

How Your Personality Affects Your Financial Decision-Making

The recent volatility in the stock market has everyone a little jumpy – even folks who have worked with a trusted financial planner for years. But if you’ve never worked with a planner before, one of the first things he or she will do is make you fill out a risk analysis questionnaire.

Why is risk analysis important before you make decisions with your money? Risk tolerance is an important part of investing – everyone knows that. But the real value of answering a lot of questions about your risk tolerance is to tell you what you *don’t* know – how the sources of your money, the way you made it, how outside forces have shaped your view of it and how you’re handling it now will inform every decision you make about it in the future.

The most important thing a risk questionnaire can tell is what’s important about money to you. Trained financial advisers can determine your money personality through a process of questioning discovery. Planners can then guide investors within their money personality. Do you want certainty, are you willing to take a little risk or let it roll because “you can always make more of it?”

A financial planner tries to see through the static to find out what you really need to create a solid financial life. But it might make sense to ask yourself a few questions before you and your planner sit down:

1. What’s important about money?
2. What do I do with my money?
3. If money was absolutely not an issue, what would I do with my life?
4. Has the way I’ve made my money – through work, marriage or inheritance – affected the way I think about it in a particular way?
5. How much debt do I have and how do I feel about it?
6. Am I more concerned about maintaining the value of my initial investment or making a profit from it?
7. Am I willing to give up that stability for the chance at long-term growth?
8. What am I most likely to enjoy spending money on?
9. How would I feel if the value of my investment dropped for several months?
10. How would I feel if the value of my investment dropped for several years?

11. If I had to list three things I really wanted to do with my money, what would they be?
12. What does retirement mean to me? Does it mean quitting work entirely and doing whatever I want to do or working in a new career full- or part-time?
13. Do I want kids? Do I understand the financial commitment?
14. If I have kids, do I expect them to pay their own way through college or will I pay all or part of it? What kind of shape am I in to afford their college education?
15. How's my health and my health insurance coverage?
16. What kind of physical and financial shape are my parents in?

One of the toughest aspects of getting a financial plan going is recognizing how your personal style, mindset, and life situation might affect your investment decisions. A financial professional will understand this challenge and can help you think through your choices. Your resulting portfolio should feel like a perfect fit for you!

September 2007— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by local member Bill Rodau, MS, MBA, CFP® at *Creative Financial Services*, 262-780-0870, www.imfeeonly.com . The column is provided for your general information only and you should contact this planner or other professionals for specific advice regarding your unique situation.