists in the fields required for effective life coaching (psychologists, psychiatrists, sociologists, therapists, hospice providers, attorneys, and even clergy). It is mandatory that financial planners carefully vet these other specialists to ensure they will provide what is needed with the highest standards of ethics, professionalism, and state of the art practices.

The final approach requires that the financial planner receive personal training to competently provide non-financial coaching services. However, 40 percent of our respondents have had no coursework or training related to any kind of non-financial coaching or counseling. Yes, EQ is important, but formal training and coursework are crucial, if for no other reason than to understand the inherent risks of life coaching.

Training options vary depending on the needs of the financial planner and the investment the planner is willing to make. Attending degreed or non-degreed university courses, seminars, and workshops, and committing to private sessions with certified life coaches are more costly options than self-directed learning focusing on books, monographs, CDs, and audio tapes. Kahler (2005) goes so far as to suggest a new designation or certification for those who are well trained to provide counseling and coaching services.

Consider some of the non-financial issues that financial planners face: a client's mental and physical health, addictions, family conflict, marital problems, death of loved ones, and religious and spiritual problems. These issues lead to incidents that bring up thoughts of suicide, therapy, drug treatment, and prayer. Even if you "don't want to go there," you will almost surely have clients who will. You are required to competently respond to your clients when they open up to you. Your words, actions, and reactions will likely have a profound effect on your clients' lives. Again, our finding that 74 percent of financial planners have encountered a situation in which a client became emotionally distraught illustrates the intensity and import of the planner-client relationship.

Engaging in non-financial planning activities without proper training appears to violate Rule 609 of the *Code of Ethics*. This rule prohibits a CFP Board designee from practicing any other profession or offering to provide such services unless he or she is qualified to practice in those fields.

Always keep in mind the ethical rule known as the Silver Rule: Do no harm! It may be tempting to try to help. But ask yourself if you are really qualified (competent) to help. Coaching and life planning is not therapy and should not delve into a client's deep-seated psychological problems (Kinder and Galvan, 2006). The financial adviser taking on a coaching role assists clients in achieving personal goals through a convergence of teaching, mentoring, and motivating. None of these behaviors can be or should be confused with therapy. Although professional therapists may at times engage in teaching, mentoring, or motivating, financial planners are not trained to engage in therapy.

Providing as referrals the names of individuals you trust and know are qualified to help is extremely important and will likely be the best that you can do for your client (see also Kinder and Galvan, 2007). Offering your own advice may do more harm than good if you are not well trained to deal with these sensitive issues. When confronted with non-financial issues, always remember Rule 202 of the *Code of Ethics*: A financial planning practitioner shall act in the interest of the client. In addition, we believe that Rule 703 should be amended to say that a financial planning practitioner shall make and/or implement only recommendations that are suitable for the client, and which the financial planner is qualified to make. We interpret both rules as being applicable to both financial and non-financial realms.

We found it interesting that "only" 90 percent of our respondents answered yes to our question, "Do you explicitly state that any information the client chooses to disclose will be held in the strictest confidence?" It seems that 100 percent should have answered yes. Keep in mind also that 58 percent of our respondents claimed that they know non-financial information about clients that no other person knows. Certainly every practicing financial planner should almost always keep information confidential,[1] regardless of whether they actually state up front that they will do this.

Referrals. Rule 302 states that CFP Board designees shall offer advice only in areas in which they are competent. In areas in which competence is not present, the CFP practitioner should seek counsel of qualified individuals and/or refer the client to such individuals.

In addition, Rule 402 applies. This rule requires CFP designees to disclose sources of compensation. In other words, if you are receiving payment for a referral,[2] you are required to disclose the arrangement. Referrals are typically thought of as being necessary to get financial advice for clients in areas that you are not licensed or equipped to provide; referrals to get non-financial help appear to fall under this rule as well.

Conflicts of Interest. The last issue with ethical implications relates to our finding that between 25 percent and 33 percent of our respondents were lobbied by organizations and/or family members for charitable donations, to be included in a will, and/or just to receive special consideration. These requests corroborate our finding that more than 20 percent of our respondents had clients who established a trust, naming the financial planner as the sole or co-executor of the trust. As an executor of a trust, a financial planner has a great deal of discretionary, fiduciary power. Certainly, conflicts of interest may arise when charities and/or family members make special requests. Financial planners should make efforts not to be in situations that expose themselves to conflicts, and if this is not possible, Principle 4 of the *Code of Ethics* requires that CFP Board designees disclose the conflicts.

Given that situations such as these appear to be common, we recommend the CFP Board issue an advisory opinion to explicitly address the ethical dilemmas posed by such requests. Unless such an advisory opinion is written in the future, Rule 103, which states that CFP Board designees must act in accordance with the authority set forth in the appropriate governing legal instrument, applies. That is, unless the legal instrument says otherwise, you must say no to, or ignore, such requests for donations or special consideration.

Ethical Considerations: A Summary. When executing the financial planner role, ethical behavior becomes even more important and problematic as planners face the complexity and potential interpersonal and legal entanglements highlighted by our survey. Financial planning for Ozzie Nelson in 1955, with a loving and supporting family of Harriet, Ricky, and David, did not present the ethical problems faced by today's planners, who are working with blended families, conflicting lifestyles, and often antagonistic relationships. Thus, planners may be in an era when ethical challenges are the norm, not the exception.

We agree with Boatright (2008), who argues that financial planners should view themselves as professionals who have duties and responsibilities just like those of physicians and lawyers. "The main duties of professionals are to perform services with competence and due care, to avoid conflicts of interest, to preserve confidentiality, and to uphold the ideals of the professions" (Boatright, 2008, p. 7).

Boatright (2008) goes on to cite three features of a profession, and these are satisfied by CFP designees: (1) a specialized body of knowledge, (2) a high degree of organization and self-regulation, and (3) a commitment to public service. The fact that financial planners provide highly technical services and meet an important social need provides support for the view that financial planners are professionals. A code of ethics is required by the nature of professionalism itself.

Dobson (2003) argues that the only way that any codes of ethics can effectively work is by reinforcing the view that financial planners are professionals. In this way, CFP designees will be guided by the integrity of the financial planning profession, and be concerned not with themselves, but for the client "who has placed his or her trust in the professional's expertise, integrity, and honesty—in short, trust in the individual's professionalism" (Dobson, 2003, p. 34).

Conclusion

In one sense, CFP designees who argue for a firewall between pure financial planning and non-financial coaching and life planning are correct: non-financial planning is fraught with potential entanglements. Yet these issues can and must be resolved. By first assessing your personal biases and philosophy regarding coaching and life planning, by acquiring the competencies required for coaching if you decide to go that route, and by confronting ethical dilemmas, you and clients will realize the full potential of financial planning.

Your clients are putting a tremendous amount of trust and personal attachment into their relationship with you. Invest in that client-planner bond and become better at satisfying that bond. If you are unable or uninterested in receiving formal training in coaching and life planning, your coaching advice should be limited to strategies and techniques for goal clarification, goal setting, and goal achievement. This focus, coupled with a cadre of competent referrals, will serve your clients exceptionally well.

Endnotes

1. Rule 501 of the *Code of Ethics* and Professional Responsibility does provide four cases in which disclosure of information may be reasonably necessary.
2. Rule 404 requires you to disclose any compensation at least annually to your current clients.

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