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Between the Issues

How Financial Planners Can Collaborate with Professional Counselors

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Abstract

Financial planners are dealing with more than just money. Clients are increasingly seeking the advice of financial planners for financial situations that are intrinsically interwoven with personal and psychological issues. Some financial planners may feel overwhelmed by the magnitude of personal issues, while others may feel that they do not have the time to effectively deal with these issues. This paper examines the melding of financial concerns with personal issues and how they subsequently lead to the need for referral and collaboration between financial planners and psychologists.

Personal issues are frequently brought up when people are seeking financial advice—for example, the person who has been unemployed for several months and is now facing low self-esteem and high levels of stress. This example suggests that financial health and psychological health are connected and interrelated. Literature, from both academic and popular sources, also points to this relationship and provides more evidence of this link. Personal issues that may be discussed when a client seeks financial advice typically include coping skills, stress management, control problems, extramarital affairs, impulse control, addictions, medical issues, disabilities, grief, relational issues, and matrimonial disputes.¹

Consider more specific examples. Economic security is a leading factor related to healthy aging, but some clients do not want to confront this fact. To deny that one is aging can result in neglecting critical decisions that will affect their financial futures. Another example would be investing, which is a financial behavior often affected by one's personality style. One client may have the need for security, while another client may be a high risk taker. There is also evidence to suggest that money starts more arguments than any other factor^{2,3} and that it is the leading cause of divorce.⁴ Although money is considered to be the leading cause of divorce, the issue of money is typically the surface issue for many other problems that exist in the relationship, such as communication issues. Yet, those who face divorce discuss the related financial tensions caused after a divorce such as child support and the splitting of assets and money. All of these examples indicate that there is interconnectedness between financial health and psychological health.

Understanding the impact a client's personal or psychological issue can have on his or her financial life is imperative. Whether the client has an addiction, is going through a divorce, impulsively shops, or attempts to buy their identity by way of material items, each of these issues has a profound impact on financial well-being. Unless a referral is made, the client's finances may continue to flounder, or he or she will be unable to meet financial goals or potential.

Addressing these issues begins by communicating the value of working on personal and psychological issues with the client. A financial planner's worth is based on how well he or she helps the client meet financial goals. The tools necessary to accomplish this task typically include financial tools such as stocks and bonds. However, if psychological barriers exist, all of the financial tools in the world will not benefit the client. In that case, the planner must consider the psychologist as an alternate tool. In doing so, any or all personal barriers hindering financial success can be addressed, and thereby rectified. Yet it appears that financial planners do not use psychological referrals but, instead, deal with personal and psychological issues themselves.

Many popular magazines indicate that financial planners include personal counseling as a secondary role. Gallagher describes this as "practices that marry financial planning with emotional counseling."⁵ In 2001, *Trusts & Estates* published an article discussing how financial planning is a very personal business in which financial planners are required to deal with interpersonal issues.⁶

Collaboration Between Planners and Psychologists

In 2004, a study was conducted in Western Canada to explore the perceptions of the existing processes of collaboration between financial planners and psychologists.⁷ Thirty interviews were conducted and this data was used to determine how to improve, and thus increase, the level of referral and collaboration between psychologists and financial planners.

Results from this study indicated that all those financial planners interviewed found that there is a connection between financial health and psychological health. All those interviewed also agreed that people who come to their practices for financial advice also come with personal issues. Personal issues mentioned included addictions, aging, alcohol, abuse, bankruptcy, beliefs, burnout, communication and mediation, control issues, death, depression, desire for money, drug addictions, emotional issues, extramarital affairs, family issues, fears, finance and investments, gambling, goals, health issues, job loss, management and organizational issues, marital issues, moving issues, personality traits affecting behaviors, relationship issues, retirement, separation and divorce, sleep issues, stress, succession and estate planning, and tax issues. The results of this research project, as well as the personal issues revealed, imply that the focus of financial planning goes well beyond money and suggests the need for personal counseling.⁸

Some financial planners may feel uncomfortable having to address personal issues within the context of financial planning. When interviewing financial planners, Taylor found that the majority of financial planners said they received no formal training to provide such counseling.⁹ Others claimed to have no time to provide personal counseling services to their clients. Therefore, the lack of counseling training and limited contact time, in conjunction with the prevalence of personal and psychological problems revealed within financial environments, suggest that there may be a need to refer and collaborate effectively with psychologists.

Taylor found that the majority of financial planners believed in a team approach and working with other professionals in order to meet the multifaceted needs that their clients may display.¹⁰ Financial planners commonly refer to lawyers and chartered accountants. By entertaining the emerging concept of referral and collaboration between financial planners and psychologists, financial planners are ensuring that their clients receive the holistic care that they may require. One respondent mentioned that "when [you are] dealing with a person's money, you are dealing with what that person is about (that is, social standing, status, power, freedom)."¹¹

In contrast to the team approach common with financial services professionals, the potential for a relationship between financial planners and psychologists has been given little attention, and few financial planners have thought of this option.¹² In fact, the rare financial planner has referred to a psychologist. Instead, the majority of financial planners continue to witness personal issues disclosed within their offices and prefer to provide personal counseling themselves.^{13, 14} Taylor suggests the most common actions taken when confronted with personal or psychological issues are listening to the presenting issue and attempting to help clients.¹⁵ Consequently, there is presently little referral to psychologists.

Considering the potential ramifications, such as a client's psychological condition exacerbating his or her financial behaviors, it is imperative that financial and psychological professionals work together. One respondent in Taylor's study stated that "often when discussing financial issues, there are deeper issues revealed, and these deeper issues typically need to be dealt with before the financial issues can be dealt with; often, underlying issues affect financial issues."¹⁶ Therefore, the goal of addressing this collaboration issue would be to increase service delivery to clients, both from a financial perspective as well as from a psychological perspective. But before effective referral and collaboration can occur between these two professions, various obstacles need to be addressed.

Barriers to Effective Referral

Taylor found the main barriers to effective referral and collaboration identified by financial planners include

- Not knowing a psychologist
- A lack of rapport with a psychologist
- Limited understanding and awareness of what psychologists do
- Minimal communication and understanding between the two disciplines
- Limited time to begin working on collaboration, and stigmas attached to psychological referrals and subsequent services¹⁷

In this same study, explanations were given by financial planners as to why they do not refer to psychologists. These include

- Not knowing a psychologist
- A lack of rapport with psychologists
- The fear of negative reactions from clients
- Not knowing what psychologists do
- Not recognizing, as well as not having the diagnostic awareness to pick up on, psychological issues that could be referred.¹⁸

Overcoming the Barriers to Effective Referral

The necessary steps required to diminish the barriers cited are as follows. Both professions need to begin communicating and building mutually satisfying professional relationships. They need to begin marketing to create awareness as to their professional abilities. And they require further education and the willingness to try the emerging concept of referral and collaboration between financial planners and psychologists.¹⁹

Specifically, research has offered several suggestions as to what both psychologists and financial planners could do independently to expedite a good working relationship. To begin, psychologists could market themselves more to financial planners, attempt collaborating, educate financial planners as to what psychologists do and how to identify psychological issues, educate themselves as to what financial planners do, and finally, psychologists could offer workshops on the topics cited.²⁰

Financial planners also could be more proactive in collaborating with psychologists. They could get to know a psychologist, increase their understanding of what psychologists do, learn how to and begin identifying client psychological issues, learn how to refer a client, and try referring to a psychologist.²¹ Furthermore, they could identify and confront stigmas attached to psychological services.

Addressing the general lack of understanding between the two professions is key.²² It would be effective for both financial planners and psychologists to receive specific education on referral and collaboration while being trained. Early exposure to this new concept of holistic financial planning and the associated benefits would launch a new generation of professionals. Awareness also could begin in workshops provided by psychologists, which could focus on identifying issues, how to provide basic counseling within the financial framework, and when and how to make an effective referral.

Ideally, if the barriers mentioned were addressed and the recommendations were given serious attention, there are many ideas as to what effective collaboration between these two fields would look like. Effective collaboration has been defined as working together, and referring back and forth between professionals.²³ Another article suggests that collaboration involves communication, co-location, and coordination.²⁴ Magrab and Schmidt suggest that effective collaboration is centered on cooperation and communication between everyone involved by concentrating on a common goal.²⁵

Specific Information: Addressing Referral

When attempting to establish a collaborative relationship between psychologists and financial planners, there are several important considerations. First, it is important to recognize which client issues are best addressed by a psychologist. The mandate of financial planners is to assist clients in meeting their financial goals. This entails developing a plan that is unique for every client. Once this plan has been executed, financial planners may notice barriers that hinder clients in meeting their financial goals. Barriers may be financial in nature. For example, an asset allocation did not return the way one had hoped; therefore, one would reexamine the holdings. Obviously, any difficulties that are strictly financial in nature would not warrant psychological referral.

But, there may be other barriers that affect a client's finances. For example, one may observe a client who continues to gamble or consume large amounts of alcohol on a regular basis. These behaviors adversely affect a client's ability to reach his or her financial goals as money is being spent in nonproductive manners. Other commonly documented examples include clients who are going through a divorce or who are suffering through depression. Such life-altering experiences impede decision-making, long-range goal setting, and earning potential. It is clear that such barriers are psychological in nature and outside a financial planner's realm of expertise, and are psychological in nature. Thus these barriers would warrant psychological referral.

Second, it is important to understand how to broach the subject of referral to a psychologist. Broaching this subject begins with a new awareness. Once the financial planner has deemed the barrier to success as psychological in origin, there is an obligation to address the barrier. After all, the ultimate goal of financial planning is to secure an individual plan that enables the client to meet his or her financial goals. This may include recognizing that financial tools are not the solution and that other tools may be considered. Success also requires the willingness to use any other professional (such as a psychologist) in order to meet financial goals. Finally, it is about having the confidence of knowing what is best for each client.

The best approach is to be upfront with your client. Remind the client that your job is to help achieve financial goals, and then discuss the barrier you have identified. Typically, the client will already be aware of his or her personal behaviors and issues. Next, talk about what it will take to help your client reach his or her goals (that is, speaking with a psychologist). Be honest with clients; explain that until this barrier is addressed, no financial interventions will work. Tell your client that you know someone who is an expert in this area, and that it is in your client's best interest to include a psychologist on the financial team.

Third, it is important to understand payment structures. In most cases, businesses provide extended health care that includes psychological services. But in the event that an individual does not have a health plan, there are several options. Both professionals and business owners can write off psychological services as consulting or medical fees, or, for low-income earners, subsidy programs are available that cover psychological services or offer subsidized counseling rates.

Fourth, it is important to find an appropriate psychologist for referral. There are a couple of ways this can be done. The first is by suggesting that your client see his or her family physician. Typically, medical doctors will know psychologists in the area.

Another option is to use the American Board of Professional Psychology. Becoming a board-certified psychologist is the highest credential of applied psychology. The American Board of Professional Psychology Web site contains a directory (www.abpp.org) that helps locate board-certified specialists in your area. Ultimately, by using this information, this collaboration would benefit financial planners, psychologists, and most importantly, the clients of both professions.

Endnotes

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