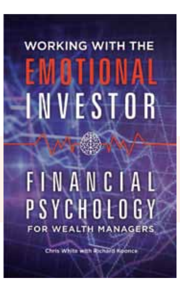
UNDERSTANDING THE BASICS OF EMOTIONAL INTELLIGENCE

As a wealth advisor, you need to possess not only up-to-date knowledge of the markets and of your firm's various financial products, but also emotional intelligence to navigate what, at times, can be highly challenging and stress-filled relationships with clients. Even under the least stressful of circumstances, advisors need to possess strong interpersonal skills, project professionalism, confidence, and presence, and be able to listen, learn, and respond effectively and empathetically to clients in order to be successful in their jobs. Under high-stakes circumstances, when there is widespread economic uncertainty or the markets are roiling, the ability of an advisor to exercise strong emotional intelligence becomes even more important, and can be critical to managing client relationships effectively!

In my view, business schools and traditional wealth management training classes don't emphasize interpersonal ("soft skills") training as much as they should. Yet, such skills are often vital to maintaining strong client-advisor relationships. Thus, it makes sense to me to briefly review here what Daniel Goleman, author of the groundbreaking book, *Emotional Intelligence,* described as the key building blocks of "EQ."

Goleman says that in the workplace, what truly makes a difference in a person's ability to perform is not IQ or technical skills. Instead it's emotional intelligence or "EQ." Goleman describes emotional intelligence as a cluster of five skills that enable the most effective professionals to maximize their workplace performance, and to sustain such performance over time. I outline those skills here, as each has important ramifications for the work that we do with clients.

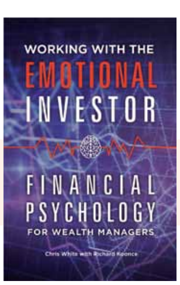
Factor #1: Self Awareness: Goleman defines self-awareness as the ability to understand one's own emotions, strengths, weaknesses, drives, values, and goals and how they impact those with whom one works — be it colleagues, co-workers or clients! It is characterized by



a quiet self-confidence, a realistic self-assessment of one's skills and abilities, and a desire to continuously improve. Advisor self-awareness is clearly critical to the quality of relationships we develop with advisees, as it keeps us situationally sensitive to how we show up for our clients, how we interact with them, respond to them on a personal level, and act with "presence" in our engagement with them under different circumstances. For example, it is vitally important that we be able to differentiate our own personal wealth management priorities and approaches from those of our clients. While we serve our clients in an advisory capacity, we must be mindful about acting too much as advocates of specific approaches and ideas, if we perceive that the client's values and priorities lie elsewhere. In this sense, we must be able to separate ourselves from our clients, enough to provide them objective rather than subjective advice and counsel.

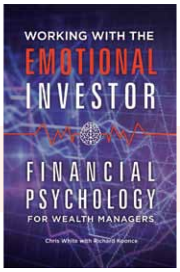
Factor #2: Self-Regulation: This is the ability to stay focused, and to control or redirect one's potentially distracting or disruptive emotions and impulses. In an earlier time it would have been called discipline of mind. It is characterized by emotional maturity, integrity, and the ability to tolerate and work well in situations of ambiguity, challenge, and change. For advisors, self-regulation can become critical to staying grounded in our work with clients, especially in high-stakes circumstances when they may "act out" with us; interacting with us unpredictably, rudely, or in ways that we don't expect. It is also becomes important in working with clients whose personalities are different from our own, and with whom we may need to work diligently to develop authentic connection and rapport.

Factor #3: Motivation: This is the ability to be a self-starter and to manage one's time and efforts productively and consistently. It is typified by a passion for the work one is doing, by sustained energy to improve, and by a resilient optimism even when one encounters setbacks. Clearly, motivation is key to the work we, as advisors, do with clients. After all, it is up to us to be diligent in developing strong relationships with clients, learning about their lives, listening to their stories, and being present in ways that engender trust and appreciation from the client. Personal motivation also should drive our client service approach with clients, and be directed at serving their needs to the best of our ability.



Factor #4: Empathy: This is the ability to put oneself in another person's shoes, to consider their feelings and concerns, especially when it comes to making decisions. It is exemplified by the ability of a person to display "presence" and connection with others, to listen at multiple levels, and to authentically appreciate where another person "is coming from." In my book, *Working with the Emotional Investor: Financial Psychology for Wealth Managers,* I talk in depth about why it's essential to bring strong empathy skills to the work we do with clients. It begins with us showing curiosity about our clients, and developing an understanding of their personal values, priorities, needs, and risk tolerance. Once we have done that, we're then in a position to co-create wealth management plans with them that reflect not only their financial goals, but also their personal values and investment style. Exercising empathy with clients is key to building strong trust and rapport, and creating "social capital" in the relationship that can sustain both you and your client not only under normal everyday circumstances, but also in difficult high-stakes circumstances (e.g. when there is economic uncertainty or market volatility).

Factor #5: Social Skill: This is the ability of an individual to successfully manage a wide variety of interpersonal relationships, and to be persuasive and credible in communicating with and influencing others. It is characterized by a person's skill at building, growing, and sustaining strong bonds with others, be it in personal or professional situations, and to continuously nurture such relationships toward mutually advantageous ends. Without a doubt, a key determinant of any advisor's success with clients is his or her ability to be socially nimble, to "read" clients well, and to display what is sometimes called "interpersonal versatility." Interpersonal versatility is the ability to deal successfully with a wide variety of clients whose personalities and communications styles may be quite different from our own. The successful advisor embraces with relish the challenge of working with a wide variety of clients, and of adjusting his/her interpersonal style in order to work effectively with them. For more on the topic of "Social Style" and how it can impact advisor effectiveness, I recommend the book, *The Social Styles Matrix*, published by Wilson Learning, which provides tips and counsel on how anyone in a sales or advisory position can work effectively with a wide variety of client personality types.



Clearly, the elements of emotional intelligence that Goleman outlines have strong relevance to wealth advisors, be they seasoned pros or relative newcomers on the job. The nature of client-advisor relationships requires that such relationships be forged on a foundation of trust, empathy, understanding, and appreciation of clients' goals and needs. It is never merely a matter of selling product to clients. Instead, our focus must always be on building, nurturing, and maintaining strong relationships with our clients, based on our ability to continuously grow and change in response to a client's evolving investment goals, priorities, and needs.

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