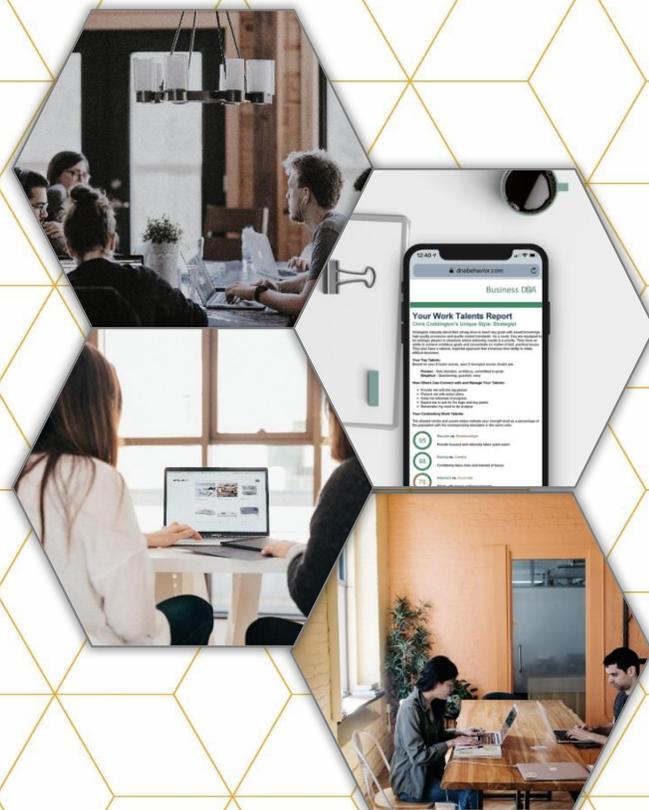


Financial Capability Research



The Financial Capability Research

Background:

Typically, in designing a financial plan and building the investment portfolio, the financial planner will only address the investment risk tolerance of the client.

However, the proposition of DNA Behavior is that what should be examined is the client's Financial Behavior Capability (FBC) in terms of their ability for managing their financial position to grow wealth for achieving their goals.

Our view is that a person's FBC is made up of the following three elements:

1. **The propensity for Saving and Budgeting** reflects the client's instinctive behavior for accumulating wealth by saving money and being disciplined about keeping to a budget. Including the propensity to save and budget reflects the importance of having financial discipline to their overall happiness, health, and long-term financial wellbeing.
2. **The propensity for Wealth Creation (Goal Drive)** reflects the client's instinctive behavioral drive to create new wealth (increasing capital and generating income) by setting competitive goals and determination to achieve them.
3. **The propensity for Risk Taking** reflects the client's tendency to create wealth by taking personal and financial risks. However, speculative behavior can be more objective when it is coupled with a risk assessment to determine the appropriate risk tolerance level to achieve your goals. This helps establish the client's risk/reward boundaries and emotional limits when outcomes are not in their favor.

The second proposition is that if a client is to successfully grow their wealth they will in addition to a high FBC need to be prepared to make decisions with the guidance of a financial planner.

Financial Behavior Capability Research:

In 2018, DNA Behavior researched 65,000 randomly selected participants who had completed the DNA Natural Behavior Discovery Process. The results are shown in the table below.

The client's overall FBC score comprises three elements that the DNA Natural Behavior Discovery Process individually measures and provides population weighted scores in its reports on a 0 to 100% basis, as listed below. The overall FBC is also measured and weighted separately into its population weighted score. Each element reflects a separate component of the natural instinctive internal motivation to create wealth and generate income.

Given that each element is measured independently, it is possible that a client could have a relatively high score in one element and then not in the other two. Further, the Natural FBC score will not be a

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direct average of the three scored elements because it reflects the population weighting of the client's blended score for the three elements.

The table below reflects that only 11% of the population will have a very high FBC and this requires them to have a high population weighted score in all three elements. The research does show that the propensity to save is very important for there to be a high FBC score. Further, the reverse is also true.

Financial Behavior Capability	Saving/Spending Propensity	Wealth Creation and/or Risk	Population %
Very High	High Saving	And High Wealth Creation and High Risk Taking	11%
High	High Saving	And High Wealth Creation only	17%
High	High Saving	And High Risk Taking only	15%
Moderate	Moderate Saving	Moderate Risk Taking and Wealth Creation	14%
Low	High Spending	And Low Risk Taking only	15%
Low	High Spending	And Low Wealth Creation only	17%
Very Low	High Spending	And Low Wealth Creation and Low Risk Taking	11%

However, it would be more normal for a person to have a high score in one or 2 of the elements. The mix of scores will entirely depend on who they are in terms of their unique combination of measured Natural DNA Behavior Factors and Sub-Factors. There are over 4 trillion measurement combinations, highlighting that people are unique. However, to simplify general understanding, each person is allocated one of ten blended Natural Behavior Unique Styles in their Financial DNA report.

To understand the probable level of Natural ME that each person will have in these three key FBC elements, we have prepared a summary table below based on the median scores for each of the ten blended Natural DNA Behavior Unique Styles. The scores reflect the relative strength of the behavior against the overall population. So, a person with a score of 70% will have a behavioral propensity in that FBC component greater than 70% of the population. A score of 70% or more is considered strong, and a score of 30% or lower is considered low. For instance, the table highlights that a Strategist or Initiator would be expected to have higher scores in some of these three elements. Then, for instance, a Community Builder or Engager will have lower scores in these three elements.

DNA Unique Style (Median)	Saving/Budgeting	Wealth Creation	Risk	Natural ME - FBC	Financial EQ	Growth/Sustain
Adapter	66%	50%	58%	73%	58%	50%/50%
Community Builder	24%	10%	7%	2%	10%	33%/67%
Engager	4%	38%	50%	14%	31%	52%/41%
Facilitator	84%	38%	42%	73%	58%	39%/61%
Influencer	7%	54%	73%	34%	69%	100%/0%

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Initiator	66%	73%	90%	96%	86%	75/25%
Reflective Thinker	97%	31%	24%	73%	31%	0%/100%
Relationship Builder	66%	16%	31%	31%	21%	24%/76%
Strategist	98%	73%	73%	99%	86%	49%/51%
Stylish Thinker	79%	31%	24%	50%	31%	24%/76%

These three natural DNA Behavior elements are what the client have said about themselves through the objectivity of the DNA Natural Behavior Discovery Process. So, it is the client saying, "Hey, I am a spender, not overly goal driven and cautious", or "Hey, I am a saver, goal driven and a risk taker".

However, the fact that the client has said this about themselves does not necessarily reflect whether they are or will be financially wealthy. Although, the scores do indicate a natural pre-disposition for wealth generation. The ultimate ability to create wealth will also depend on the client's skills or expertise learned through life, the decisions made, and the opportunities created or eventuated during their life journey.

Client Relationship Management Research:

Interestingly what we found is that only 3% of clients would be ideal for a financial planner from a behavioral management perspective when you combine a high FBC and their relationship style. All of the remaining 97% could be potentially difficult clients who are prone to making financial decisions which would counteract accumulating wealth for meeting their goals and/or would be difficult (or not enjoyable) to inter-personally manage.

The behaviorally ideal clients (3% of the population) exhibit the following characteristics:

1. **High Financial Behavior Capability** based on the 11% of the population having the propensity to: (i) save money (low spender), (ii) the propensity to take risks and (iii) build wealth (high goal motivation).
2. **High Relational Style** based on the 11% of the population with high financial capability as defined above, only 27% of that population (roughly 3% of total population) will have a desire to congenially work with the advisor to build a long-term relationship and not simply for performance management. Put another way, more than two thirds of the population with a high FBC will be more relationally difficult to work with because of their strong results focus and demanding nature.

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To learn more about DNA Behavior International and the solutions we offer, please visit: www.dnabehavior.com

If you have any questions or would like to discuss with an executive on our team, please email us at: inquiries@dnabehavior.com



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