Financial News and Client Stress: Understanding the Association from a Financial Planning Perspective

Running Head: Financial News and Stress

John E. Grable, Ph.D., CFP® [1]

University of Georgia

&

Sonya L. Britt, Ph.D., CFP® [2]

Kansas State University

[1] John E. Grable, Ph.D., CFP® , Professor, Family Financial Planning, College of Family & Consumer Sciences, Department of Housing and Consumer Economics, University of Georgia, 305 Sanford Drive, Room 213 Dawson Hall, Athens, Georgia 30602; Email: grable@uga.edu

[2] Sonya L. Britt, Ph.D., CFP® , Ph.D. Program Director, Personal Financial Planning, 317 Justin Hall, Kansas State University, Manhattan, KS 66506; Email: sbritt@ksu.edu

Abstract

Building client-planner relationships based on trust requires financial planners to demonstrate both technical competence and communication skills. Emerging evidence also suggests that managing client stress can lead to better client-planner interactions. This paper addresses a common question asked within the field of financial planning; namely, is financial news associated with client stress. Results from this experimental study suggest that financial planners should opt to turn off financial news programs, such as CNBC, Bloomberg, and Fox Business News in the presence of clients. Financial news was found to increase stress levels, particularly among men. Positive financial news (e.g., reports of bullishness in the stock market) created the highest levels of stress. It was hypothesized that positive financial news may trigger regret among some people.

Key Words: Stress, Regret, Media

Introduction

Financial planning has faced, almost from its inception as a professional field of practice, a practice management dilemma. A basic assumption of competency exists, but for years competency has been conceptualized almost exclusively as technical expertise, with client relationship issues receiving little attention. For those who hold the Certified Financial Planner (CFP®) or similar international certification, the level of technical training has been somewhat standardized. For years, the only concepts tested on international certification examinations were those in the core content domains—cash flow and net worth planning, taxation, insurance, retirement, investing, special needs, and estate planning. As with all policies that are designed to ensure practitioner capabilities, unintended consequences soon arose (Journal of Financial Planning, 2008). In the case of financial planning, university and college programs that emerged to teach the next generation of financial planners focused, naturally and almost exclusively, on the technical nature of financial planning. The pedagogical assumption was that, following the field's lead in terms of examinations, technical competence was the dominant aspect necessary to be a successful financial planner.

This single-minded focus on developing expert technical knowledge has resulted in at least two outcomes. First, the process and practice of financial planning has slowly gained acceptance in the eyes of academicians and affiliated professionals as an emerging profession. Changing perceptions have resulted from the quality of work performed by the majority of financial planners. This is a positive outcome. No longer is financial planning seen as a disguised sales process approach (Overton, 2008). The second outcome is less positive. Few practitioners have focused enough time and energy in becoming proficient in, as Van Zutphen (2007) noted, "understanding human motivations, emotions, and the development of interpersonal skills" (p. 1).

The gap that exists between technical competence and communication and client relationship proficiencies is slowly closing. There is a growing body of literature showing the positive association between financial planning success—both for advisor and client—and counseling skills that lead to client trust. Consider an insight by Lee (2001). She noted that the primary cause of failed planning relationships is not due to technical incompetence on the part of a financial planner, but rather on a planner's inability to fully understand the emotions and motivations of clients. To date, nearly all discussion related to creating and maintaining trusting client-planner relationships has revolved around communication and counseling skills. More recently, there has been a growing interest in exploring other factors that might also influence how clients conceptualize interactions with financial planners. For example, Grable and Britt (2012) documented ways in which client stress can negatively impact the client-planner relationship. Specifically, they concluded that clients who are experiencing high levels of stress are the least likely to view their financial planner as a trusted advisor. The purpose of this paper involves expanding the analysis of client stress to determine if and how clients are affected by financial news reports and to further document the role stress plays in shaping clients attitudes and behaviors.

Review of Literature

Van Zutphen (2007) articulated a viewpoint that is increasingly being confirmed in the literature. He noted that financial planners who are able to make emotional connections with their clients, in an attempt to develop a relationship based on trust, encounter greater success with plan design and implementation, as well as with compliance issues. There is evidence suggesting "the most effective and successful advisers in the industry are ones who can truly listen, build trust, interview effectively, make the client feel understood, and manage the delicate issues money can evoke" (Jaffe & Grubman, 2011, p. 1). As suggested by Van Zutphen and Jaffe and Grubman, a key assumption underlying this concept is the notion that trust is an outcome of good communication processes. It is worthwhile for financial planners to build client-planner relationships on trust. Although communication processes can be a tool to facilitate client trust, it is also important to account for client stress as a factor that can influence trust building (Grable & Britt, 2012).

Jaffe and Grubman (2011) noted that many prospective and existing clients occasionally have difficulty confiding personal information to financial planners. Some clients tend to be tentative and hesitant to share both financial and personal insights (Poduska, 1989). Jaffe and

Grubman provided an excellent review of communication techniques that can be used, quite effectively, to help clients overcome their initial reluctance to confide personal information. It is important to note, however, that developing client trust can sometimes present challenges that even the best communicators and counselors cannot easily overcome. Grable and Britt (2012) argued that stress may be the missing factor in the broader client relationship mix. That is, clients may enter into a client-planner relationship in a stressful state, or in some situations, find that their stress level has increased due to environmental factors such as watching financial news reports or experiencing worries about their financial situation. When this occurs, planners who focus primarily on technical issues and/or communication techniques may not make a deep personal connection with clients because stress acts as a defensive barrier to open dialog.

According to Yi and Baumgartner (2004), people who are faced with a stressful situation tend to use one of two coping strategies. Some individuals attempt to manage the source of stressful emotions, whereas others work to handle the emotions associated with stress. Possible coping strategies include anger, worry, disappointment, and regret. Within the context of this study, regret is particularly important. Regret is defined as a negative emotion associated with a foregone alternative that has resulted in a better choice outcome. Regret is closely associated with self-blame (Yi & Baumgartner). Imagine a situation where a client is watching a financial news program. The client takes note that the stock market has been moving upward; however, he or she is not currently in the market. This lack of participation in the markets may lead to regret. In general, those who feel regret also experience high stress levels. As will be discussed later in this paper, the coping strategies associated with regret and high stress are not conducive to building trusting client-planner relationships.

As suggested above, although communication skills are essential to building a trust-based client-planner relationship, it is essential for financial planners who are interested in developing deeper emotionally stable relationships with clients to understand the role stress likely plays in shaping the context of client meetings (Poduska, 1989). Kessel (2006) documented many of the feelings clients who worry share, such as fear, doubt, dejection, tension, panic, negativity, apprehension, pessimism, nervousness, and uneasiness. What is interesting about this list is how well it matches with feelings held by those who are experiencing high levels of stress. Stress, as used in this paper, refers to someone's emotional reaction to a stressor—an external stimulus that creates worry (Green & Green, 1977). Indicators that someone is experiencing stress include fatigue, exhibiting a tight jaw, irritability, and poor concentration. Grable and Britt (2012) documented how those experiencing stress often act in ways that short-circuit clients' financial well-being. For instance, stressed clients often make short-sighted decisions, they may become defensive when answering certain questions, answers to questions may be short and not descriptive, and when very stressed, clients may be reluctant to implement financial planning recommendations. Regardless of how well a financial planner implements communication techniques, unless the stress exhibited by a client is identified and reduced, the likelihood of developing a trust-based client-planner relationship will be significantly threatened.

Grable and Britt (2012) discussed two primary sources of stress for those seeking the help of a financial planner/advisor. The first set of stressors is typically outside the control of a planner and his/her staff. Clients experience a myriad of stressors on a daily basis, such as receiving a speeding ticket, having a spousal fight, or simply running late to a meeting. Generally, a financial planner can do nothing to reduce the impact of these stressful events prior to meeting with a client. There are some stressors, however, that are in the purview of a financial planner and his/her staff. Of particular importance is the office environment in which client-planner meetings take place. It has been shown, for example, that the type of furniture used in a client meeting room can significantly impact a client's stress level (Britt & Grable, 2011). Another potential stressor is the placement of television screens in an office environment and the choice of which programs to show.

A comprehensive review of the *ProQuest* academic literature database showed no published studies documenting the association between stress and financial television viewing; however, ample anecdotal evidence indicates such a relationship likely exists. A lively discussion can always be had among a group of financial planners who are asked whether financial news programs should be aired in a planner's office. At least half of such a group will typically argue that allowing clients to view financial news programs prior to or during a client-planner meeting may be a negative stressor. The other half will tend to agree that financial news can be a stressor but that the stress may be a good thing. That is, these planners believe financial news may prompt clients to take action or help clients engage in problem-solving coping (Yi & Baumgartner, 2004). To date, however, there has been no published evidence to support either argument.

What is particularly noteworthy is the overall dearth of research on the effect of television viewing on general levels of stress. While there are numerous publications showing associations between and among gender stereotypes, body image, and cultural biases in the media, few academic papers have been published showing any link between television viewing and stress. There is a basis to hypothesize that an association may be present though.

Rivadeneyra (2006) used a constructionist theory of media to determine reactions to programs viewed through media outlets can vary based on a number of factors, including cultural background, knowledge, and gender. The role of gender is of particular importance. Hartmann and Klimmt (2006) noted that media entertainment preferences exist and differ based on gender. Media socialization may help explain these differences. Over time, women have developed a preference for television programs and movies that involve dialog, character interactions and development, and meaningful life scenarios (Mayer, 2003). Men, on the other hand, tend to be drawn to programs that are action-oriented, sexy, and provocative (Fischoff, Antonio, & Lewis, 1998; Sargent, 2003). Financial news in the 21st century generally falls into the action category of media—something that might appeal to men more than women.

In a rare study exploring stress responses of stock market traders, Lo and Repin (2002) measured various physiological responses, including skin conductance, blood volume pulse, heart rate, and body temperature, of security traders during their work. Although Lo and Repin's sample was very small (n = 10), they did provide evidence of how traders are physiologically stressed by financial news. In particular, they found elevated levels of physiological arousal during transient market events and during periods of heightened market volatility. Further, traders with greater experience in the field reacted more calmly during these troubling financial times compared to those with less trading experience. No studies, however, have been conducted to test the relationship between stress responses of non-professionals.

Given the existing literature available, it is reasonable to hypothesize that (a) watching financial news may induce stress, (b) the type of stress experienced may be either positive (i.e., eustress) or negative (i.e., distress) based on the coping strategy chosen by a viewer, and (c) reactions to financial news may differ by gender. Grable and Britt (2011a) found that men and women react differently when asked financial questions using pen-and-paper surveys compared to surveys delivered via media sources. Men, in general, prefer electronic delivery of client intake forms, while women have an orientation towards interactive forms of a client data gathering. In a related study, Grable and Britt (2011b) also noted that men and women respond differently when answering questions depending on the gender of the questioner. Startlingly, they concluded that the risk tolerance of both men and women can be manipulated based on who was asking the question. Men's tolerance for financial risk increased when they were asked questions by a woman, whereas women's risk tolerance became elevated when questioned by a man. It is possible that reactions to financial news may also show distinct gender differences. If this is the case, the answer to whether or not a financial planner should air financial news in their office environment may be more complex than responding with a simple yes or no.

The Experiment

Participants

Participants in the study were 41 individuals living in a midwestern U.S. city who were seeking the services of a financial planner. Fifty-four percent of participants were male and 90% were non-Hispanic White. Participant ages ranged from 20 to 75 years (M = 32.51, SD = 13.67). Participants were recruited using advertisements and email solicitations. Upon completion of the experiment, each participant received a $15 payment.

Measures

The experiment was based on a psychophysiological perspective. Participants were evaluated using two instruments. First, each participant answered questions using an experimental software program called MediaLab® . MediaLab® allows for pre- and post-test questions to be answered using a computer interface. During the pre-test procedure, participants answered demographic, attitude, and behavior questions. Approximately two-thirds of the way through the assessment, participants were prompted to view a positive or negative financial news video (i.e., the treatment). Each video was approximately four minutes in length and included actual scenes from sources such as CNBC, Bloomberg, Fox Business News, and CNN. Random assignment was used to determine who viewed which video. A post-test of attitudes, knowledge, and behavior followed the treatment.

Concurrently, each participant's stress level was evaluated using a bio-assessment apparatus. Essentially, skin conductance activity (SCA) was measured using a sensor attached to each participant's middle finger, which determined skin conductivity related to sweat production. As suggested by Peek (2003), there is a direct and positive association between sweat gland activity and skin conductance. Further, as an indirect measure of sweat production—a statistically accurate gauge of physiological stress—SCA evaluation was determined to be an ideal way to evaluate anxiety produced by the visual and auditory stimulation of the financial news videos.

Procedure

Due to the small sample size, a Wilcoxon signed-ranks test was used to analyze differences in stress scores before and after watching financial news reports. The Wilcoxon signed-rank test is similar to a dependent samples *t*-test used with larger, normally distributed samples (Field & Miles, 2010).

Results

All Participants

Results from a Wilcoxon signed-ranks test showed that skin conductance activity (SCA) increased significantly after watching financial news reports ($Z = -2.14$, $p = .03$). Mean SCA increased from 3.97 to 4.31 over the course of the viewing. While median SCA readings were relatively stable, 67% of participants exhibited an increase in overall stress.

Findings were somewhat unexpected when SCA was assessed based on the type of news watched (i.e., positive or negative). A statistically significant increase in SCA, using a Wilcoxon signed-ranks test, was recorded for those who viewed positive financial news reports ($Z = -2.17$, $p = .03$). Specifically, 75% of those who watched the positive news video exhibited an increase in stress. However, no significant change in SCA was noted for those who watched the negative news video.

Gender Differences

Wilcoxon signed-ranks tests were used to evaluate gender differences in SCA. Men were found to exhibit statistically significant increases in SCA over the viewing time span ($Z = -1.93$, $p = .05$). Approximately 71% of males showed distinct increases in SCA after watching financial news reports. No significant change in SCA was found for women. In other words, the overall stress level for women before and after watching the news reports remained relatively constant. A *t* and median test were used to evaluate if these results were an artifact of skin conductance differences between the men and women in the experiment. No significant differences were noted, suggesting that the gender results were not unduly influenced by meaningful SCA variations. Finally, no differences between men and women were noted based on the type of financial news viewed.

Discussion

Results from this experiment have implications for financial planners and advisors. First, exposing financial planning clients to financial news appears to negatively effect stress reactions among certain individuals. Specifically, stress levels for both men and women increased after viewing financial news. Second, the greatest increase in stress was associated with positive financial news. Third, men tended to react in a more stressful manner after watching financial news.

These insights help address an important question commonly asked by financial planners; namely, should financial news programs, such as CNBC, Bloomberg, and Fox Business News, be switched on during office hours? That is, should prospective and current clients be in a position, either in a waiting room area of a financial planner's office, where financial news can be seen? The results from this study suggest that the answer to the question is not a simple affirmative or negative. In general, individuals who watch financial news—even short clips—exhibit a statistically significant increase in physiological stress. However, the effect is more pronounced for men than women.

Adding to the issue is whether clientele are exposed to positive or negative financial news. Some would guess that negative news would prompt the greatest change in stress levels—this was, in fact, the working assumption among the research team. In this study, the opposite was true. It is possible that negative financial news is a factor leading to client help-seeking behavior. For example, bad news that is generally reported in the media may trigger a help-seeking response among those who watch and listen to the news. On the other hand, positive financial news may induce stress as a result of regret. Imagine a client who watches stories of increasing equity prices, profits being made, and overall market exuberance. If the client is not fully participating in the market or is unfamiliar with the risks and rewards of investing, the person may feel increased stress resulting from feelings of disappointment in "missing an opportunity" or guilt associated with the inability to interpret what is being said in the news reports.

Previous studies of regret support the notion that people tend to feel most remorseful when they look back at a situation and realize that they failed to take action. Gilovich and

Medvec (1995) described the situation this way: “People report that they regret their inactions more than their actions” (p. 383). The regret associated with watching positive financial news is similar to what Kahneman (1995) termed wistful regret, which are thoughts of lost gains. While a need exists to further test this possibility, the evidence does suggest that some people likely regret not holding investments that are moving up when faced with news showing that their decision was costly. On the other hand, negative financial news may not prompt the same reaction because people who are not in the markets may feel self-satisfied with their decision. As suggested by Yi and Baumgartner (2004), those who watch negative financial news, who also hold risky positions in the market, may use a disengagement, acceptance, or reinterpretation coping strategy to support their position.

Ultimately, the choice to incorporate television screens showing the latest financial news in an office environment comes down to a few key issues. First, what is an advisor’s target clientele? While both men and women appear to be “stressed” after watching financial news, men are likely to become more stressed after viewing financial news. Second, is the news of the day positive or negative? Counter to common wisdom, turning on CNBC, for example, on a day when the markets are hitting all-time new highs may cause undue levels of physiological stress, especially among men. As such, for those who feel that it is necessary to stay abreast of the news in such a way that the news is viewable by clients, it seems important to monitor the type of news stories being shown and who may be watching. Negative stories viewed by women may be less problematic than allowing male clients to view any type, but particularly positive stories. Given that the monitoring process could become cumbersome, many financial planners and advisors would be well advised to limit the use of financial news being presented in their office environments—if an advisory goal involves helping clients reduce the stress associated with the financial planning process.

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