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Improving the Client Connection. Dealing with Client Stress and Anxiety

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1. IMPROVING THE CLIENT CONNECTION: DEALING WITH CLIENT STRESS AND ANXIETY

Money is emotional. Research shows that those things that we feel are important to us – family, spouse, children, parents, health, and home – influence all our financial decisions. Just so, money is an emotional issue and causes stress and anxiety which in turns impacts on our client’s overall wellness.

Whilst financial stress and anxiety are often used interchangeably, they are two separate issues that need different approaches when you are engaging with and supporting clients.

2. RESEARCH

It is said that stress is the result of external stimuli perceived to pose some level of threat to which does not have an ability to deal with confidently, anxiety results from internal forces arising from unhealthy attitudes towards a particular idea or concept.

Life burdens clients with issues that set up obstacles to their financial wellness. Behaviors such as procrastination, overconfidence, fear, regret, and social comparisons can all lead to poor decisions by your clients. Lapses in too much discretionary spending can lead to anxiety, cash flow issues and lack of progress in achieving goals.

Both day to day money issues and longer-term financial concerns play a role in contributing to the stress that family households are facing today. According to the American Psychological Association 61% of adults surveyed in 2021 named money as a “very or somewhat significant” source of their stress.



People are prone to financial stress when some stressor causes them to review their existing resources and the perception they have of those resources. Recent research by FINRA¹ examined the National Financial Capability in the USA and yielded interesting data on stress and financial anxiety. In this research 44% of all households reported experiencing financial stress.

The FPA² in the USA also examined financial stress and financial anxiety in the adviser client relationship. The results of the FPA study suggested that it was important for financial advisers to recognize client anxiety and that identifying, addressing, and reducing client anxiety may become an increasingly important skill advisers will use in client relationships.

Clients who are stressing may be able to willingly address the issues that are affecting them, whilst a client with anxiety may not be emotionally prepared to confront the issue that is causing that

¹ <https://www.usfinancialcapability.org>

² <https://www.financialplanningassociation.org/learning/research/client-communication>

anxiety. In fact, trying to address that issue may result in increasing the feeling of anxiety and stop any progress on helping the client move forward.

Research by Shapiro and Burchell³ described financial anxiety as “a psychological syndrome that results in someone having an unhealthy attitude toward thinking about, engaging with, or administering their personal financial situation in an effective manner.” Stress it is said, can push humans to act, anxiety makes us run. In other words, clients who have elevated levels of anxiety may avoid dealing with their financial issues causing their anxiety and use it as a form of defense - a form of learned helplessness.⁴



Anxiety persists even after the stress has passed and explains why anxiety is more prevalent than stress. Unsurprisingly the FINRA study found that financial anxiety tends to be experienced more commonly than financial stress, with 53% of all survey respondents reported having anxiety.

Using the right approach will help advisers to communicate in line with their client’s emotional needs and to keep them moving forward with their financial goals.

3. USING SOFT SKILLS

As a financial adviser you wear many hats and when a clients financial behavior impacts on their ability to plan you must be able to communicate effectively, listen actively to understand their situation and then to build client relationships.

Establishing clear and direct communication starting with the pre-discovery meeting helps you discover your clients financial and life history and what led the clients to their current position. Bringing any concerns and issues out into the open can help clients see what is sitting behind their behavior and why they need to act so that these issues can be resolved. Approaching financial behavior, challenges and conflict in an open, direct, and non-judgmental manner can help create opportunity for self-observation and awareness in your clients.

This is also true when working with couples or the next generation, as different money behaviors may be identified - all which impact on their family finances. Couples may particularly benefit from having their financial conversations redefined from being combative interactions to productive collaborative discussions. Retirement can make clients feel anxious and can result in their avoiding or denying that they have financial issues such as debt or inadequate retirement savings.

Deeper client connection sits at the intersection of a clients physical, mental, and financial health with Gen Y and Gen Z willing to engage with and pay advisers who extend their services into total wellness. Helping your clients understand their money behaviors will deepen their trust, grow their relationship with you and build confidence in your planning process.

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³ https://www.researchgate.net/publication/254734180_Measuring_Financial_Anxiety

⁴ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3490536/> The Polyvagal Theory

4. HELPING CLIENTS

Financial help seeking by clients occurs most when there is stress and not anxiety⁵. This is correlated by research outside of financial planning which supports the view that when someone has anxiety they run and when they stress, they are willing to fight.

When you are supporting clients who are under financial stress the following should be considered:

- Reframe the issues the client has in a positive way
- Focus on the client's problem and do not jump into solution mode
- Create a task list for the client

Clients who are financially anxious can be helped as follows:

- Do not rush clients into action
- Do not tell them not to worry
- Offer a safe place to talk about money issues
- Offer support and do it collaboratively (even setting up a budget together)
- Recognize client progress

It is common for clients to experience both financial stress and anxiety, you can help your clients by being able to recognize the difference between the stress and anxiety and adapt your client communication strategies accordingly.

To your clients you should be a trusted person to talk to, a shoulder to cry on and a voice or reason, wisdom, and calm. To be able to identify and talk confidently to clients about these emotions and the impact they have on decisions, shows the need for financial advisers to undergo additional training and skills to recognize and manage client anxiety and stress.

5. YOUR OWN MENTAL WELLBEING AS AN ADVISER

You should also take measures to ensure your own financial stress and anxiety levels are being managed. Being a financial adviser does not go without its own emotional rollercoaster and the toll it can take on you and your mental health. It is critical for you to have a solid support system in place so that you can address your own stress and anxiety related concerns before you are ready to help your clients.

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⁵ https://www.researchgate.net/publication/252688313_A_Further_Examination_Of_Financial_Help-Seeking_Behavior

