



## Assessing 'Fiscalosophy'?

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There might be scores of financial advice books available, yet when it comes to being successful with money, it always seems that what's more important is just a few basic rules. No one has summarized these more succinctly than Dick Wagner, my friend and a fellow columnist in this magazine. "Wagner's Rules" are:

1. Spend less than you make;
2. Save all you can; and
3. Don't do anything stupid.

We live in a time and a nation where only the minority lives by rule No. 1, and because the rest don't, they consequently cannot follow rule No. 2, and so they are all perpetually susceptible to breaking rule No. 3. This is what the field of behavioral finance has been trying to articulate with \$100 words.

If we make less than we spend, we open the door to the temptation to dabble in schemes that promise unearned bounty, to try and get rich quick and to chase the latest investment fads.

All humans are, to some degree, capable of doing something stupid, which is exactly why we need advisors. On second thought, this is the reason we need advisors who advise instead of advisors who sell.

As humans, we are prone to making errors and violating our own best intentions. Because of our flawed psyches, a good advisor is indispensable and worth everything he or she earns. This is precisely the reason I need to know that I have the right advisor for me. Who is the right advisor for me? It is the one who operates by inviolable principles and has a clear philosophical match with me in what I believe it takes to be successful. In many cases, it is the advisor who is teaching the client what a successful fiscalosophy is all about.

Are you and your clients aligned philosophically on financial matters? Do you have a method for determining what your clients' philosophical constructs are

and how they obtained the mores they abide by? If not, these relationships could become problematic.

Have you developed a script for getting across to clients and prospects your fiscalosophy—how and why you make the money decisions you do? Do you lay out the fundamentals of your philosophy early in your presentation? Before talking about strategies, tactics, allocations and categories, it is important to lay out the foundation of how you think about investing and money matters.

The greatest reason I can offer for beginning this conversation is that once this exchange of philosophies takes place, little can happen in the markets, on Wall Street or in the world at large, to separate your clients from you. Their reason for being with you as an advisor is built on the rock of agreed-upon principles—not on the shifting sands of market performance.

I offer the following tool for you as a springboard to the conversation to help clients understand your philosophy and to help them articulate their own fiscalosophy.

By engaging in this “big picture” conversation, you are getting a barometer of your client’s philosophies about spending, debt management, investments, how wealth is developed, risk management and advisor compensation. Think of this conversation as an MRI into your clients’ thought processes. Also keep in mind that what people believe and what they do are often separated by great degrees, which is why we offer the phrase, “I have consistently followed this guideline in my life.” After the inquiry about whether your clients live below their means, you’ll want to know the following about these clients as well as your client prospects:

- Are they notorious spenders?
- Are they prone to chase high-flyers?
- Are they afraid of the stock market?
- How highly are they leveraged?
- Do they lack discipline in trying times?
- Are they under- or overinsured?
- Are they suspicious of financial institutions and how advisors get paid?

I’m sure you can think of at least two good reasons to know such things about a potential or existing client:

1. You can decide if you want to partner with this individual; and
2. You might be able to help him change the way he thinks and get better results.

I encourage you to beta test this conversation with some of the next prospects that walk through your door. You might be surprised at how much and how quickly you will understand the individual in front of you. The value of this conversation is that it will be your springboard to explaining yourself and the rules and principles you play by. Once they hear you articulate what you are about—and it resonates with their own observations in life—then an emotional agreement is formed and a partnership is born (I would be happy to provide a PDF version of this document for those who wish to use it in client conversations).

How we think about money is just as important as how we manage it. We all want to have the confidence of knowing that we are working with an advisor who thinks prudently and keeps us grounded with that logic in trying times. What does it take to succeed with money? From Ben Franklin to George Clason to Warren Buffett, the answer has not changed: prudence, patience, wisdom and a sound investment philosophy ... or what we might call a sound fiscalosophy.

### **The Fiscalosophy Assessment™**

**Mark each statement below with the level of your agreement with each phrase:**

**I am comfortable using debt and credit.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**I believe that the stock market is the best place to make money.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**A person should live on less than what he or she earns.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**I have consistently followed the above guideline in my life.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**I have been tempted at times to make wealth quickly.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**It is good to splurge at times to help you enjoy life.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**Becoming wealthy has a lot to do with luck and good fortune.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**Over time your home is your best investment.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**Insurance on your life, income, and investments is extremely important.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**Personalized and trustworthy financial advice is hard to find.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree

**There is too much confusion on how financial institutions are being paid.**

1-Totally agree 2-Somewhat agree 3-Not sure 4-Disagree 5-Strongly disagree