

Assessing Client Stress and Why It Matters to Financial Advisors

by John E. Grable, PhD, MBA
Sonya L. Britt, PhD, AFC

Abstract: *This paper describes why it is important for financial service advisors to understand how client stress impacts the client-financial advisor relationship. A key finding is that few clients are able to accurately evaluate their level of financial stress. It was determined that less than one out of five prospective clients are able to identify their stress level accurately. This means that only about 20% of prospective clients are cognitively receptive to receiving and implementing financial recommendations.*

*This issue of the Journal went to press in February 2012.
Copyright © 2012 Society of Financial Service Professionals.
All rights reserved.*

Introduction

There is one sure way to create unease among a group of Americans—mention the words stressor or stress and the average person’s anxiety will increase. This happens because people strongly believe that their lives are filled with strain, and the thought that more pressure might be added causes anxiety. Sometimes people confuse the terms “stressor” and “stress.” Although the words are associated with feeling anxious and are similar in meaning, their technical definitions are quite precise. A stressor is an external environmental stimulus that results in mental worry.¹ Stress, on the other hand, refers to a person’s emotional response to a stressor. Keyes, Hatzenbuehler, and Hasin² noted that exposure to stress is a common daily experience. Some stressors are minor, while others can be classified as chronic (e.g., unemployment and financial hardship).³ Those who study stress estimate that Americans experience 50 to 200 minor stressors per day,⁴ with 40% of Americans facing a moderate to chronic interpersonal, work, school, home, health, or environmental stressor on a daily basis.⁵ While stress is often associated with negative outcomes, some stress can be positive. Eustress creates an encouraging psychological and physiological mental state. Examples of eustress include external pressure to study as a means to passing an examination or successfully meeting a sales goal to obtain a financial bonus.

Although some degree of eustress is present in the daily lives of people, the majority of stressors experienced by Americans do not lead to positive outcomes. Stressors have a tendency to cause negative worry.⁶

Harmful stress is commonly referred to as “distress.” Daily examples include receiving a parking ticket, dealing with rude or inconsiderate clients, feeling out of control in relation to market events, experiencing a death in the family, or facing a loss in income or asset value. Distress creates cognitive, emotional, and physiological changes in the body, and as the name implies, distress is associated with both negative short- and long-term psychological and physical changes in nearly all people.

Although financial service advisors are generally quick to acknowledge that a client’s stress level likely impacts the client-advisor relationship, until recently there has been little scientific evidence to support this notion. Studies have explored the issue of trust in the client-financial advisor relationship,⁷ but few studies have explicitly evaluated the role stress plays in shaping these relationships.⁸ Further, there have been limited clinical studies conducted to determine how accurate clients are in describing their level of stress as measured by physiological responses. The purpose of this paper is to provide evidence of the harmful effects stress produces in the financial planning process and to describe the subjective and objective stress levels of clients. Specifically, this paper describes how well clients are able to evaluate their stress level after meeting with a financial service advisor. Evidence from this paper serves as a basis for further discussions within the profession that deal with strategic ways to help manage stress in the client-financial advisor relationship.

The Brain and Stress

It is important to consider how the brain processes stressors as a way to understand how individuals respond to stress. It is useful to think of the brain as consisting of three levels. The lowest level of the brain⁹ connects the spinal cord to the brain stem. This part of the brain is responsible for involuntary functions of the body, such as breathing and the heartbeat, as well as changes in physiological state brought on by a stressor.¹⁰ The midlevel section of the brain¹¹ is responsible for regulation of emotions, such as pain and pleasure. Finally, the third and highest level of the brain¹² is responsible for cognitions. This portion of the brain uses logic, memory, and intuition to determine if a stressor should be acted upon.¹³

Understanding brain functions has important implications for financial service advisors. Clients who are experiencing stress, unless the stress is managed appropriately, may respond to stressors produced in the client-financial advisor relationship based on analyses occurring in the lowest level of the brain. This helps explain why some individuals resist the opportunity to work with a financial advisor—they perceive the possibility of meeting with an advisor as a high stress event and react in a “fight or flight” mode. Measuring an individual’s physiological state (the method of stress evaluation used in this study) provides an initial indication of how the brain is reacting to a stressor.

Stress, Myopia, and the Client-Financial Advisor Relationship

As nearly any financial services professional can attest, clients who exhibit signs of stress—fatigue, irritability, anxiety, poor concentration, etc.—rarely make financially prudent decisions. One primary reason is that as stress increases, the body overproduces cortisol, which is strongly associated with negative effects such as shortsightedness, poor attitude, and depression.¹⁴ Cortisol levels tend to rise as individuals age. Given the demographic profile of clients who are actively interested in the financial planning process, issues surrounding the concepts of stress and cortisol become immediately evident. For instance, the increased level of cortisol in older adults has been linked to increased anxiety, poorer memory recall, and even Alzheimer’s disease.¹⁵ The overproduction of cortisol and elevated levels of stress tend to block higher order thinking by focusing decisions in the lowest level of the brain, resulting in a myopic outlook for stressed individuals. Stress theories suggest that worrying about the past is just as damaging to one’s physiological state as worrying about the future, so living in the present, while planning for the future, is an ideal way to manage stress.¹⁶ Unfortunately, this is easier said than done for most people. Even among those who consider themselves to be long-term oriented, a short-term decision perspective dominates when a person is faced with high stress. That is, the fight or flight process of decision making dominates thought and action processes.

Clients bring varying levels of stress with them when

engaging the services of a financial advisor. Some stress is caused by stressors totally outside the control of the advisor (e.g., death in client's family, inheritance received by client, speeding ticket received prior to the meeting). Other stressors are not only within the control of advisors, but may actually be prompted by the advisor and his/her staff. Consider the initial client meeting. Few prospective clients awake early in anticipation of meeting a financial advisor for the first time. Questions and concerns related to finding the "right fit," fees, paperwork, and answering an advisor's probing queries increase the level of stress experienced by prospective clients prior to meetings. When combined, these make visiting a financial service professional on par with seeing a dentist for the first time—something that is necessary but not enthusiastically anticipated. Once a client enters the advisor's workplace, the office environment may also contribute to financial stress. Grable and Britt,¹⁷ for example, noted that the use of paper versus electronic client intake forms can change client perceptions. It is possible that other aspects of a financial advisor's environmental work area may likewise influence attitudinal, behavioral, and stress responses among clients.

Imagine the emotional state of a prospective client. They may be hesitant to reveal too much of their personal and financial history to a relative stranger (i.e., the financial advisor). They may also be concerned about the costs associated with the planning process and the risks involved with implementing recommendations. They may similarly be too hot or too cold, uncomfortable, or they may unconsciously feel separated from the advisor by way of desks, computers, or other equipment. At a minimum, this type of client will tend to be, at least initially, somewhat defensive in their responses to questions. If their stress level is elevated, their defensiveness may be exhibited by a myopic perspective and answers that lack depth. Viewing the world myopically decreases the likelihood of thinking long term and implementing financial advisor recommendations.

It follows that the client-financial advisor relationship can be strengthened and more effective if financial service advisors understand not only how stress can jeopardize the client-financial advisor relationship, but also how well clients are able to estimate their stress level. This

latter point is important. Clients who are unable to accurately gauge and manage their stress may behave in ways that run counter to their long-term financial well-being. Advisors need baseline measures of stress estimation bias to appreciate why some clients may act counter to their best interest.

Measuring Stress

When evaluating client stress, one of two approaches can be used. Within a research setting, subjective measurements of stress require participants to evaluate and report their own stress level. For example, clients can be asked to indicate a numeric value for stress on a questionnaire or by responding to questions asked verbally. Objective measurements of stress do not rely on self-reports. Rather, objective evaluations use a client's physiological response to a stressor as a direct stress measurement. While subjective measurements of stress are quick and convenient, clients may unintentionally misjudge or intentionally misreport their stress level. Objective measurements of stress, while often more difficult and costly to use, tend to be more accurate because participants are generally unable to falsify their physiological response to stress. It is an interesting side note that little is known about the accuracy of client stress evaluation within the financial services domain.¹⁸

Bioassessment: An Objective Measure of Stress

Bioassessment involves the use of physiological feedback to assess the psychological state of being of individuals. Bioassessment data can be gathered in a number of ways, including the measurement of changes in heart rate, sweat production, or skin temperature. As stressors increase, the body's natural fight or flight response creates almost instantaneous changes in heart rate and temperature. The use of a skin temperature measurement is one tool that can be used both in a clinical setting and in office environments. As an individual's stress level increases, his/her skin temperature, which is typically assessed on one or more fingers, decreases. This is a natural body response involving the redirecting of blood from the extremities to the vital organs.¹⁹ In effect, this lowering of skin temperature is the brain's most basic method of improving the odds of successful fight or

flight. From a research perspective, changes in skin temperature provide a very useful indicator of when and where a particular stimulus increases or decreases stress.²⁰

It is somewhat obvious that a client's level of stress plays a role in shaping the client-financial advisor relationship. Clients who exhibit high stress act differently (e.g., greater fatigue, more frequent and intense headaches, poor attention, poor problem-solving skills, greater irritability) than those with low stress.²¹ This is true regardless of where stressors are introduced into the client's life. Of course, it behooves financial service advisors to take steps to manage stressors within the office environment, but it is also important to understand how accurate clients are when evaluating their own stress level. This type of information may help answer a long-asked question within the profession, namely, why some clients are willing to implement financial advisor recommendations willingly while others fight the notion of plan implementation.

Methods

A quasi-experimental method²² was used to gather data to evaluate the ability of clients to estimate their stress level after an initial client-financial advisor meeting. Similar to Arena and Hobbs²³ and Wild, Clark, Ehlers, and McManus,²⁴ 36 individuals were recruited to participate in the study during summer 2011. Complete data were available for 33 participants. Participants were recruited through flyers posted in a professional office building housing a diverse variety of professions, including the financial planning office used to meet with the participants from this study. The flyer asked individuals to meet with a trained financial advisor for a brief interview. Participants who completed the interview process received \$15 cash. Participants in the study had not previously met the advisor, nor were they prompted before the meeting regarding the types of data gathering questions to be asked.

Upon arrival at the office, participants were asked to complete a client intake and consent form. Each participant was escorted to a private office where a research assistant set up the physiological assessment device, which involved connecting a skin temperature sensor to the participant's right forefinger.²⁵ This measure of physiological response was used to proxy the objective stress of participants.

The research assistant then introduced the financial advisor and exited the room. The advisor questions were prescribed and included queries related to financial goals, past financial behavior, and financial aspirations. At the end of the meeting, participants were asked to complete a postinterview assessment. The following seven questions related to participants' subjective stress levels were included in the questionnaire:

1. I feel anxious about my financial situation.
2. I have difficulty sleeping because of my financial situation.
3. I have difficulty concentrating on my school/or work because of my financial situation
4. I am irritable because of my financial situation.
5. I have difficulty controlling worrying about my financial situation.
6. My muscles feel tense because of worries about my financial situation.
7. I feel fatigued because I worry about my financial situation.

Participants were prompted to answer each query on a seven-point scale, where 1 = Never and 7 = Always. A principal component factor analysis was used to verify that the items loaded as one factor, which they did with high reliability ($\alpha = .90$). Based on the analysis, the seven items were summed to create a subjective financial stress measure.

Subjective financial stress scores were then regressed on each participant's objectively measured stress score, which was captured at the point of the advisor's summary narrative during the client-financial advisor meeting. The choice to use skin temperature readings taken at the end of the session was made for several reasons. First, the measurement allowed the participants ample time to adjust to the room, advisor, and questioning procedure. Second, the assessment tended to be the most stable across participants, and third, the measurement occurred very close in time to each participant's completion of the postmeeting survey.

The ability of clients to assess their stress level was tested using a differential prediction methodology. Unstandardized predicted stress scores from the regression were saved for each participant. In effect, the predicted scores indicated what a person's subjective stress level evaluation should have been given their objective

stress level. Residual values were estimated by subtracting predicted stress scores from each participant's subjectively measured score. This differential prediction technique provides a unique insight into a person's ability to accurately evaluate their level of stress. A negative residual indicates an underestimation of financial stress, while a positive residual score suggests an overestimation of stress. Estimation accuracy occurs on occasions where the residual score is 0 or close to 0.

Findings

As shown in Figure 1, participants in the study did a poor job of evaluating their financial stress level. The median residual stress score was -1.03 , with a standard deviation of 8.27 . Scores ranged from a low of -11.15 to a high of 23.36 . Only 18% of participants were able to gauge their stress level accurately, as measured by a residual stress score less than 1.0 or greater than -1.0 .

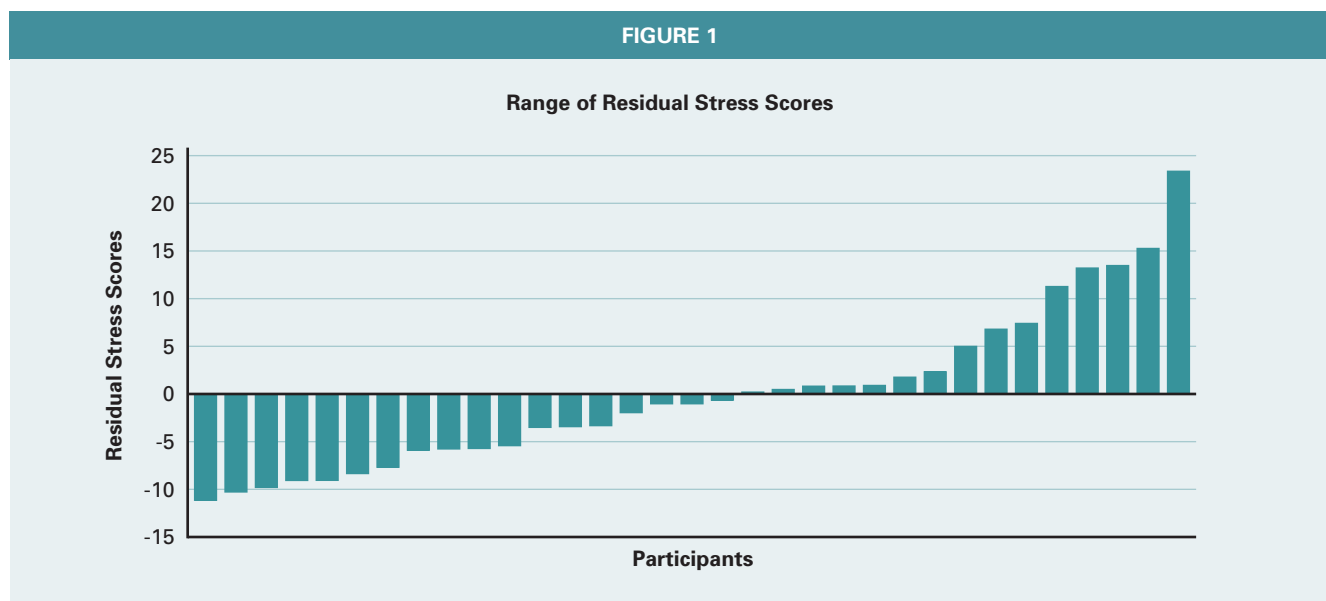
A key finding from this study is that few participants were able to accurately evaluate their level of financial stress. This finding is premised, of course, on the assumption that objectively measured stress is more accurate and reliable than subjective measures. What is surprising is the number of participants who were unable to correctly evaluate their stress level. Scores greater than 10.0 or less than -10.0 suggest significant incapacity to assess financial stress accurately. Further, the results indicate

that less than one out of five prospective clients were able to identify their real stress level. Worse still, nearly 50% of participants in the study were in what some might call "stress denial." That is, they underestimated their level of financial stress, some to a large extent. As suggested earlier in this paper, it is these types of clients who are most likely to cause financial service advisors difficulties because the client may seem to be in a low stress state when, in fact, he/she is objectively more stressed. The result is a person who may be in a fight or flight mode of thinking. On the other hand, about 30% of participants may be stress hypochondriacs. In other words, they believe their financial stress is greater than it is when measured objectively. Even though their assessment is not accurate, they may also fall into a fight or flight mode of thinking based on their subjective judgment. This leaves just fewer than 20% of participants who were in a cognitive and receptive state to receive and implement financial recommendations.

Discussion

Since the inception of the financial advisory profession and going back to the formative days of insurance sales, financial service advisors have wondered why some prospective clients seem to be more receptive to the planning process than others. Factors such as cash flow, net worth, age, and general socioeconomic characteristics, in

FIGURE 1



addition to social norms, play important roles in answering this question. The function of client stress is now beginning to be recognized as another key factor shaping planning behavior. Individuals who are in a high stress state act differently, both cognitively and physiologically, than those exhibiting a normal stress level. In this study, roughly 80% of research participants were predicted to be unable to accurately evaluate their financial stress level. This leaves, at the most, one out of two individuals receptive to the idea of meeting with a financial service advisor and only one out of five who are emotionally and cognitively ready to implement recommendations.

Financial service advisors can use this information as a point of practice management discussion. Advisors who are interested in possibly increasing the number of clients served and helping prospective and current clients implement recommendations may find that taking steps to manage client stress is a worthwhile investment of time and resources. As mentioned earlier in the paper, numerous stressors are beyond the management control of an advisor; however, many stressors are controllable. Focusing on ways to make the advisor office environment more inviting and less stressful is an obvious way to help manage client stress. For example, Ulrich, Simons, Losito, Fiorito, Miles, and Zelson²⁶ noted that after experiencing a stressor, a person's heart rate declines upon exposure to a natural outdoor environment, and increases upon exposure to an urban outdoor environment. Similarly, Lohr, Pearson-Mims, and Goodwin²⁷ found that the presence of plants in a windowless setting resulted in a slower rise in participants' blood pressure during a stressful task, as compared to participants in a windowless setting without plants. This suggests that the liberal use of plants and flowers within an office may be an effective tool for reducing client stress.

Research suggests that listening to music can affect physiological stress levels. Although the specific type of music is highly dependent on cultural preferences,²⁸ research results suggest that listening to classical musical has greater stress-reducing ability when compared to listening to heavy metal or sitting in silence.²⁹ This is consistent with meta-analysis results reported by Pelletier³⁰ who found that slower, nonlyrical music with low-pitched string instruments that does not drastically change in

volume is most effective in reducing stress, especially when the music is listened to on a regular basis.

The effects of man-made aspects of the environment on stress levels have also been studied. Research suggests that the presence of fractal art during a stressful task may result in decreased stress levels.³¹ Kuller, Mikelides, and Janssens³² studied the effects of wall color in an indoor setting on participants' brain activity and heart rate response while completing various tasks. It is generally acknowledged that the use of neutral colors and browns will induce calmness, blues will improve mood, while reds, yellows, and greens tend to increase arousal and stress. As these environmental stress-reduction strategies indicate, there are a multitude of choices and combinations that can be incorporated into an office environment.³³

To summarize, the impact of client stress can create a negative emotional state that limits a client's willingness to engage fully with a financial service advisor. While providing a comprehensive list of specific stress-management strategies is beyond the scope of this paper, it is hoped that the information provided in this discussion will help promote dialog within the profession about the important role client stress plays in shaping the client-financial advisor relationship. Further clinical studies are needed to test stress-management strategies, tools, and techniques. In the meantime, there is no need for financial service advisors to become overly anxious about stress, as long as the notion that stress really does matter is incorporated into the planning process. ■

This research was funded in part by Angela Herbers, Inc., Kansas State University's Institute of Personal Financial Planning, and Kansas State University's Office of the President. Thank you to the three students who helped collect data for this study.

John Grable, PhD, MBA, is currently the program director for financial planning studies at Kansas State University. He holds a PhD from Virginia Tech, an MBA from Clarkson University, and an economics/business degree from the University of Nevada. He is the author of over 75 peer-reviewed financial planning articles. He can be reached at jgrable@ksu.edu.

Sonya Britt, PhD, AFC, is the graduate program coordinator in personal financial planning at Kansas State University. She holds a PhD in financial planning from Texas Tech University, a

MS in marriage and family therapy and a financial planning degree from Kansas State University. She is the author of several award-winning papers and the coeditor of a forthcoming book on college-based financial counseling centers. She can be reached at sbritt@ksu.edu.

- (1) E. Green and A. Green, "Beyond Biofeedback. New York: Delta Data for 2003," in *National Vital Statistics Report 53* (Hyattsville, MD: National Center for Health Statistics, 1977).
- (2) K.M. Keyes, M.L. Hatzenbuehler, and D.S. Hasin, "Stressful Life Experiences, Alcohol Consumption, and Alcohol Use Disorders: The Epidemiologic Evidence for Four Main Types of Stressors," *Psychopharmacology* 218 (2011): 1–17.
- (3) J.G. Grzywacz, D.M. Almeida, S.D. Neupert, and S. Ettner, "Socioeconomic Status and Health: A Micro-Level Analysis of Exposure and Vulnerability to Daily Stressors," *Journal of Health and Social Behavior* 45 (2004): 1–16.
- (4) D.W. Newton, R. Fulmer, and T. Unterberge, (n.d.). *Biofeedback: Stress Management Strategies* (Manhattan, KS: Kansas State University Danskin Performance Enhancement Center).
- (5) D.M. Almeida, "Resilience and Vulnerability to Daily Stressors Assessed via Diary Methods," *Current Directions in Psychological Science* 14 (2005): 64–68.
- (6) Grzywacz, et. al, "Socioeconomic Status and Health."
- (7) K. Redhead, "Behavioral Perspectives on Client Mistrust of Financial Services," *Journal of Financial Service Professionals* 65 (November 2011): 50–61.
- (8) An exhaustive search of academic data bases showed no studies directly testing the client-financial advisor relationship as it relates to stress or stressors.
- (9) The lowest part of the brain is sometimes referred to as the vegetative or lizard brain.
- (10) The lowest level of the brain has experienced limited evolution over the millennium. People today react to stressors in the same way as their historical forefathers—what is commonly referred to in the popular literature as the "fight or flight" response. In other words, when people first encounter distress their brain tends to react in one of two ways: confront the stressor or escape the stressor.
- (11) The midlevel brain is sometimes referred to as the limbic system.
- (12) The highest level of the brain is sometimes referred to as the neocortical.
- (13) B.L. Seaward, *Managing Stress: Principles and Strategies for Health and Well-Being* (Sudbury, MA: Jones and Bartlett Publishers, LLC, 2009). By using the neocortical, a person can influence the lower levels of the brain by reducing emotional reactions and stabilizing emotions. This, of course, takes training. Few have actually been trained in ways to process information and account for stress. This helps explain why many individuals simply let the vegetative brain determine the outcome of a situation.
- (14) K. Hinkelmann, S. Moritz, J. Botzenhardt, K. Riedesel, K. Wiedemann, M. Kellner, and C. Otte, "Cognitive Impairment in Major Depression: Association with Salivary Cortisol," *Biological Psychiatry* 66(9): 879–885; and L. Sher, "Daily Hassles, Cortisol, and the Pathogenesis of Depression," *Medical Hypotheses* 62(2): 198–202.
- (15) D. Tuttle, "Cortisol: Keeping a Dangerous Hormone in Check," *Life Extension* (2004): 59–65. Retrieved from <http://www.encognitive.com/files/Cortisol.pdf>.
- (16) Seaward, *Managing Stress*.

- (17) J.E. Grable and S.L. Britt, "An Investigation of Response Bias Associated with Electronically Delivered Risk-Tolerance Assessment," *Journal of Financial Therapy* 2(1): 43–52.
- (18) No published evidence was found during the review of literature showing if financial advisor clients are accurate when evaluating their stress level. An outcome associated with this paper is to fill this gap in the literature.
- (19) Seaward, *Managing Stress*.
- (20) See Blanchard and Epstein (1978) for a review of early research using physiological measures.
- (21) Newton, Fulmer, and Unterberge, *Biofeedback: Stress Management Strategies*.
- (22) For this particular study, all participants were assigned to one treatment (i.e. meeting with a financial advisor regarding financial goal setting).
- (23) J.G. Arena and S.H. Hobbs, "Reliability of Psychophysiological Responding as a Function of Trait Anxiety," *Applied Psychophysiology and Biofeedback* 20(1): 19–37.
- (24) J. Wild, D. Clark, A. Ehlers, and F. McManus, "Perception of Arousal in Social Anxiety: Effects of False Feedback during a Social Interaction," *Journal of Behavior Therapy and Experimental Anxiety* 39 (2008): 102–116.
- (25) Heart rate and galvanic skin response readings were also obtained but not used for purposes of this study.
- (26) R.S. Ulrich, R.F. Simons, B.D. Losito, E. Fiorito, M.A. Miles, and M. Zelson, "Stress Recovery during Exposure to Natural and Urban Environments," *Journal of Environmental Psychology* 11(3): 201–230.
- (27) V.I. Lohr, C.H. Pearson-Mims, and G.K. Goodwin, "Interior Plants May Improve Worker Productivity and Reduce Stress in a Windowless Environment," *Journal of Environmental Horticulture* 14(2): 97–100.
- (28) J.A. Sloboda, "Music in Everyday Life: The Role of Emotions," in P.N. Juslin and J.A. Sloboda (Eds.), *Handbook of Music and Emotion: Theory, Research, and Applications* (New York: Oxford University Press, 2010): 493–514.
- (29) E. Labbe, N. Schmidt, J. Babin, and M. Pharr, "Coping with Stress: The Effectiveness of Different Types of Music," *Applied Psychophysiology and Biofeedback* 32(3-4): 163–168.
- (30) C.L. Pelletier, "The Effect of Music on Decreasing Arousal Due to Stress: A Meta-Analysis," *Journal of Music Therapy* 41: 192–214.
- (31) J.A. Wise and E. Rosenberg, "The Effects of Interior Treatments on Performance Stress in Three Types of Mental Tasks," Technical Report (Sunnyvale, CA: Space Human Factors Office, NASA-ARC, 1986); and J.A. Wise and R.P. Taylor, "Fractal Design Strategies for Enhancement of Knowledge Work Environments," *Proceedings of the Human Factors and Ergonomics Society Meeting*, Baltimore, MD (Santa Monica, CA: Human Factors and Ergonomics Society, 2002); and R.P. Taylor, "Reduction of Physiological Stress using Fractal Art and Architecture," *Leonardo* 39(3): 245–251.
- (32) R. Kuller, B. Mikelides, and J. Janssens, "Color, Arousal, and Performance—A Comparison of Three Experiments," *Color Research and Application* 34(2): 141–152.
- (33) Training staff in ways to evaluate and control their own stress levels as a way to reduce stress transference is another strategy that can be put into practice immediately. Changing the way services are marketed is yet another way to promote the financial planning process as a fun and rewarding experience that can reduce, rather than induce, stress.

Copyright of Journal of Financial Service Professionals is the property of Society of Financial Service Professionals and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.