

## Implementing Behavioral Assessments

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### Why Assessments in Financial Planning?

Using assessments to uncover the unique characteristics of prospects and clients can help jump-start your relationships, pinpoint areas for coaching, and target marketing and client educational efforts. To ensure success, implementing behavioral assessments in your practice should be considered in light of your brand, client experience, and services. Understanding the basics of testing in general and the specific assessments you are using is paramount to a successful implementation and return on investment. Below are best practices to consider when implementing assessments in your practice.

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### Before You Begin

#### *Define the Purpose*

Are you trying to assess your client's personality to improve communication? Getting to know your client? Trying to generate leads? Implementing an assessment of risk composure? There are myriad reasons why you might want to include assessments in your practice and, similarly, there are a variety of assessments and measures to help you understand your clients. Some assessments provide one overall score designed for decision-making (e.g., a risk tolerance assessment), while others provide scale or factor-level scores (e.g., like a personality test with multiple components). Be sure to clearly define the objective of using any assessment tool, and then match that need to the purpose and intended use of specific assessments.

#### *Check Technical Merits*

A quality assessment is much more than a survey or a series of questions, and not all tests are created equal. Make sure you understand the science behind the test (and maybe whether there is any), how it was constructed, and the studies that went into its construction. Is the test reliable? Does it have evidence supporting that it is measuring what it says it measures? Ask for a technical document outlining the test, who created it, and/or references to research on the test. Just like in financial planning, there are technical guidelines surrounding the creation and use of assessments (for example, the *Standards for Psychological and Educational Testing*).

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### Client Experience

#### *Differentiate Your Approach*

Using assessments in your practice can set you apart by demonstrating a holistic approach to working with your clients. Communicate this difference in your marketing efforts, and include why assessments are being used in your practice and how the results can improve the service you provide to your clients.

#### *Align Assessments with Workflow*

The process of assessing clients should be blended with your workflow. Decide up front when and how the assessment will be administered, what information you will provide before and after the test, and how the results will be used in your meetings with your prospect or client. Research supports allowing prospects or clients to complete tests on their own as opposed to with an advisor or other person present (this is especially true for questions that relate to investment-related decisions, such as risk tolerance assessments).

## *Explain (without Insisting)*

Providing prospects or clients with clear information about the purpose of the test, who designed it, and how the information will be stored and used is critical. It is also critical to do your own check on clients who may be reluctant to complete an assessment. Sending a reminder is great, but we recommend not pushing clients who may not be comfortable with answering questions about their opinions, perspective, or behaviors.

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## Benefiting from Results

### *Build Relationships with Results*

Once the test has been completed, open your conversations about the results with open-ended questions.

- *What did you think about the test you completed?*
- *Did you think the results were accurate? Why or why not?*
- *Was there anything that surprised you about your results?*
- *What areas would you want to change? What areas would you want to stay the same?*

Likewise, when walking through the results of a test, look for areas that are positive, and others that could be impeding your client's potential for building wealth over time and being financially successful. In some cases, especially with behavioral assessments, you can create a behavioral coaching plan to help your client improve in areas that could help her be financially successful. From investing to planning to spending, focusing your coaching and development efforts on these areas will help your client improve her potential for building wealth over time.

### *Link Clients to Advisors*

Behavioral assessments can be used for specific strategic initiatives within the firm. Depending on the purpose of the assessment, results can be used to determine fit between an advisor and client. Using measures of attitudes and outlook, for example, can help ensure a common perspective about specific areas, such as altruism or investing. In other cases, firms may use results to match clients who are challenged in areas related to spending and saving with advisors who are comfortable working with such clients.

### *Segment with Aggregate Results*

The results of assessments can be used at an aggregate level to determine how to further improve your services and client experience. For example, your clients can be segmented by their behavioral patterns, attitudes, or perspective on investing. From these segments, targeted client campaigns and educational programs can be created that speak to the unique characteristics of your client groups. This type of segmentation goes beyond traditional demographic categories, and can improve your client experience and marketing efforts.

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## *About DataPoints*

DataPoints is a technology-enabled assessment and behavioral research company. Using more than 40 years of behavioral, consumer, and demographic data and findings that shaped the best-selling book, *The Millionaire Next Door*, we provide behavioral finance solutions that enable individual and organizational growth. Our scientific assessments enable financial advisors to add a deeper layer of personalization to their counsel, helping them to increase prosperity for their clients and their firm.