

# Double Think: Getting Past the Conflict in Your Clients' Two Brains

*When clients can't commit, it's not because they don't trust you—they have two brains*

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How often has this happened to you? You prepare a well-thought-out financial plan focused on your client's expressed needs and goals. The client thanks you and takes it home. But whenever you ask about implementing it, he's "not quite ready yet."

It's impossible to read minds, but an understanding of how people's brains work can help you better serve clients. "Advisors who are able to get people to think more deeply and accurately will be valued by their clients," David Rock, author of the 2009 business bestseller "Your Brain at Work," told us. "And getting them to think about the brain—or having a conversation about brain functioning—is a relatively safe way of increasing metacognition around difficult decisions." In other words, encouraging clients to think about their thinking can help them make healthier choices.

To explore this timely issue, we asked Rock and other authorities at the crossroads of neuroscience and psychology to share their views of what goes on in the brain when people make up their minds. In a follow-up article next month, we'll discuss concrete ways you can use this information to aid clients (and yourself) in making wiser decisions.

## **Exploring the Brain**

New tools like PET scans and fMRI (functional magnetic resonance imaging) are giving neuroscientists an unprecedented view of how brains work: how we take in information, process it and shape our behavior in response to it.

One of the fundamental discoveries in this burgeoning field is that our “neuroplastic” brain continually rewires itself as a result of what we learn. In fact, there is increasing evidence that staying mentally active and forging new neural connections can improve general health and longevity. People of all ages are practicing mindfulness and physical fitness techniques that mobilize the brain-body connection to promote health, integration and a sense of well-being.

Research and therapeutic practice both point to the role of emotions in organizing the brain. When clients get in touch with their feelings and learn how to frame their thoughts and reactions in a healthy way (with the assistance of a therapy professional, if needed), they gradually create new neural connections that make it possible to bypass their old emotional reactions to painful experiences and make healthier decisions in the future.

Although advisors aren’t therapists, if you understand this new knowledge about how we function, you can keep your clients from being hijacked by knee-jerk emotional reactions and make better financial choices. It all begins with the basic understanding that people have not one brain but two.

### ***Two Ways to Think***

Early research with brain-damaged patients suggested that our brains’ two hemispheres had different specializations. The “right brain,” which controls the left side of the body, was thought to be responsible for creativity, artistic ability and deep insights, as well as processing intuition and emotions and empathizing with the emotions of others. The “left brain,” which controls the right side of the body, was seen as specializing in logic and analytical thinking.

Although this simplified view of the brain has passed into popular lore, it’s not really accurate. Tasks are not bilaterally segregated; in fact, some parts of the brain can fill in when others are damaged. It’s more true to say, as Daniel Kahneman posited in his 2011 bestseller, *“Thinking Fast and Slow,”* that people have two thought systems: a fast, instinctive and emotional brain (which he calls System 1), and a slower, more deliberative and more logical brain (System 2).

A Nobel Prize winner in 2002 for research into the psychology of judgment and decision-making, behavioral economics and happiness, Kahneman found that because the more cautious and analytical System 2 is lazy and tires easily, we often accept the quick and dirty assessments of the intuitive and largely unconscious System 1. “Although System 2 believes itself to be where the action is, the automatic System 1 is the hero of this book,” he said in *“Thinking Fast and Slow.”*

Earlier, Wall Street Journal writer Jason Zweig drew a distinction between reflective and reflexive thinking in 2007’s *“Your Money and Your Brain: How the New Science of*

*Neuroeconomics Can Make You Rich*,” one of the first books about the neuroscience of investing.

In Zweig’s view, “reflexive” thinking specializes in identifying and recognizing danger as well as rewards such as food, sex or money. This instinctive and emotional part of the brain often overpowers our “reflective” system, which is designed to ponder before making decisions.

Clearly, we need to change the conversation from “left” and “right” brains to “rational” and “emotional” brains. Most neuroscientists, psychologists and neuroeconomists agree.

### ***‘Money Is Never Just About Money’***

Either by nature or training, many financial professionals are rational-mind-dominant, at home with facts and figures. The minority who are emotional-mind-dominant typically enjoy helping people and tend to be more relationship-centered.

It’s important for advisors to take their own process dominance into account in guiding clients toward a decision. If you make the mistake of relying solely on rational arguments, you’re “missing what’s actually going on with people,” said Portland, Ore.-based marriage and family therapist Bonnie Badenoch, Ph.D., who specializes in relational neuroscience.

“Money is never just about money,” she pointed out. “It always involves a complex relationship about what money means. Even though both hemispheres of the brain fire with most experiences, we do have two modes of relating to the world. In one mode, we’re dealing more with the emotional complexities around money. So before looking at clients’ more rational goals, it’s crucial to involve them in a conversation that engages this emotional mode.”

We asked Badenoch, the author of *Being a Brain-Wise Therapist: A Practical Guide for Interpersonal Neurobiology*,” what would be different about this conversation. “It’s more about what we feel in our bodies when we think about money and the future,” she said. “Body sensations are the gateway to our emotional world. What we’re most apt to do about money is powerfully influenced by these emotions, both below the level of conscious awareness and as they inform what we believe to be our rational thoughts.”

### ***The Wisdom of the Unconscious***

Rock, who is executive director of the NeuroLeadership Institute, noted that we are nowhere near rational in making decisions. In fact, our capacity for logical thinking is woefully limited. “We have the rational resources of a \$2 calculator,” he pointed out. “We start to fall apart adding up four digits in our head.”

The rest of our brain—the emotional, unconscious part—is more like a supercomputer. But because the mechanism for how we make decisions is hidden behind a curtain, we think we are rational. In reality, Rock said, we are entirely irrational and don't know it.

Decisions made by our emotional brain may be triggered by a dip in the market, a hot tip from a friend or a buried memory. But are those choices always bad? Many students of brain science don't think so.

"How many times have you gone against a gut feeling and ended up making a poor decision?" asked Dave Jetson, a mental health counselor who works with financial planner Rick Kahler in Rapid City, S.D.

We like to believe that our conscious, rational mind controls the decision-making process, but Jetson suggested that the unconscious brain is far more dominant in decision-making.

"Research shows that our conscious mind—our thoughts and memories—are involved in only 1% to 9% of every decision," he said. "The rest is unconscious."

Our emotions' powerful effect on decision-making takes place at this unconscious level, which means we are largely unaware of it and may have unknowingly suppressed those emotions.

"Every culture I've worked with, except for non-Westernized Aborigines in Australia, teaches people to hide their feelings," said Jetson, author of the soon-to-be-published *Finding Emotional Freedom: Access the Truth Your Brain Already Knows*. "When I'm feeling sad or scared, unconsciously I know I'm not supposed to feel that, so I get angry, act out, indulge in my addictions as a way to distract myself from my true feelings."

If advisors or clients doubt the power of the unconscious, he asks them to explain what they're physically feeling at that moment. Why is their foot shaking? Why are their arms crossed?

"What your body is saying is important," he argues. "If you can learn to connect with the true feelings associated with what your body is saying, you become more congruent, and you can make better decisions."

Unconscious attempts to hide the emotional truth create all the problems in financial decision-making, Jetson believes. When a client agrees to a wonderful financial plan but then puts none of it into effect, he explained, "[their] head is saying, 'Yes, I can do this,' but [their] unconscious is saying, 'I have some fear and some history triggering that fear, so I can't take action.' If you help clients connect with this fear, they can move forward and take action."

## ***Why Stressed Clients Can't Think Straight***

To neuropsychologist Rick Hanson, fear and stress are the big obstacles to making smarter decisions. Hanson, the author of “Buddha’s Brain: The Practical Neuroscience of Happiness, Love and Wisdom,” believes advisors need to appreciate that the brain inside their clients’ heads is the product of 600 million years of nervous system evolution.

“The same ancient neural and hormonal systems that evolved to help our ancestors escape from charging lions are locked and loaded and fully operational in us today when we feel at all stressed, irritated, frustrated, worried or inadequate,” he explained.

There’s one big problem: In the wild, most episodes of stress end quickly, one way or another. Hanson said, “Our bodies are designed to manage brief bursts of stress, followed by long periods of recovery with no stress at all. But today, we experience continuous mild to moderate stress with no chance for recovery, which is very bad for long-term physical and mental health.”

Stress is also bad for learning, according to Paul Greenberg, Ph.D., a psychology professor at San Diego’s Brandman University.

“When clients are stressed, it affects their ability to hear what you’re saying,” he told us. After a few minutes of feeling stressed, the body starts releasing cortisol. This knocks the prefrontal cortex (our higher brain decision-maker) offline, interfering with our ability to learn, remember and make rational decisions. “In some stressful situations, you may go completely blank,” Greenberg said.

Bear in mind that this refers to excessive stress. As we’ve seen, it’s impossible to make decisions without some degree of emotion. In fact, Greenberg explained, decision-making and emotions are physically linked in the brain: “Some networks in the limbic system are devoted to processing emotion, while corresponding regions in the cortex integrate emotional information with what we know about the world. So the body and emotions provide cues and clues to decisions that we want to make. If you never had gut feelings about anything, it would be hard to make certain decisions.”

Therefore, Greenberg said, the idea that emotion is the enemy of reason is incorrect. “When you’re in a highly emotional state, clearly there are certain decisions you don’t want to make. But the research of Antonio and Hanna Damasio shows that without emotional information, you may actually be highly impaired in making a decision.” When brain damage interferes with the linkage between emotion and decision-making, people have greater difficulty in making up their minds.

## ***Are We Born to Be Biased?***

“Most of our judgments and actions are appropriate most of the time,” Daniel Kahneman wrote in *“Thinking Fast and Slow.”* But our fast, intuitive System 1 often jumps to conclusions or takes shortcuts that the more rational System 2 doesn’t question. This can lead to biases such as framing, anchoring and an inclination toward optimism that prompts us to underestimate risks.

Many of these biases play a part in financial decision-making. David Rock suggested that loss aversion, minimizing uncertainty, and emotional reactions to specific investments are among the most common. He pointed out, “These three groups of biases steer people toward minimizing danger even when there isn’t any; to make choices based on a feeling of certainty, even when there isn’t any; and to like an idea or not, even when there isn’t any actual data.”

It’s helpful for advisors to know they’re dealing with clients who think they’re rational but aren’t, and who have biases they are not aware of. When you recognize unconscious bias in a client’s viewpoint, you can help by bringing it into the open. As Rock concluded, “An advisor who is interested in clients’ authentic well-being should have conversations that challenge their biases without causing offense.”

## ***How Much Should You Teach Clients?***

Should advisors educate clients about the brain to help them make better decisions? Or should they simply use this knowledge to better understand a client’s decision-making process?

“I absolutely believe that advisors should share this knowledge with clients,” Paul Greenberg said. “Every day we come closer to an operator’s manual for the brain, so it is very important to share the most relevant information people can use to improve their lives.”

“When clients know something about how their brain works, they become more confident in their decision-making,” said Linda Graham, MFT, a San Francisco psychotherapist, consultant and trainer whose book, *“Bouncing Back: Rewiring Your Brain for Maximum Resilience and Well-Being,”* will be published in April.

Therapist Bonnie Badenoch added, “It can be helpful for clients to understand how early memories stored in the amygdala shape feelings and behavior. For example, if parents have a lot of fear about money, this anxiety will be communicated to a young child. When the subject of money comes up later in life, these early memories are triggered, and the person is no longer in a position to make rational decisions.” Exploring these emotions can help a planner

and client establish a relationship of trust and understanding that leads to more appropriate goals.

We think the most important takeaway is that with a better understanding of how the brain works, people can check in with their state of mind before making any financial decisions. “If the client is feeling empathized with and understood by the advisor, that in and of itself is calming to the brain,” Badenoch said. “This allows clients to be guided by the advisor rather than to resist, and at the same time frees their brains to make decisions based more on the present than on their past experiences and memories about money.”

Greenberg agreed: “The number one thing to keep in mind is to reduce the stress on the client and the advisor both. When you take your brain into a stressful zone, you start to lose some of your cognitive capacity. To foster clear thinking, the goal is to help clients maintain a positive outcome for their goals and the financial planning process.”

### ***10 Lessons From Brain Science***

There’s much more information about the brain than could possibly be touched on in this short series. We expect new research to affect investment advisors’ practices in powerful and subtle ways.

After hearing what the experts we interviewed had to say, we drew the following conclusions:

1. Our difficulty in making the best and healthiest choices for ourselves is in large part a result of the way our brain is wired. Yet over the last 20 years, research has shown not only that our brain can rewire itself as a result of experience, but that we can train it to think differently.
2. Although we think our rational brain is in charge, our emotional brain is more involved in decision-making than we realize.
3. Advisors—especially those whose thinking is dominated by their rational mind—need to be aware that a client’s intuitive emotional mind is even more important in decision-making.
4. Our rational, conscious brain is relatively slow and limited (we like David Rock’s analogy of a \$2 calculator). Unbeknownst to us, it often adopts the more impulsive decisions of our unconscious emotional brain.
5. When the unconscious brain drives decisions, people who are not aware of this fact can make not-so-smart choices. However, it’s not desirable or even possible to eliminate emotion from the decision-making process.

6. People's unconscious feelings may result in observable body language that shows they are "of two minds."
7. Biases such as loss aversion spring from past experiences or memories that are often unconscious. When they distort a client's decision-making, they need to be examined on a conscious level to rid them of their power.
8. Stress is the enemy of clear thinking. In therapeutic terms, it can reduce us to our most primitive survival mode, which is frequently dysfunctional.
9. Clients who are educated about their thought processes are less likely to make snap decisions.
10. The challenge for an advisor is to bring clients' rational (conscious) and emotional (unconscious) minds into alignment. So it's vital to recognize their feelings, concerns and fears and create a zone of safety for them.

The better you understand the brain, the more choices of attitude and action you and your clients will have. On a personal level, we believe this understanding will inspire more gentleness and compassion toward yourself and your clients, co-workers and loved ones. In the process, you will enhance their sense of well-being, and your own.

In the second part of this series in Investment Advisor, we'll discuss specific ways you can use your understanding of your clients' two brains to help them make better decisions.