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Freud meets finance: new focus on feelings

More advisory firms adding psychologists

By **Charles Paikert**

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A wealthy prospect wanted investment-grade bonds, and only investment-grade bonds, in his portfolio.

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His financial adviser, not surprisingly, wanted him to be more aggressive in his investment selections.

That is where Gary Shunk came in.

Mr. Shunk, a psychotherapist and licensed clinical social worker who runs Chicago-based Wealth Psychology, was serving as a "wealth counselor" to the adviser's wealth management firm. Mr. Shunk urged the adviser to find out

why bonds were so important to the prospect.

"Your agenda [as an adviser] can get in the way of the prospect's agenda, which is predominant," Mr. Shunk said.

In this case, he said, looking into the prospect's reasons for making bonds so important would give the adviser insights into the prospect's behavior as well as help earn the prospect's trust — and hopefully his business.

Demand for Mr. Shunk's services is soaring, and he isn't alone.

Wealth management, family office and other advisory firms increasingly are using psychology — and psychologists — to work both with wealthy clients and the advisers who serve them.

In one of the most high-profile examples of the trend to date, Charlotte, N.C.-based Wachovia Corp. this month hired Susan Massenzio, who has a doctorate in organizational and counseling psychology, as associate

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Susan Massenzio: Wachovia hired the psychologist this month.

director of family dynamics for Calibre, a division of Winston-Salem, N.C.-based Wachovia Wealth Management that caters to wealthy families with more than \$50 million in investible assets.

A number of other firms, including Bank of New York Mellon Corp., Commonwealth Financial Network of Waltham, Mass., and Wells Fargo & Co. of San Francisco, also are using either psychologists or psychologically trained counselors to help clients and advisers deal with issues that range from family squabbles to spoiled children to drug addiction.

The growing popularity of combining financial planning and psychology isn't confined to large firms or superwealthy clients.

"There's a growing awareness of a void in the financial services and mental-health professions around the issue of money," said Rick Kahler, a certified financial planner and president of Kahler Financial Group of Rapid City, S.D.

This year, he started the Planner-Therapist Alliance, a Yahoo list-serve group that has about 70 regular contributors from around the country.

"Planners aren't trained as psychologists, and psychologists certainly aren't trained as financial planners," said Mr. Kahler, co-author with Kathleen Fox of "Conscious Finance: Uncover Your Hidden Money Beliefs and Transform the Role of Money in Your Life" (FoxCraft Inc., 2005).

Wachovia's family dynamics practice incorporates cognitive-psychology principles in training its advisers and relationship managers to help facilitate family meetings and work individually with clients on "delicate issues" such as prenuptial agreements, Ms. Massenzio said.

"We will not provide therapy," she said, but will, if appropriate, refer clients to a professional therapist.

Psychological principles also are used to help advisers and managers with client retention and acquisition, Ms. Massenzio said.

To understand their needs, The Bank of New York asks wealth clients to take the Stratton Consultative Group's Interpersonal Leadership Styles Test, said Thomas Rogerson, Boston-based director of family wealth services for the bank's wealth management group.

"We want to educate them and make sure they understand what the issues are," he said.

Parents who have difficulty "giving up control to children while they're still alive" is the most common stressful situation Mr. Rogerson said he encounters among wealthy clients.

Facilitating family meetings to deal with the issue — or referring clients to psychologists or psychiatrists — has become "the other side of estate planning," he said.

Commonwealth is also stepping up its emphasis on employing psychology in adviser-client relationships, according to Kol Birke, who leads the firm's efforts in the area.

For the past year and a half, the company has been providing advisers with conference sessions, workshops and individual coaching focusing on psychological

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issues, he said.

"More and more advisers will have strategic alliances with therapists," he said. "It will become commonplace, like a referral to an estate attorney."

According to Mr. Shunk, wealthy families are preoccupied with how money affects their children.

He described a case where a father was so afraid that his son would realize the family's true wealth that he would refuse to buy things, explaining that the family didn't have the money.

"The father had an understandable concern, but I had to tell him that lying to his son wasn't the right way to address the issue," Mr. Shunk said.

Not everyone, of course, thinks that advisers need staff psychologists.

"I think understanding behavioral finance makes sense when it comes to investing, but I can't believe firms are employing psychologists full-time," said one wealth manager, who asked not to be identified.

GROWING DEMAND

Yet those who have incorporated psychology into their practice are convinced that the demand will only grow. Within 10 years, most financial-management firms will offer psychological services, Dr. James Grubman predicted at New York-based Thomson Reuters' Wealth Management Summit last fall in Boston.

Mr. Grubman, a clinical psychologist who heads FamilyWealth Consulting in Turners Falls, Mass., works as a consultant for several large financial firms, including Wachovia's Calibre division.

"Over time, you'll see the difference become clearer between firms," said Dr. Keith Whitaker, managing director of family dynamics at Calibre. "Some will say we manage people's money as best we can; others will help clients with the experience of wealth as a whole."

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