

Financial DNA®

Chris Coddington **Your DNA Behavioral Management Guide for:** **Don Spring**

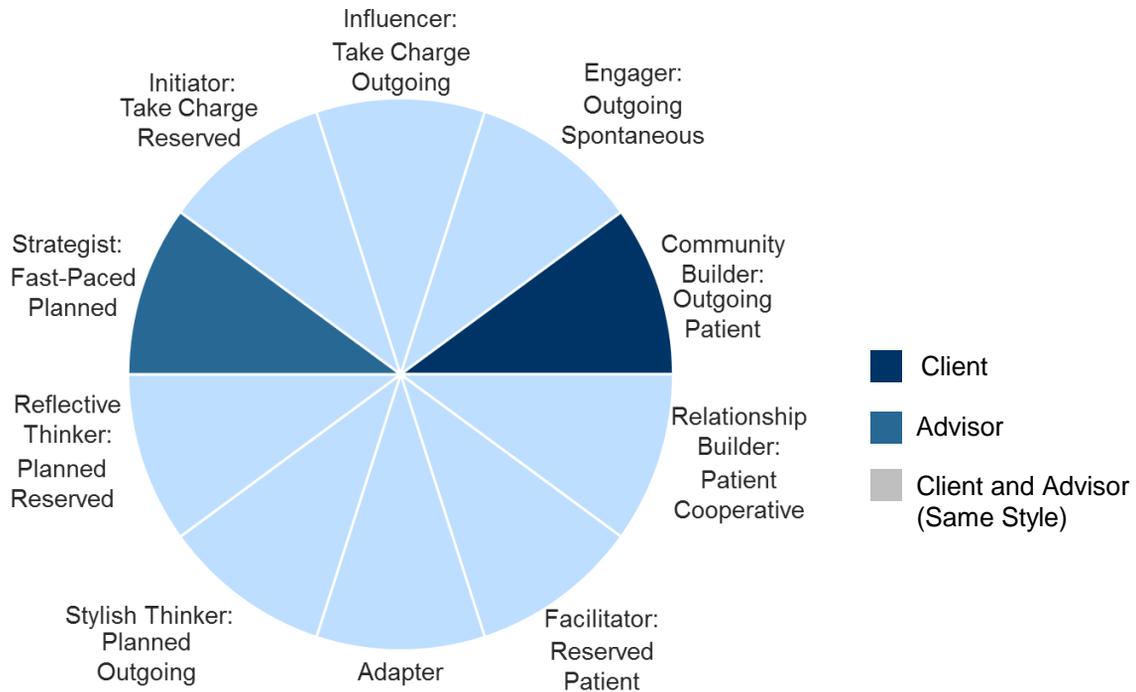
Insights to tailor the meeting structure, style and content to guide your client based on their unique natural behavior.



Based on Don Spring's Completion of Financial DNA Natural Behavior Discovery on:
July 10, 2013

1.1 Financial DNA Natural Behavior Discovery

The graph below highlights how your and the client's unique DNA Natural Behavior Style are similar and/or different for achieving results and building relationships.



1.2 Behavioral Compatibility with the Client

Your level of behavioral modification required based on the client's DNA Natural Behavior Style is: **High**

	<u>Client – Don Spring</u>	<u>Advisor – Chris Coddington</u>
Natural Behavior Style:	Community Builder	Strategist
Strongest Factor 1:	Cooperative	Pioneer
Strongest Factor 2:	Cautious	Skeptical
Risk Profile (Pop. score):	16%	99%
Risk Profile Group (1 – 7):	2	7

Strongest Behavioral Similarities

(However, may lead to potential shared blind-spots)

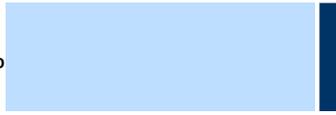
Advisors Strongest Behavioral Differences to Client

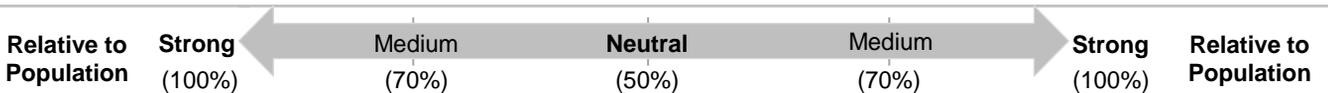
(Advisor bias may over influence client decisions)

1. Planned – Analyzer, paralysis, misses opportunities	1. Take Charge – Visionary, does not listen, over extends
2. Anchored – Implementer, fixed on existing ways, fails to adjust	2. Risk Taker – Venturesome, takes poor chances, low portfolio balance
3. Fast-Paced – Realist, impatient for returns, sells at wrong time	3. Skeptical – Questioner, does not delegate, misses market timing

1.3 Influences of Behavioral Biases on the Client's Financial Decision-Making

The behavioral biases highlighted below are all patterns of behavior which if not managed can cause a client to make irrational decisions on a regular basis, increasing the risk of not achieving their goals. Discuss the strongest behavioral biases with the client and agree a strategy for managing them.

<p>Disposition Effect <i>May sell winners and hang on to losers for too long</i></p>		<p>Consolidated View <i>Prefers to look at the aggregate portfolio rather than individual positions</i></p>
<p>Mental Accounting <i>Likes to put money into separate buckets for specific purposes</i></p>		<p>Herd Follower <i>Tends to stampede into investments in exuberance and out in fear</i></p>
<p>Over Trading <i>Tends to be impatient to get results and may sell at the wrong time</i></p>		<p>Loss Aversion <i>May not realize losses to avoid pain even though values may fall further</i></p>
<p>Instinctive <i>In adversity tends to make decisions quickly and emotionally based on instinct</i></p>		<p>Pattern Bias <i>Desires order in the face of chaos by looking for predictable patterns in markets</i></p>
<p>Controlling <i>Tends to control decision-making and take action without advice</i></p>		<p>Fear of Regret <i>Hesitant in case will miss out on a potential gain from the next best thing</i></p>
<p>Status Quo Basis <i>Likely to take notice of information which will keep their world the same</i></p>		<p>Optimism Bias <i>Exhilarated by playing a big game even if they know it is difficult to win</i></p>
<p>Risk Aversion <i>Overly hesitant to take the necessary risks to make the required returns</i></p>		<p>Over Confidence <i>Can think they are more successful at investing than they really are</i></p>
<p>Benchmark Focus <i>Can be fixed on keeping in line with established benchmarks</i></p>		<p>Newness Bias <i>Likely to give more weight to recent information and ideas</i></p>



1.4 Discovery Connection Questions

Engage your client in a discussion about their report. Consider asking your client some of the following questions to understand their thoughts and perspectives about the report:

1. How do you feel about your report?
2. What was the most accurate part of the report?
3. What aspects do you agree with and disagree with?
4. What parts of the report do you not understand?
5. How has the report made you think differently about your decision-making?
6. Has the report identified differences with others?
7. What is your greatest behavioral strength for making decisions?
8. What is your greatest struggle for making decisions?
9. Do you adapt your behavior in making financial decisions; and, if yes, how?
10. Have you showed your spouse or life partner? If so, what do they think?

Disclaimer

The purpose of this instrument is educational. It is designed to help people identify their natural behavioral strengths and struggles for making life, financial and investment decisions. The Financial DNA Natural Behavior Report should not be used to identify, diagnose, or treat psychological, mental health, and/or medical problems. Additionally, if this report is used to evaluate personnel, the user should seek adequate legal counsel to ensure compliance with applicable local, state and federal employment laws. The user assumes sole responsibility for any actions or decisions that are made as a result of using this aid to self discovery. By using the Financial DNA Natural Behavior Report you expressly waive and relinquish any and all claims of any nature against DNA Behavior International, any affiliated companies, and/or their employees arising out of or in connection with the use of this discovery process. DNA Behavior does not purport to provide you with any securities or investment recommendations or advice. Before making any life, financial or investment decision, we recommend that you discuss this report with the client and document the discussions.

Appendix A: Client Engagement

A.1 Relationship Behavior Risk Management

The following relationship behavior factors relate to the client's strengths and struggles for building relationships with the advisor and others.

	Performance Risk	Performance Success Factor
Can Lack Attention to Detail <i>High level, May be unprepared. Provide fact sheets and bullet points</i>	58% 	Researches Information <i>Investigative, Research, Analytical, Structured. Present specifics</i>
May Not Listen Carefully <i>Focused on own agenda, May misinterpret what is said. Slow them down</i>	14% 	Relationship Driven <i>Patient, Caring, Inclusive, Harmonious. Soften the communication</i>
May Take Control of Decision Making <i>Operates alone, Independent thinker, Guarded. Provide options</i>	12% 	Delegates to Advisor <i>Collaborative, Adopts a team based approach. Encourage input</i>

A.2 Desired Relationship Environment to Be Created for the Client

You will need to recognize the client's strengths and struggles in their approach to decision-making and also how to interact with them based on their performance environment keys for building a sustainable.

<u>Performance Strengths</u>	<u>Performance Struggles</u>	<u>Performance Keys</u>
Follows established agenda	Can be unassertive or timid	Create a relaxed environment
Promotes stability through cooperation	Can underestimate own abilities	Allow collaboration and input to be provided
Speaks diplomatically	May miss opportunities	Demonstrate that you are actively listening
Plans initiatives carefully		Look for ways to minimize the risks
Sees potential dangers		Allow time to survey the situation

Appendix B: Setting Goals

B.1 Financial Behavior Risk Management

The following financial behavior factors relate to the client's strengths and struggles for achieving their goals.

	Performance Risk	Performance Success Factor	
Can Lack Boundaries <i>Over commits, Loses focus, Needs boundaries. Provide a concrete plan of action</i>	73%	27%	Bottom Line Results Focus <i>Prefers outcomes clearly defined, Demanding, Price sensitive. Move at a quick pace</i>
May Set Overly Ambitious Goals <i>Too focused on success, Overly vigorous. Check what they are prepared to give up</i>	38%	62%	Builds a Content Life <i>Steady, Satisfied with the status quo. Focus on life balance</i>
Can Easily Change Plans <i>Flexible, but changes strategy too quickly. Monitor follow through</i>	16%	84%	Pursues Goals <i>Committed, Stays to plan, Focused. Manage over drive with flexibility</i>
Tendency to be Financially Disorganized <i>Not prepared, Can be in disarray. Provide more structure</i>	21%	79%	Follows Budgets <i>Financially organized, Orderly. Follow a set process</i>
May Have a High Desire to Spend <i>Lifestyle oriented, Emotional buyer, Generous. Discuss spending plans (not budgets)</i>	46%	54%	Saves Money <i>Rational consumer, Wealth accumulator, Can be frugal. Discuss how much is enough</i>

B.2 Financial Behavior Risk Management Questions

Engage your client in a discussion about their approach to achieving goals and managing their wealth. Consider asking your client some of the following questions:

1. What are some of the most recent goals you have set?
2. What would you sacrifice for success?
3. What is important about money to you?
4. How much money is enough for you in retirement?

Appendix C: Building the Portfolio

C.1 Investment Behavior Risk Management

The Natural Risk Behavior Score for Don Spring is higher than **16%** of the population.

Based on the Natural Risk Behavior Score, the approach to making investment decisions relative to the population is highlighted below.

	Performance Risk	Performance Success Factor	
Propensity to Take Inappropriate Chances <i>Takes unnecessary risks, Too speculative. Present risk/return</i>	8%	92%	Safely Manages Risk <i>Conservative, Surveys situations well, Sees potential dangers. Communicate safety</i>
Likelihood to be Emotional with Losses <i>Wants guarantees, Regrets decisions afterwards. Make them feel comfortable</i>	73%	27%	Risk Tolerance <i>Rationalizes losses, Accepts consequences of losses. Provide a plan to move on quickly</i>

C.2 Natural Behavior Investment Portfolio Parameters

The standard Natural Behavior Investment Portfolio group for determining the structure of the investment portfolio is indicated below. The Investment Portfolio Group has been determined based on the Natural Risk Behavior T-score. However, the Natural Risk Behavior for making investment decisions will be tempered by the client's situational responses to their current financial capacity and preferences that have evolved from circumstances, experiences and education.

Based on the Natural Behavior Risk score, each person's Standard Investment Portfolio is highlighted below.

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	
Pop. % in this category	<2%	2-18%	19-30%	31-69%	70-81%	82-98%	>98%	■ Client
Portfolio Structure	Capital Protection	Ultra-Conservative	Conservative	Balanced	Accumulation	Growth	Aggressive	■ Advisor
								■ Client and Advisor (Same Style)

C.3 Investment Behavior Risk Management Questions

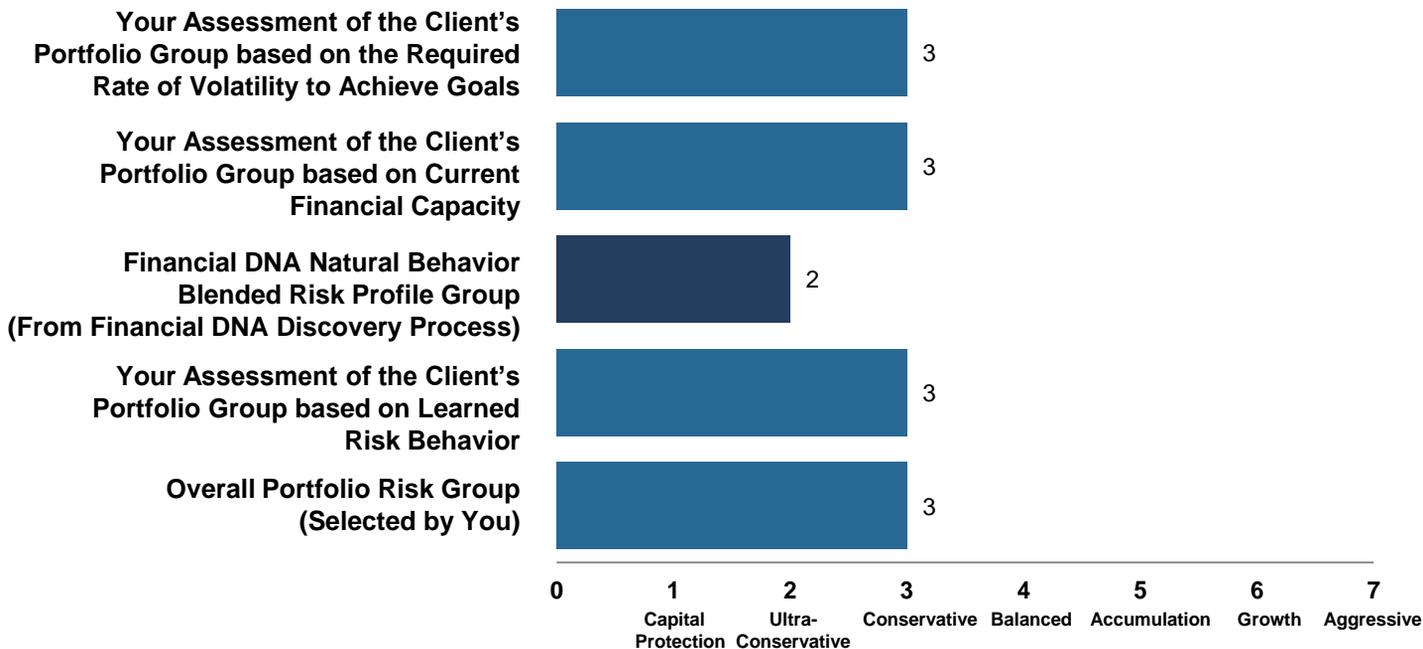
Engage your client in a discussion about the level of investment risk they are prepared to take in order to achieve their investment objectives. Consider asking your client some of the following questions:

1. How do you react when chances you take do not work out?
2. Have you got a plan for how you will re-build your finances if taking a risk does not work out?
3. What safety nets do you need in your life?
4. Tell me about how you approached a new opportunity that was presented?

Appendix D: Building the Plan and IPS

D.1 Summary of Client's Selected Portfolio Risk

In finalizing the Financial Plan and Investment Policy Statement, discuss and reconcile with the client how the investment risk required to achieve their goals is aligned to their financial capacity and financial personality.



D.2 Financial Planning Meeting Wrap-up – Advisor Client Relationship Focus Questions

- 1. Ask the Client:** If I was to be your Advisor how could I best help you?
- 2. Advisor - Client Compatibility**
What will you value from the relationship, and how will you measure it?
- 3. Client Communication**
How would you like me, as your advisor, to communicate with you and how regularly do you need information updates and meetings?
- 4. Setting Goals - Managing Expectations**
Where do you want to be versus who you are and where you are at now?
- 5. Investing Style - Unique Decision-Making Pattern**
What is your ideal decision-making process for creating and protecting wealth?
- 6. Accountability: Disciplined Execution**
What would you like the review process to be in managing your finances?