Linking Psychological Type to Financial Decision-Making

Judy McKenna[1], **Karen Hyllegard**[2], and **Ray Linder**[3]

Psychological and behavioral differences are important factors in the decision-making process and often explain financial management behavior that deviates from the classical economic model based on rational decision-making. Using psychological type as measured by the Myers-Briggs Type Indicator and the associated Keirsey's temperament patterns as the differentiating variable, financial management styles are described. Recommendations are presented for educators and practitioners to respond to variations in personality that affect financial management and thereby enhance communication with clients exhibiting the various temperament types.

Key words: *Decision-making, Financial decision-making styles, Financial education, Financial management, Personal financial behavior*

Introduction

There are widespread and justified concerns that many Americans are not careful money managers. With little attention paid to their money decisions, these individuals may end up facing serious negative consequences. Two specific areas of financial concern for American consumers are overuse of credit and lack of savings.

Overuse of Credit

The movement in the United States toward greater use of credit has contributed to a spiraling trap where people find their future choices limited by past or current overuse of credit. According to American Consumer Credit Counseling, the average American household has 10 credit cards and almost half of these households report having trouble paying their minimum monthly payments. (American Consumer Credit Counseling, 1999).

There is growing evidence that financial problems among U.S. consumers begin in early adulthood. Almost half of the consumer credit counseling clients in Northern Colorado are between the ages of 18 and 34 (Baun, 1998). Close to 15% of the clients on debt repayment plans in Sacramento, California are between the ages of 19 and 25 (Elliot, 1997). Seventy percent of students at four-year colleges have at least one credit card with an average limit of over $6,000 and an average revolving debt over $2,000. College students who sign up for credit cards at campus booths carry average unpaid balances of $1,039 and often leave college with large credit-card debt on top of their student loans (Cornelius, 1998).

While many individuals or families are within recommended ratios (Godwin, 1996) for credit use for items such as home mortgages and car payments, some of these individuals still may not be saving adequately for future consumption (e.g., children's education, housing, or retirement).

Lack of Savings

Previous studies (Employee Benefit Research Institute, 1997; Garman, 1997a; Yuh, Montalto & Hanna, 1998) show that many Americans are ill prepared for retirement, are not optimistic about social security, think they will outlive their money in retirement, and generally expect that their lifestyles will worsen when they retire. Likewise, findings from the 2001 retirement confidence survey (Employee Benefit Research Institute, 2001) indicate that workers' confidence in their retirement incomes has fallen in recent years. In 2000, 72% of the workers surveyed were confident about having adequate money for retirement; in 2001, the number fell to 63%. The recent loss of value in worker 401(k) plans has made the situation even worse.

Women, in particular, face financial insecurity in retirement because they live longer, often earn less than men, and interrupt their careers for child rearing -- thereby diminishing their social security and pension benefits (Bajtelsmit & Bernasek, 1996; Duran, 2002; McKenna & Nickols, 1988).

Recent government estimates indicate that 66.5 million U.S. workers between the ages of 25 and 64 (61.0%) did not own any type of retirement savings account in 1998 (Employee Benefit Research Institute, 2001). Furthermore, baby boomers –the 76 million U.S.

[1] *Judy McKenna, and Cooperative Extension Family Economics Specialist, Department of Design and Merchandising, Colorado State University, Fort Collins, CO 80523-1575,. phone: 970- 491-5772, fax: 970- 491-4855, e-mail: mckenna@cahs.colostate.edu*

[2] *Karen Hyllegard, Assistant Professor, Department of Design and Merchandising, Colorado State University, Fort Collins, CO 80523-1575, phone: 970- 491-4627, fax, 970-491-4855, e-mail: hyllegard@cahs.colostate.edu*

[3] *Ray Linder, Investment Advisor, 21264 Mirror Ridge Place, Sterling, Virginia 20164, phone, 800-742-9804, fax, 703-450-4030: e-mail: ray@goodstewardship.com Web: http://www.Goodstewardship.com*

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consumers born between 1946 and 1963 who account for the largest segment of the working age population--should be concerned with saving for retirement, but 40% owe more than they own (Knight & Knight, 2000).

Not only do inadequate savings and inappropriate decisions impact individuals' and families' financial futures, they can also seriously affect emotional and physical well being. Roizen (1999), Garman (1997b), and Mugenda, Hira, and Fanslow (1990) link poor financial planning to stress, threatened health, lack of productivity at work, and marital breakdown.

The purpose of this paper is twofold: 1) to consider the roles of psychological type and temperament theories in understanding individual financial decision-making and 2) to encourage educators, researchers, and financial practitioners to consider an interdisciplinary approach to assisting individuals with financial planning.

Disciplinary Approaches to Decision-Making

Many disciplines are concerned with the economic well being of citizens. Family economics researchers use a variety of conceptual approaches to understand how people make, or don't make, financial decisions. Kerkmann (1998) adapted Prochaska's stages of change model to describe individual receptiveness to financial behavior change. Other variables have been used to better understand financial decision-making such as risk taking and locus of control (McKenna & Nickols, 1988), analysis and holistic (Prochaska-Cue, 1993); and cognitive style preferences (Rettig & Schulz, 1991). Such research has advanced our comprehension of the connection between financial planning and personal decision-making styles.

Demographic characteristics have been used to understand variance in goal attainment (O'Neill, Xiao, Bristow, Brennan & Kerbel, 2000) as well as other consumer and decision-making behavior. The limitation of using only demographic variables is that they do not account for psychological or behavioral differences among consumers. Psychographics are important factors in the decision-making process because they include consumer lifestyle, values, beliefs and personality characteristics, which often have a greater influence on consumer needs and preferences than do objective traits (Kotler & Armstrong, 1999).

Financial planners are also asking questions about the relationship of personality and financial decisions. At the June, 1999 National Association of Personal Financial Advisers (NAPFA) meeting, Mary Rowland said that she once believed that people go to a financial planner to get a better return on their investments. She now thinks that the primary role of a financial planner is to help clients overcome their personal dysfunctions and lead better and more rewarding lives (Green, 1999).

A group of financial planners, therapists and others have formed what they call the Nazrudin movement. Their purpose is to go beyond helping clients achieve economic well being. They want to help their clients be more fulfilled, happier, and better citizens. Many planners help their clients based on Abraham Maslow's hierarchy of needs, but they continue to address needs at the second level of the pyramid -- security. For many clients, what is most important to them is at the top -- self-actualization (Green, 1999).

Articles in the popular press by financial counselors and planners, educators, and others (Belsky & Gilovich, 1999; Samuelson, 1999; Carrier & Maurice, 1998) often conclude that people are making devastating financial mistakes and speculate about the causes. There are definite gaps in what some people want to do and what they actually do, and it seems that research conducted from a single discipline base is falling short of understanding human behavior.

Each discipline uses a variety of research approaches to identify decision-making styles. And yet, researchers continue to struggle with unanswered questions – why do some people appear to ignore or sabotage financial management opportunities? Psychological type theory has been used for more than 50 years to understand and strengthen the gifts of personal diversity. This theory, in addition to temperament theory, could be very valuable in understanding financial behavior.

Psychological Type

The field of psychological type as measured by the Myers-Briggs Type Indicator (MBTI) has attracted a diverse group of professionals who use the theory in management and organizational development, career assessment, marriage counseling, and learning styles (Myers, McCaulley, Quenk & Hammer, 1998). Other areas of interest include religion, education and cross cultural connections. The link from the field of psychological type to financial decision-making is very limited in psychological type research. The Journal of Psychological Type has reported research on type concepts for twenty-five years. However, the research on the relationship of type and money management is lacking. A special abstract issue of 400 research articles published between 1977 and 2002 (Carskadon, 2002) contained only one article (McKenna, Martin & Schmidt, 1990) using personality preferences to explain the link between psychological type and financial decision-making.

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Myers-Briggs Type Indicator: Background

A theory developed by Carl Jung (1923) and later widely researched and applied by Katharine Briggs and her daughter Isabel Myers (Myers, 1980), opens a new door to better understanding human behavior. The "essence of the theory is that much seemingly random variation in behavior is actually quite orderly and consistent….If people differ systematically in what they perceive and in how they reach conclusions, then it is only reasonable for them to differ correspondingly in their reactions, interests, values, motivations, skills and interests" (Myers & McCaulley, 1985, p 1).

The MBTI was developed to help people understand and appreciate themselves and others. The psychological type concepts concentrate on personal acceptance and healthy differences among people. Since 1942, instrument items have been written, validated, and subjected to tests for validity and reliability. The current form uses 94 items to identify four pairs of preference alternatives. Although every individual is able to use all eight preferences, Jung's theory suggests that individuals are predisposed to use one preference more than the other and that, through use, the preference is strengthened, similar to being right or left handed. Validation studies indicate there is high correlation between an individual's self-awareness and the report generated from the answers to questions in the MBTI instrument. The real value of this theory is that many people find exceptional personal insight when introduced to the MBTI concepts.

Myers-Briggs Type Indicator: Potential

Although there has been limited attention to psychological type and financial decision-making, studies of general decision-making build a bridge of understanding that can be used to connect personality to financial decision-making. Huitt (1992) describes decision-making differences among people based on their psychological preferences. For example, some people naturally make decisions based on logic and critical thinking. They employ analysis, backwards planning, categorizing and classifying, challenging assumptions, judging, systematic reasoning, and task analysis. Others make their best decisions when they use brainstorming, visualization, relaxation, taking another's perspective, and values clarification.

When these differences are used uncritically to help people understand their decision-making propensities, there is definite potential to link individual decision-making strengths to financial planning. Some people manage their finances by planning for the long term. Other people progress intuitively making short-term decisions and still reach the same end. An understanding of psychological type prepares educators and financial planners to work more effectively with people based on the application of their personal style of decision making.

Myers-Briggs Type Indicator: Definitions

The MBTI instrument measures four pairs of preferences. These concepts suggest that individuals exhibit strengths based on their personality preferences selected from four scales (Myers, 1980).

Extraversion/Introversion The extraversion/introversion set of preferences defines how people are energized. Some people get their energy from the external world -- extraverts. They seek relationships with other people and often talk in order to understand their own thoughts. They prefer generating ideas with a group and want affirmation from friends and associates about their ideas. In Brock's (Allen & Brock, 2000) "Four-Part Framework", she describes this preference as "talk it out."

Other people get their energy internally – introverts. They want time to think things through thoroughly before speaking and don't like competing in fast-flowing conversations. Introverts are often guarded about personal information and will be unlikely to share personal information with people they do not know well. Brock (Allen & Brock, 2000) calls this preference "think it through."

Sensing/Intuitive Sensing and intuitive preferences describe the process that people rely on to gather information. Sensing people trust their senses as they gather information and want to channel what they learn into practical applications. They often ask, "will it work?" Sensing people are comfortable focusing on the present, have concrete ideas, and are at their best dealing with specifics.

As an intuitive person takes in information, he or she often rearranges it into a new idea based on hunches and inspiration. Intuitives enjoy brainstorming future possibilities, and are good at describing the big picture. Intuitives ask, "what might we do?"

Thinking/Feeling Thinking and feeling preferences describe how people make decisions. People who prefer thinking work in a logical and scientific manner, often basing their efforts on numbers and figures. They would rather be right than be liked. Logical implications form the basis for their decisions. A high value for thinkers is objectivity.

Those with a feeling preference make decisions by taking the feelings of other people into account. They prefer harmony over clarity and may give up self comfort to accommodate others. They make decisions based on the potential impact on people.

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Judging/Perceiving Judging and perceiving preferences describe lifestyle orientations. Judging persons are decisive, planful, and orderly, and find making decisions easy. They work best when they can plan and then follow the plan. They are time driven, like making lists, and are generally considered well organized. They delight in making decisions and "getting on with things."

Those with a perceiving preference are flexible, adaptable, and spontaneous. They like to keep their options open and find that bringing closure is difficult. They prefer gathering information to see what a task demands rather than detailed planning. They work best in last-minute spurts of energy to meet deadlines. Their important characteristics are curiosity, spontaneity, and responsiveness. They delight in processing and considering new ideas and information.

Many people express an "aha" when they are introduced to these concepts, but not everyone. Some people feel boxed in and consider these terms limiting. Allen and Brock (2000) caution that labeling may seem negative to people and that no one is confined to a single type. "The type table can be seen as a 'sixteen-room house' in which each person has a 'favorite' room. We might say that we all go to all rooms, including the bathroom, but we might not want to live there" (p. 24).

"Because observing, not labeling, is the key, it is not necessary [for practitioners] to know another's type preference. It is only necessary to watch for behavior cues in the moment, remembering that the person may be visiting another room in their 'house' and will want to be treated in accordance with their current room" (Allen & Brock, 2000, p. 25).

Application to Financial Planning

Researchers, including Ware (2001), Hanlon (2000), and Linder (2000), have described the influence of psychological type on financial planning. Hanlon (2000) proposed the use of personality types to improve client willingness to participate in four areas of financial planning: investments, cash flow management, life insurance and estate planning. Drawing from the Myers Briggs Type Indicator, Hanlon outlined client motives as well as the best approaches for informing and assisting clients using personality preferences. Each personality preference was applied to client decision-making for each financial area and an approach for informing the client and managing the financial process was given. In conclusion, Hanlon emphasized that understanding a client's personality, that is, his or her preferences, desires, and behavior, can assist financial advisors in the design and implementation of a client-appropriate plan that can help clients reach goals and ultimate satisfaction.

Ware (2001) sought the ideal psychological type for money management, but concluded, "All personality types can be winners in the market, but they must understand their own strengths and weaknesses and compensate accordingly. This sort of self-knowledge leads to wisdom and personal mastery" (p. 48). Table 1 summarizes the preferences with implications for financial decision-making.

Temperament Theory and Financial Decision-Making

For over 2500 years, physicians, psychologists, philosophers and writers have repeatedly identified four holistic patterns of human behavior. These four major patterns are referred to as temperaments. The temperaments describe four unique ways that people interact with the environment to satisfy their needs. In essence, temperament is best understood as a pattern of consistently observable behaviors. It is a unified configuration of inclinations, an innate pattern of attitudes and actions. Our temperament is given to us at birth rather than learned, and unless our family of origin provides excess pressure to the contrary, the behavioral preferences that form our temperament will be the primary driver of our behavior. Because it is the innate blueprint of the foundation of who we are, temperament is a powerful tool for understanding how we are motivated to use money to meet our psychological needs.

According to the father of modern temperament theory, Dr. David Keirsey (Keirsey & Bates, 1984) "temperament determines behavior because behavior is the instrument for getting us what we must have…" (p. 30). The MBTI can be used to identify the four temperaments. Table 2 shows the four temperaments Idealist, Guardian, Rational, and Artisan and their defining sets of psychological preferences.

Given that money "talks" in a universally understood language and that it is the most commonly used tool in everyday life, the temperament model of human behavior provides us with great insight into financial behavior. Because each temperament has a particular set of natural skills they employ to be effective and satisfied in financial matters, an understanding of temperament is essential to an understanding of financial behavior.

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Table 1.
Psychological Preferences:
Implications for Financial Behavior

Preferences	Financial Behavior
Extravert (E)	Extraverts are ready and willing to talk to financial planners and counselors about what they need and want. They tend to skim written materials or don't read them at all. They may hear what they want to hear, not what the counselor is recommending. They may change a financial plan after talking to someone else.
Introvert (I)	Introverts want written materials and they want time to read them before a meeting. Because introverts tend to concentrate, focus and reflect on information, they can make in-depth contributions to a comprehensive plan. Introverts are more likely to have conservative asset portfolios.
Sensing (S)	Sensing people like to deal with facts and are often good comparison shoppers. They will look for a practical application of financial concepts. They want information presented in a sequential manner, and they like examples.
Intuitive (N)	Individuals who prefer intuition want to think about the future. They like planning to address future needs but they may not be as interested when it comes to evaluating and selecting a specific course of action. They offer creative alternatives to spending money such as sharing, bartering, exchanging, etc. They tend to like new possibilities and are not afraid of change.
Thinking (T)	This preference comes the closest to the ideal "rational man" theory. Individuals who prefer thinking ask about cost-benefit tradeoffs. Because managing money is impersonal to them, they enjoy the challenge. Creating systematic plans fits their strengths.
Feeling (F)	Spending money is always personal with individuals whose preference is feeling. They select products and choices with a personal emphasis. They may be interested in socially conscious companies for their investments. They sometimes try to please by agreeing with everyone, and they may not ask if they don't understand something.
Judging (J)	Planning and implementing plans are easy. People with judging preferences are willing to make decisions and prefer to make them quickly. They are good at long-range planning including retirement planning.
Perceiving (P)	Perceiving individuals are open to many different possibilities and they look for a wide range of information and ideas. They may react negatively to keeping track of money because it's not spontaneous. They don't like making systematic plans and implementing plans is difficult. Retirement planning seems confining.

Table 2.
Temperament Patterns and Psychological Preferences

Temperament Patterns	Psychological Preferences
Guardian	Sensing-Judging (SJ)
Artisan	Sensing-Perceiving (SP)
Idealist	Intuitive-Feeling (NF)
Rational	Intuitive-Thinking (NT)

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Four Styles of Managing Money

Guardians are part of what might be called the preserving temperament. Guardians have a sensible and judicious temperament (Montgomery, 2002). For them, money management is about preserving a comfortable, secure and organized home and work environment. Guardians are skilled in logistics--the proper maintaining and handling of the details of an operation. As such, they have a natural disposition for:

- Measurement -- how much time, money, and material is necessary to properly maintain their environment.
- Sequential Thinking -- managing their finances in an orderly fashion.
- Supervision -- seeing that their money is managed "right" by following the rules: frugal spending; saving money; minimizing debt; preparing for the future.
- Caretaking -- protecting and providing for their families and loved ones.

These innate skills manifest themselves in several ways. Guardians are typically dependable and responsible, especially for the day-to-day organization and record keeping necessary to keeping things running "shipshape." They are attentive to the practical needs of others, and manage their resources to meet the everyday concerns of those they feel responsible for.

The Guardian's logistical skills allow them to meet their needs for stability, safety and security. In financial matters, Guardians are frugal, responsible, conventional, cautious, and rely on past experience-- first their own, and then others-- in making decisions. They naturally handle money conservatively and purposefully in order to provide themselves with a solid financial foundation. The weakness of Guardians is that they can be overwhelmed by disorganization, uncertainty or unanticipated change. Sloppy record-keeping, unbalanced checkbooks, and being unable to do what needs to be done is very stressful for Guardians.

Guardians like to have their finances well organized in terms of managing paperwork, documentation and procedures, because organization gives them the feeling that their finances are under control. They are good with facts and figures. Guardians tend to have good self-control as it relates to financial decisions, setting up financial goals and then methodically working towards their goals with self-discipline. Guardians are frugal in that they believe responsible spending means buying only what is necessary at a discount, if possible, and they are not as likely as the other temperaments to go into debt.

Having money means security to Guardians. Financial security is important to them, as it means success, comfort, peace of mind, and an overall sense of well-being. Because of this, Guardians, are good savers, as savings allows them to meet emergencies without disruption of their lifestyle. They are risk-averse with a low tolerance for uncertainty and volatility, therefore they tend to avoid high-risk investments, and prefer investments that provide, stable, consistent, and secure returns.

Artisans are part of what might be called the "doing" temperament. Artisans have a spur-of-the moment and playful temperament (Montgomery, 2002). For them, money management is about having the freedom to do what feels good and to make an impression. Artisans are skilled in tactics, reading the immediate situation and making instant decisions to accomplish a limited, short-term purpose. As such, they have a natural disposition for:

- Adaptation – making the right financial adjustments to deal with unforeseen circumstances.
- Contextual thinking – understanding the urgency of the immediate moment as it relates to their finances.
- Promotion – seeing how money can be used to advance and accomplish others' interests.
- Performance – getting things done as expediently as possible.

These innate skills manifest themselves in several ways. Artisans are typically adept at finding the most expedient way to do or fix something right now, especially as it relates to hands-on pragmatic ways to handle the necessary maintenance, repairs, and upkeep of physical property. They are usually selfless and generous, giving immediate, direct support to others' needs through tangible acts of service.

The Artisans' tactical skills allow them to meet their needs for action and spontaneous, fun-loving freedom. They are known for bringing enjoyment to themselves and others with their spur-of-the-moment lifestyles that are flexible, practical and resourceful in meeting financial challenges and problems. Artisans are naturally impulsive, bold and opportunistic, and inclined to bear financial risks. Their weaknesses are that they are not goal-oriented and may have too great a penchant for financial risk. Being forced to stay within limits is stressful for Artisans; if lack of funds constrains them, they quickly figure out how to get more.

Having money means having opportunities for present enjoyment to Artisans. Believing that currency equals "current-cy", money to an Artisan is simply something

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to be enjoyed here and now. Therefore, they operate outside the financial mainstream, having little interest in long-range planning, consumer or investment research, or record-keeping and administration. They would much rather trust their instincts rather than detailed plans about the future or financial statements about their present fiscal condition.

Because they are typically more oriented to what they can do with their money in the near term, Artisans are generally haphazard savers who may set future goals, but then will quickly abandon them for an emerging opportunity. They enjoy the thrill of speculation as much as the possible financial rewards, and would rather lose money than miss out an opportunity to make money. Artisans have a high tolerance for risk and often find their investments to be both big winners and, at other times, big losers.

Idealists are part of what might be called the inspiring temperament. Idealists have an insightful and fervent temperament (Montgomery, 2002). For them, money management is about cultivating relationships, growing personally and helping others achieve their potential. Idealists are skilled in diplomacy and promoting relationships among people. As such, they have a natural disposition for:

- Interpretation – understanding the meaning of others' behaviors.
- Integrative Thinking – seeing how things can come together.
- Counseling – seeing how others can help themselves.
- Revelation – insight into underlying motives and desires.

Because the innate skills of this temperament have little to do with handling money, financial management is generally a low priority for Idealists. What matters more to Idealists is sharing their financial resources to build relationships and to inspire others. They view money as a means to create positive visions for the future, especially as it relates to human potential and encouraging people with insightful ways to develop and grow.

The Idealists' diplomatic skills allow them to meet their needs for meaningful personal relationships. In the area of money, Idealists, then, are naturally altruistic and willing to self-sacrificially devote substantial portions of their financial wealth to the betterment of others. The weakness of Idealists is their general apathy about money which can result in a fragile financial foundation and poor preparation for the future. Also, Idealists care deeply about quality and aesthetics, and settling for less than their ideal can be difficult for them. Finally, not being able to meet the needs of others, especially family, and interpersonal conflict over money is very stressful for Idealists.

Idealists are the most interested in philanthropic uses of money. For them, money is a pathway to improve the quality of lives and to support their own ideals and aspirations. Idealists are global, forward-thinking money managers who are not particularly interested in the day-to-day administrative details of their finances. Their primary financial interest is seeing how money can be used to effect changes in the lives of others. The financial pursuits, plans, and goals of an Idealist are not about the accumulation of wealth but to make money have extraordinary, personal meaning.

Idealists also have little interest in the typical quantitative measurements of money, such as rate of return, or qualitative aspects such as risk tolerance. For money to matter to Idealists, they must maintain integrity with their personal ethics, moral standards, and ideals. Whatever financial choices they make, they must be able to see themselves as being true to what makes them authentically and uniquely themselves. In other words, they must personally identify with what they invest in or whom they have financial relationships with.

Rationals are part of what might be called the achieving temperament. Rationals have an ingenious and theoretical temperament (Montgomery, 2002). For them, money management is about acquiring the necessary competence to understand, explain and predict, and therefore, controlling the financial forces that affect their lives. Rationals are skilled in strategy--the devising of large scale, long-range plans with answers for all possible contingencies. As such, they have a natural disposition for:

- Analysis – making calculations by distinguishing components and discerning their interrelationships.
- Differential Thinking – seeing differences, categories, classifications, functions.
- Designing – thinking of all the components necessary for plans and systems to work.
- Marshalling – leading, guiding or arranging plan components in the necessary order.

These innate skills manifest themselves in several ways. Rationals naturally envision innovative ways to create a better quality of life and are ingenious and resourceful in developing financial strategies, and challenging themselves to achieve personal financial goals. They enjoy long-range planning, especially when they can bring an orderly approach to complex financial issues with creatively comprehensive thinking that accounts for the long-term consequences of any given course of financial action. The Rationals'

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strategic skills allow them to meet their need for competence and mastery of their lives to ensure a successful financial future. Their weakness is that these plans may be overly complex resulting in "paralysis of analysis" and very little accomplished.

Rationals are stressed by not seeing adequate progress towards future financial goals, and being forced to stick to the "tried and true", when what they have in mind is "new and improved". Also, since the planning is more invigorating than the doing, Rationals can have a tendency not to follow through on their plans once they have been conceived in their minds.

Rationals are the most analytical of the four temperaments. This innate skill allows them to be very comfortable with complexity, including innovative and unusual approaches to money management. They are also highly skeptical, independent thinkers, who delight in challenging conventional wisdom, and they will only take advice from someone who has demonstrated greater expertise than themselves, if even then. Rationals are future-oriented, big picture financial thinkers who may or may not tolerate the mundane daily aspects of financial management as part of the strategic process of achieving their long-term goals.

Rationals are economical as opposed to frugal, meaning that they desire to establish the right value of a financial decision, not just save money. Rationals seek the right price, not just a low one. They typically have low anxiety in financial matters, as money management to them is just other process in life to be understood, controlled and mastered. Rationals will tend to accept any level of risk once they have done the analysis to determine that the rewards, and the probability of achieving them, are commensurate with the risks taken.

Each of the four temperament patterns represents different patterns of psychologically satisfying behavior, generating significant and observably different money management practices. As a result, not only will a particular "best practice" be hard for some personality types to implement, but more critically, it may not produce psychological or emotional satisfaction even if it "works" financially. Therefore, the challenge for financial professionals and their clients is to develop plans that produce meaningful psychological benefits.

It is imperative that financial counseling and planning professionals learn how to effectively communicate motivational strategies as well as money management skills. Whether in a planned and straightforward approach, or in a zigzag, hopscotch pattern, our challenge is to support individuals as they strive to achieve economic security and life satisfaction.

Strategies for Motivating Clients

The following suggestions were developed from interviews with individuals who know their type and temperament pattern. Educators and financial planners can use these strategies to enhance communication with clients exhibiting the various temperament types.

Guardians (Sensing-Judging) When working with Guardians, planners should take on the role of a trusted, respected authority. This role should be established in the initial meeting where the planner provides the client with references and performance history. They also need to explain in detail the steps and the process of how they intend to guide the client. Since Guardians like to belong to groups they identify with, it's important that the planner has had experience with people who are like the Guardians in terms of age, income, and stage of life. Once Guardians have tangible evidence of the planner's credentials, they will be inclined to trust them and follow their direction. Like each of the other temperaments, the Guardian will focus best on a plan that meets their needs according to their values. For Guardians, how they go about managing their finances will determine their satisfaction with the results. Guardians are concerned with doing what's right according to the norms or values of the groups they see themselves as belonging to. In addition, Guardians need to know they are doing their duty and responsibly taking care of the groups they belong to, usually their family. They value security, stability and a solid financial foundation to prevent disruption to their lifestyle. They will prefer cautious, conservative financial plans with specific steps to implement.

Guardians naturally embrace the step-by-step process of planning, including projecting needs and monthly savings goals to achieve goals. Being time driven, they will generally meet planners' suggestions for implementing plans, but they may have detailed questions about specific recommendations. They will appreciate newsletters and additional information that will help them track how well their plans are doing.

To communicate effectively with Guardians, it is best to appeal to their natural logistical intelligence that they will use to build stabilizing structures and procedures to make sure they have the right amount of money in the right places at the right times. Communication should be in a direct, clear manner about what is expected of them, the goals, procedures, and what everybody's responsibilities are.

Sharing past experiences with specific examples is helpful to the Guardian. Be thorough and accurate with facts and figures, and then give them time to process the data. Their desire is to clarify their understanding before making decisions. These decisions, once made,

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will be firm decisions. Above all, do what you say you will do in a timely and responsible way, as this communicates that you respect the Guardian.

Artisans (Sensing-Perceiving) When working with Artisans, planners should take on the role of facilitating the Artisan's enjoyment of life. Artisans want to use their money, not manage it, so they look to the planner to tell them what's presently happening with their money; make sure their needs are covered; and most importantly, tell them how much "fun" or "play" money they have at their present disposal.

Like each of the other temperaments, Artisans focus best on plans that meets their needs according to their values. For Artisans, the outcome of the plan will determine their satisfaction with the results. Artisans are willing to do whatever works to achieve the desired results and are less concerned with what others think is the right or customary thing to do. Also, Artisans live in the moment, so the very concept of planning is not only foreign but uncomfortable because it involves a time-consuming process of making decisions about moments that have yet to arrive.

Artisans achieve longer-term financial security by using strategies such as automatic contributions to retirement accounts. These strategies allow Artisans to prepare for the future as they focus their time and energy on the money they have to spend today.

In addition, Artisans need to have freedom to act without constraints and to see clear, immediate results from their actions. They value variety, adventure, stimulation and expediency. They will prefer financial plans that are not restrictive, emphasize near-term impacts rather than long-term results, and facilitate their here-and-now enjoyment of life. They will want the planner to handle the details and long-term course of their finances.

To communicate effectively with Artisans, it is best to appeal to their natural tactical intelligence that they will use to make quick decisions to handle imminent needs or accomplish near-term goals. Communication should be simple without being condescending, and uncomplicated by financial buzzwords or jargon. Be brief, get to the point, and don't be too serious. In fact, with Artisans, a sense of humor creates trust.

Artisans respond best when their freedom is not being compromised and they do not respond well if the planner appears to be imposing their personal convictions of "right" and "wrong" on the Artisan. Above all, the planner must respect the Artisan's free spirit ways as a viable and responsible way to live their life.

Idealists (Intuitive-Feeling) When working with Idealists, planners should take on the role of a special companion or partner that the Idealist will share their life's journey with. As with the Guardian, this role will be established in the initial meeting. What the Idealist is looking for is to have the sense that their relationship will be a cooperative venture; accomplish significant purposes that are bigger than the relationship itself; and have shared moral values, philosophy, and worldview.

Once Idealists have an intuitive sense that the planner will be a catalyst for their ideals, they will be inclined to partner with them and follow their counsel.

Like each of the other temperaments, the Idealist will focus best on a plan that meets their needs according to their values. For Idealists, how they go about managing their finances will determine their satisfaction with the results, which, for the Idealist, means doing what's in alignment with their personally held values.

An effective motivator for an Idealist, who generally shies away from financial issues, is to keep them focused on their ideals and who their financial plans will benefit. Idealists' commitments are to people or causes, not the money, so they will be motivated to comply with their financial plans as long as they see their ideals being achieved.

To an Idealist, financial planning is not about the money, so they need to know that their financial plans translate to a life that has meaning and significance. They value relationships, individual uniqueness, and authenticity – people being true to who they are. Above all, Idealists do not want to be defined by their money, as in "upper class" or "affluent". Therefore, they prefer financial plans that allow them and others affected by their plans to experience their unique identity.

To communicate effectively with Idealists, it is best to appeal to their natural diplomatic intelligence that they will use to build bridges between where people are now and where their potential lies. Begin with hearing their dreams and visions for the future. They are much less interested in talking about what is than what can be, and they will be anticipating feedback that shows that the planner believes in the Idealist and their purposes.

Planners should center on the Idealist's personal concerns, especially their relationships. Idealists are very sensitive to nonverbal communication and can detect phoniness and hidden motives, so it's best to speak the truth, even when it is difficult. Above all, the Idealist must feel that the other person is acting authentically, and the Idealist must feel they will be genuinely accepted if they act authentically.

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Rationals (Intuitive-Thinker) When working with Rationals, planners should take on the role an independent-minded expert. What the Rational client is looking for is a mastermind who will teach rather than direct them. Therefore, they will require the planner to be a perpetual student of financial markets and vehicles, and be well-versed across a broad range of financial issues. What Rationals want to do is think about their financial plans, not just create goals and steps to reach them. Once Rationals have established that they are dealing with an expert, they will be inclined to listen to their input, although not necessarily implement it.

Like each of the other temperaments, Rationals will focus best on plans that meet their needs according to their values. For Rationals, the outcome of the plan will determine their satisfaction with the results. They are willing to do whatever they believe will attain the desired results and, being very independent-minded, are put off by with what others think is the right or customary thing to do.

In addition, a Rational needs to be taken seriously as someone who is knowledgeable and competent. They value autonomy, intelligence, expertise, and logical consistency. They will prefer financial plans that are intellectually as well as financially challenging, especially if their plans are innovative and economic in the sense that they produce the maximum benefit for the resources put to use.

Rationals enjoy academic papers on topics such as modern portfolio theory, the global economic situation, and analyses of how various investment sectors are strategically positioned due to economic, political, and technological factors. Planners should keep a file of debates on current topics drawn from their own professional meetings and journals to share with Rationals. Rationals also appreciate knowing how they can use the Internet or other technology to advance their learning and understanding of financial markets.

To communicate effectively with Rationals, it is best to appeal to their strategic intelligence that they will use to create comprehensive and complex plans that optimize the relationships of the pieces to each other. Begin with the ends in mind and then work backwards to fill in all the detailed steps of their plan, but understand what the Rational is really doing is designing a problem-solving model to analyze what to do with their money.

Be prepared for Rationals to be skeptical, questioning, challenging and playing devil's advocate, both for them to learn and to ensure that all possibilities and contingencies have been analyzed in terms of the long-term goals. Ultimately, the planner must recognize that Rationals prefer to direct their own lives, and is interacting primarily for intellectual stimulation and to test their own ideas.

Conclusions

Educators and financial planners have developed and disseminated educational publications, which describe the "right" way to manage money. This way is planned, has a long-time perspective, is analytical, and requires plenty of personal initiative to implement. For many people, financial knowledge is only a piece of effective financial management. Individuals and families who can acquire self-understanding skills can internalize a range of tools to become more successful, effective money managers.

If financial planners, counselors and educators lack knowledge about what motivates clients to follow recommendations (Kerkmann, 1998), they will be handicapped in helping individuals understand and apply financial information. The challenge is to understand an individual's personal assets and limitations in order to promote personal change and effectiveness. Self-understanding and respect help people identify alternatives as well as make the commitment to reach their goals. A model that addresses individual strengths and assets and determines strategies for overcoming planning weaknesses will be more successful in linking good decisions to good plan implementation.

The ideas presented in this paper are preliminary. The financial management practices matching the preferences and styles are consistent with theory and confirmed by interviews, but will be strengthened through further study. This line of inquiry offers an opportunity for future research to confirm the distinguishing behaviors of each preference and style. The next, most critical research step, is to identify strategies that will work for different styles, especially those who are not in sync with the ideal planning model.

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