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Qualifications for Financial Therapists

Thomas C. Manheim

Author Note.

Tom Manheim, Ph.D.
Address:
Money and Soul Inc.
990 Highland Drive, Suite 212-C
Solana Beach, CA
Phone: 858-720-1133
Fax: 858-792-8995
Email: tom@moneyandsoul.com
Webpage: <http://www.moneyandsoul.com>

Dr. Tom Manheim is a licensed psychotherapist (private practice specializing in financial therapy for over 10+ years) and a former financial advisor (self-managed approximately \$200 million of individual's money 18+years).

Abstract

The field of financial therapy has evolved to the point whereby consumers are questioning what qualifies someone as a professional financial therapist and what services they can expect.

This article delineates prescribed qualifications necessary for the amalgamation of the two fields of finance and therapy. The parameters of what defines a true financial therapist are established and expectations and benefits for clients are defined. A discussion of the ethical and moral issues stemming from the previous lack of boundaries follows. With scope of practice and professional qualifications of financial therapists firmly delineated, clients no longer have to struggle with great uncertainty. No longer will clients have to be as concerned with conflict of interest and potentially harmful actions by an array of individuals loosely using the term financial therapists to their own advantage.

Keywords: financial advisor, financial therapist, clinical psychotherapist, money, financial management

Qualifications for Financial Therapists

Financial Planners, Financial Advisors, Insurance Agents, Psychotherapists, Money Coaches, Professional Counselors, and anyone who interacts with individuals, couples, and families with money are calling themselves “Financial Therapists.” The public is left confused as to what they can expect from a relationship with “Financial Therapists” and what this title represents. The purpose of this article is to clarify the qualifications and to outline the specific functions “Financial Therapists” provide. This new understanding of what role “Financial Therapists” play will eliminate potential conflicts of interest, whereby a client might be taken advantage of or threatened by abuse of power. The dual relationship of managing clients’ money and helping them with their subjective relationship with money will no longer be potentially exploitive. Clients will have a firm definition of what they can expect when dealing with truly qualified Financial Therapists.

Licensed Financial Advisor

The first qualification of the make-up of ideal financial therapists is that they have been licensed as financial advisors (minimum license series 7 and 63). A financial advisor has acquired acute experience in managing the majority of individuals, couples, and families net worth, with minimum requirements of 50 relationships and total assets of \$50 million dollars managed over a 5 to 7-year period—representing a typical market cycle. This intimate relationship, where a financial advisor manages the clients’ assets, provides for potential power struggles that demands delineation of boundaries, and requires a protocol for how specific goals and objectives for clients’ money will be handled. The

criteria of setting reasonable minimum expectations, in which both the financial advisor and client will dialogue, are to ensure that the financial advisor's relationship with the client is built on trust. Further, client and advisor need to understand how each will act based upon historical investment dynamics, for example, they need to understand the predictable patterns of behavior. The client also needs to know about the risk tolerance parameters, that is, learn about the various market conditions in which the financial advisor underperformed or out-performed the S&P 500.

Licensed Psychotherapist

The second qualification of a financial therapist is that they are licensed as psychotherapists. The licensed psychotherapist—either masters or doctorate level—operates within a therapeutic system of understanding the individual, couple, and family in relationship to money. The clinical perspective allows a psychotherapist to understand motivations, behaviors, and schemas that underlie the client interactions with money. One must differentiate between a clinical psychologist and other types of psychotherapists, such as marriage family therapist, social workers, or professional counselors.

A clinical psychologist is trained to address symptoms of personality disorders as well as psychosocial and environmental problems as they relate to money. A psychotherapist in general is focused on dealing with clients' relationships to various aspects of their lives, not treating specific symptoms. Typical problems experienced are hoarding, overspending, gambling addiction, frugality, and so forth. The clinical psychologist specializing in financial problems has been trained to work in the area of acquisition-related disorders such as: compulsive buying, impulse control (extreme form

of kleptomania), anxiety and/or depressive disorder (shop-aholics), compulsions (obsessive), fear-based phobias (hoarding), existential identity problems (social climbing), narcissism and greed, and guilt and shame (Kottler, Montgomery, & Shepard, 2003).

Cognitive behavior therapy has been found to be the central system for treating of money addictions, money related negative thinking, and neurosis exacerbated by stress (Forman, 1987). The problem for a psychotherapist who has no experience in managing significant amounts of money for other individuals, has limited knowledge of the financial markets, and lacks the licenses of the financial advisor is the potential liability in not meeting minimum levels of competency. How can clients be supported in exploring and reformulating patterns in dealing with money that want to be changed without previous professional financial training and without a history of working in this capacity? However, a licensed psychotherapist has been trained in working with clients in a confidential setting and is prepared for dealing with underlying serious unresolved life issues that might result in discussing the taboo of money.

Defining Financial Therapists

The earliest current day definition of financial therapist originated from the efforts of Olivia Mellan, a self-professed psychotherapist attempting to bring finances and therapy together (Mellan, 1995). Financial Therapists have the ability to work with individuals, couples, and families from a psychological systemic framework within the milieu of money. Financial therapists have previously worked as financial advisors. Having first hand experience of “interacting with clients in all market conditions” and

developing and utilizing the clients investment policy statement becomes the reference point for how their money will be managed. Difficult decisions are made together and a mutual trust develops in the financial advisor – client relationship. The role as a previous financial advisor equips the future financial therapists with knowledge and wisdom of how markets and products operate, and how to set objectives or develop financial plans. Most of all, the financial advisor has had experience how a myriad of clients respond emotionally to all types of life stressors. Having been in the trenches with clients and their money allows a financial therapist to bridge the gap into assisting clients resolve incongruencies in their relationship with money. Although some financial advisors and planners believe that they are professionally equipped to effect and manage behavioral change, these interventions can create unacceptable risks for both the financial planner and the client (Kinder & Galvan, 2007).

In contrast, a pure psychologist or licensed psychotherapist lacks the professional experience of the financial advisor in understanding first hand what the clients are working thru. Yet, the psychotherapist is equipped in helping them develop potential remedies for and improve their future dealing with money on a personal level, or lead discussions how they will plan, prioritize, and utilize money in their lives.

Financial therapists deal with what might seem insignificant surface problems related to emotions or money, when—in fact—these issues may be masking more serious mental disorders. Specific characteristics of clients who desire to change how they relate to money can be related to more serious Axis I mental disorders or Axis II personality disorders that require advise from or treatment by a financial therapist with the

appropriate clinical experience. Financial issues which must be dealt with in financial therapy may include but are not limited to general anxiety disorder, major depressive disorder, bipolar I-most recent manic, obsessive-compulsive disorder, narcissistic personality disorder, dependent personality disorder and many others.

Financial Therapists

Since money is an evocative subject, capable of triggering an array of emotional, cognitive, and behavioral reactions in people, professionals working with clients and their money need to be trained not only as solely financial or psychological, but within both areas of competency (Gounaris, 2004). The combination of both skill qualifications of having worked as a financial advisor and being currently licensed as a psychotherapist allows clients to rest assured that they will not be manipulated by someone trying to still manage their money and at the same time work with them in resolving their shadow side of money.

Clients working with financial therapists have the freedom to achieve a balance with money, whereby individual incongruencies have been resolved, and a higher level of use of money can be accomplished. Working with a Financial Therapist clients now have the ability to develop a new relationship with money: being balanced in utilizing money healthily to fulfill daily responsibilities of living while also developing higher aspirations such as gifting for charitable causes.

Financial therapists bring the ability to understand first hand the struggles clients experience in market fluctuations, changing financial situations, and communications with family involving money. Financial Therapists are also equipped to deal with family

issues, such as sibling rivalries, estrangements or age-long resentments and tensions (Jervey, 2005, p. 1). With the psychotherapist training, especially if one has clinical training with a doctorate in psychology, clients' subjective thoughts, feelings, and behaviors can be addressed so that an alignment with money in all areas of their lives can be accomplished.

Ethical and Moral Standards

Protection of clients from abusive dual relationships and conflicts of interests is paramount for financial therapists. For instance, as Kinder and Galvan (2007) recognized, financial planners are not therapists and there is a real danger in attempting to work with clients in creating significant change when the client is highly defended. The stance of most professional organizations in finance and psychology would deem it potentially harmful for financial therapists, as defined within this article, to be involved in a dual relationship where the same individual is managing the money and conducting clinical therapy, that is, "being in their head and in control of their money." It is not to be said that one could not place the clients best interest first, in relationship to managing their money; but it becomes a potential conflict of interest if done while conducting psychotherapy.

The art of psychotherapy potentially prohibits working with clients to create positive outcomes regarding their money from a subjective/internal perspective, whereby the influence the psychotherapist has over the clients—based upon the therapeutic relationship—is put into question. Equally harmful would be a psychotherapist without the training in knowledge of the markets, planning strategies, and a history of common

behaviors that arise with clients in various financial circumstances, trying to conduct financial therapy.

Mission of Financial Therapists

The mission of a financial therapist is to serve clients in their ability to dialogue with self and others regarding the specifics of the financial management of their money. The financial therapists serve the clients in supporting them in developing a subjective inner alignment of what they believe, emote, and how they behave. The financial therapists also understand and resolve potential pitfalls based upon historical patterns, familial, and cultural-environmental influences. Financial therapists help clients to understand and improve desired changes in their cognitive schemas with and how they relate to and dialogue about money in general. Financial therapists assist clients in developing an overall vision of how they choose to relate to money so that their external and internal worlds are fulfilling and congruent.

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