

The Money Identity and Preferences Inventory: A Tool for Assessing a Client's Relationship to Wealth

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Stephen Goldbart, Dennis Jaffe and Joan DiFuria introduce the Money Identity and Preferences Inventory and explain how this tool can assist your clients who have inherited or expect to inherit significant resources in understanding how money may be affecting their lives.

As a financial professional, you are familiar with the many different ways that your clients respond to their money. Having money means many different things and has many different effects on people's lives. The way that they experience money, whether they have come to it by inheritance or by success in their work, is often a source of conflict or difficulty.

We have created a simple inventory that can help you and your clients understand their "money psychology." It looks at some of the ways an individual's money affects behavior and personal relationships. The Money Identity and Preferences Inventory (MIPI) is not a psychological test, but rather, it is a useful tool to initiate a dialogue with clients about how their money affects them and their lives.

How a person relates to money is a distinctive part of personality that expresses some of one's deepest anxieties, choices and

values. Some of the questions that money can pose include:

- Does the person see money as a path to fulfillment, a burden or something of an embarrassment?

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- Does money lead to tension or conflicts in relationships?
- Does your client avoid keeping up on what is happening to his money?
- Do your client and his spouse or partner have significant disagreements about how to use money in their lives?
- Is money the most significant thing about your client, or a minor aspect of his character?

Many of your clients find themselves in mid-life with significant resources—more than they may have expected. Many others, including their children, will inherit significant wealth in the coming years. But rather than bringing fulfillment, money can bring stress, unexpected complexity or even distress to life. The great opportunities of wealth can be lost if spent on meaningless, self-defeating or destructive pursuits. It can be a source of confusion if your client is not sure what he wants to do with it or how it fits into his life.

Eight years ago, we started seeing these issues in our practice at the Money, Meaning and Choices Institute in the San Francisco Bay Area (www.mmcinstitute.com). Many people have come to us suspecting that, with their primary focus on work and financial gain, they have lost their moorings somewhere along the way. Unlike the Rockefellers and Kennedys, their families have not grown up with wealth and therefore are not well-equipped to deal with both its challenges and opportunities. Money comes with tremendous potential, and the choices your client can make about how he uses it are unlimited. But sometimes these choices can be surprisingly difficult, particularly if your clients are uncertain about or lack the foun-

ation of values that enables them to choose wisely.

For many clients, money alone is not the issue. It is also the status and recognition that comes with wealth, leading to feelings of power and entitlement but also to feelings of entrapment and isolation. It changes their lives. We now recognize that having and inheriting money has a marked impact on one's core identity—on the beliefs and values that map how we see ourselves as people as well as how others see us.

At its best, understanding the place of money in one's life can represent a new life stage, offering more choices but still posing issues of meaning, personal empowerment and social responsibility. After sifting through what money means to them—its effect on their sense of self-esteem, personal relationships, work and community—your clients will be better able to embark on new ventures with an invigorated set of priorities. This inventory can help you begin the conversation with them about these issues.

The Money Identity and Preferences Inventory looks at key factors that inform an individual's sense of meaning and emotional connection to money. It is designed for people who have, or expect to inherit, significant financial resources. Their scores help them see their strengths and vulnerabilities in relation to money, and can open dialogue with significant others in their life, about these issues. Each of the five Wealth Identity Factors describes an important psychological relationship to the saving, spending and sharing of wealth.

After your client completes the Inventory, he generates a score for each individual factor, indicating

whether he is strong or feels vulnerable in that area. Your client can use the MIPI to explore how each of these factors affects his relationships with money, and through his money, his relationships with other people and the world at large.

Understanding the Five Wealth Identity Factors

The first way to use the inventory (Exhibit A) is to look at the strength of your client's response to each area. If your client is in the "Vulnerable" range in any area, you should explore how he or she might grow or enhance resources in that area.

Factor 1: Self-Esteem/Personal Security

Money by itself does not make people feel better about themselves, or personally secure. In fact, its presence may lead your client to feel an increase of anxiety. Factor one helps your client assess how much his sense of personal value, self-respect and personal identity is founded on wealth. Unless your client has a strong sense of personal identity, the fear of losing money will lead your client to feel continually vulnerable.

Strength on this factor means your client has a solid and coherent foundation of self-esteem and personal security that is not primarily reliant on net worth. A high score on this factor indicates a person who feels in charge of his or her life, enjoying the advantages of money without feeling that it makes them a better or more worthwhile person.

Vulnerability on this factor indicates that wealth plays a dominant role in self-esteem, over-defining

his worth by the size of his assets. Or there may be a sense of not deserving the money, accompanied by feelings of guilt and shame.

Exploring This Factor. Positive self-esteem is comprised of a multitude of factors, including the capacity to love and be loved, to be recognized and connected to family and community, and to be successful and productive. Certainly the achievement of financial independence, a symbol of success in our society, can enhance self-esteem. But money and work success alone will not provide adequate self-esteem.

The impact of wealth on self-esteem can be even more problematic for inheritors than it is for earned wealth-holders. Inheritors may feel unworthy of their gifts and may suffer from doubt and guilt regarding their wealth.

Factor II: Lifestyle

This factor explores the degree to which your client gets pleasure from spending his money. The way your client spends and the nature of his life is one way he creates his identity.

Strength in this factor is seen in people who feel genuine pleasure and satisfaction from the spending of their money. They spend without guilt and avoid habits that are ultimately self-destructive. They buy things that have meaning and that provide genuine pleasure. A high score on this factor indicates a person who practices a values-based spending, balancing saving and sharing of money with spending. It is also a person who can enjoy spending without excess shame or guilt.

Vulnerability in this factor has a double quality: people either overspend or spend impulsively, resulting in a short-lasting pleasure, a sense of waste and potential

negative financial consequences. Or on the other side of the spectrum: people who radically under-spend, feeling inhibited by a sense of nonentitlement and feelings of shame and guilt. At the root are questions about themselves or their money that they try to snuff out by spending.

Exploring This Factor. The presence of money can be a resource or a temptation to addiction and compulsive spending. Consider stories of people winning the lottery or inheriting large fortunes and quickly spending them away. They might expect that they were not truly in control of their wealth, and it did not, in the end, add anything to their lives.

Factor III: Stewardship

Stewardship refers to the degree to which one's financial decision-making is based upon a family mission and set of values. Wealth is viewed as a multi-dimensional resource that is preserved and shared for the benefit of both current and future generations. While it is his, a healthy person will want to look around him, and consider what can be done for other people, and for the future.

Strength in this factor is reflected in people who have a "future sense" of their money decisions, who desire to leave a meaningful legacy and who are thoughtful about the impact of distributions to future generations. They plan for how wealth can make a difference in their own lives as well as in the larger community. High scores on this factor indicate a person who has a plan for the distribution of their wealth, and wants to leave a values-based legacy for future generations.

Vulnerability in this factor is seen in people who view their wealth as primarily for their own

use, who do not want or don't have a legacy plan, and who are not concerned about the future use of their money distributions. Wealth is seen as a private resource for personal use and enjoyment.

Exploring This Factor. The presence of significant money leads a person to explore issues beyond himself. Your client may want to consider how his wealth can impact his heirs and his community. An individual cannot have a great deal of money and not listen to the needs that lie around him.

Factor IV: Trust in Relationships

This factor refers to the degree to which personal relationships and willingness to trust others are affected by wealth. It informs clients about whether they are able to trust other people, or always feel that their money lies between the two of them in determining the nature of the relationship. Surprisingly, the presence of money can make it hard to trust others, even as it attracts them.

Strength in this capacity indicates a person who has found his personal comfort zone in handling the impact of money on personal relationships. He is able to trust other people and feels both confident and trusting in handling the impact of money on relationships.

Vulnerability in this capacity results when money plays an overly important role in relationships. Intimacy, trust and stability are over-determined by money matters. Conflicts over money can contaminate relationships with loved ones, causing hardships and heartaches.

Exploring This Factor. The value of self in a relationship is not determined by the size of one's bank account. Strength on this factor does

not mean that the interaction of money and relationships is without difficulties but it indicates that challenges can be handled without significant assault on self-esteem or on the stability and involvement with important others. For example, in many close relationships, we see people grappling with differences between “savers and spenders.” Strength in this factor indicates the capacity to communicate in constructive ways in resolving or reconciling differences.

Vulnerability in this factor can also be seen in people with exaggerated fears about being “taken advantage of” by others. Some people have irrational fears of contact with others of differing economic classes. Fears about how others may respond to money issues can result in secrecy, or at its extreme, the “Howard Hughes syndrome” of privacy with a paranoid edge.

Money must be managed in relationships. Starting from a sense of distrust and vulnerability may be hard to overcome. But uncritical acceptance of others can also lead to being taken advantage of. Your client must accept that money will get in the way of relationships, and must use personal skills to break through to resolve these issues in their most important relationships.

Factor V: Financial Awareness

Financial awareness refers to the degree to which your clients are aware of their money matters: how much they have, how it is invested, how it is spent and shared. Not knowing about their money is a way of denying it, or not being responsible for taking care of it. Just as you take care of a prized possession, so a person should take care of his money, to ensure his future.

Strength in this factor indicates a solid hold on one’s finances characterized by the feeling of truly “owning their money.” While details of wealth management may be delegated to a team of professionals, the wealth holder is keenly aware and in charge of saving, spending and sharing of money.

Vulnerability in this factor is seen in people who have difficulty claiming ownership for their wealth, and at worst, avoid or deny responsibility for it.

Exploring This Factor. Many heirs and people who achieve sudden success are not really prepared to handle their money. They need to begin a process of learning. The existence of trusts and family financial advisors may contribute to the wealth holder’s feeling of vulnerability and lack of control. The wealth holder must inform himself about his financial condition and be a part of any major financial decision.

Not infrequently, we see contradictions between a person’s money awareness at work as compared to his personal wealth. Inheritors often suffer from difficulties with money awareness. Some heirs feel disconnected from the money, as if it still belongs to the family member who made the distribution.

Using Inventory Results to Make a Difference

When it comes to money, knowledge is power. Understanding their psychological beliefs and attitudes about their financial behavior can help your clients take command of how their money psychology is affecting their lives. Their money prefer-

ences profile can be a guide to appreciating their strengths and knowing their weaknesses.

Self-Awareness

Your client may review the results from his Money Identity and Preferences Inventory and learn something about himself as a person and his approach to life. The tool becomes even more useful when your client uses it with others close to him, especially his family or most significant friend. Your client and his partner might both take the inventory and compare their responses in terms of areas of vulnerability. Your client might find that he argues or feels conflict in areas where one or both of them are more vulnerable.

The inventory can also be used as a way of better understanding your client and his partner’s different beliefs and values about the earning, saving, spending and sharing of money.

Everyone has some vulnerabilities in relation to his or her money. Knowing his or her vulnerabilities can help your client decide whether he or she wants to change or maintain particular money attitudes, beliefs and behaviors. Your client can learn more about vulnerability in each factor by creating a list of beliefs about money in that area.

For example, in the area of Trust in Relationships, your client might ask what he believes the people who want to be close to him believe about him and his money. Then, for each belief, he might ask himself what has happened in his life that supports that belief and what has happened that may suggest the belief is not completely accurate. For example, he may have been taken advantage of by a person who is close to him. Does your client feel that will happen any time he gets close to some-

one? Exploring his beliefs helps him to see where he could act differently in a relationship.

Family/Relationship Discussion

The Inventory might also be the focus for a discussion with a client's spouse, or his whole fam-

ily, about the meaning of money in their lives. After comparing scores, your client and his family might have a conversation together about what they want the legacy of their wealth to be.

Think of the Inventory as a path to begin exploring the issue of

how money affects one's life, not as an end in itself. Your clients and the people around them can use it to look at patterns, styles and areas of difficulty in relation to money. It is an opening of self-exploration and communication, not a pronouncement of their destiny.

Exhibit A The Money Identity and Preferences Inventory

Each row features two opposing statements. Circle the number that expresses the degree to which you agree with one or the other statement. Only use a 0 if you are truly uncertain which side fits you more closely:

Wealth Identity Factor I: Self-Esteem/Personal Security		
I could live comfortably without my money.	3 2 1 0 -1 -2	I fear losing my money.
Having money frees me to do what I really want to do.	3 2 1 0 -1 -2	Having money makes it hard for me to stick with anything.
Money helps me feel powerful and in control.	3 2 1 0 -1 -2	Having money leads me to feel vulnerable and helpless.
I feel I have enough money.	3 2 1 0 -1 -2	I never feel I have enough money.
I don't worry about money.	3 2 1 0 -1 -2	I frequently worry about money.
I feel comfortable with the wealth I have been given.	3 2 1 0 -1 -2	I feel that I do not really deserve the wealth I have.
Money is only a part of my identity.	3 2 1 0 -1 -2	My money largely determines how I see myself.
Add circled numbers: _____ Divide by 7: _____ Final Score: _____		

Wealth Identity Factor II: Lifestyle		
When I have money I tend to save it.	3 2 1 0 -1 -2	When I have money I tend to spend it.
I use my money to live a simple lifestyle.	3 2 1 0 -1 -2	I use my money to live an opulent lifestyle.
I like to have possessions that are solid and durable.	3 2 1 0 -1 -2	When I buy, long-term sustainability is not a concern.
My lifestyle is a real statement of who I am.	3 2 1 0 -1 -2	My lifestyle is impulsive and unfocused.
When I spend money on something I truly enjoy it.	3 2 1 0 -1 -2	I don't really enjoy the things I spend money on.
Add circled numbers: _____ Divide by 5: _____ Final Score: _____		

Wealth Identity Factor III: Stewardship/Legacy		
My wealth is a legacy for my heirs.	3 2 1 0 -1 -2	My money belongs to me; I want to live rich and die poor.
Money is a means to achieving worthwhile goals.	3 2 1 0 -1 -2	Money is an end in itself.
Money helps me make a difference.	3 2 1 0 -1 -2	Money is primarily for getting what I want.
I tend to use my money to do good things.	3 2 1 0 -1 -2	I tend to use my money to make myself feel good.
Money gives me a special advantage that I do not want to abuse.	3 2 1 0 -1 -2	I'm just lucky to have money, and I don't feel obligated to do anything because of that fact.
Add circled numbers: _____ Divide by 5: _____ Final Score: _____		

The Money Identity and Preferences Inventory

Exhibit A continued

Wealth Identity Factor IV: Trust in Relationships		
Money helps me feel secure in my relationships.	3 2 1 0 -1 -2	Money leads other people to take advantage of me.
I am comfortable if people know I am wealthy.	3 2 1 0 -1 -2	I don't want people to know I have money.
I am comfortable around all types of people.	3 2 1 0 -1 -2	I am only comfortable around wealthy people like me.
I believe people like me for who I am.	3 2 1 0 -1 -2	I believe people like me primarily because I am wealthy.
Money is not a source of conflict in my friendships or personal relationships.	3 2 1 0 -1 -2	Money issues interfere with my friendships and personal relationships.
Add circled numbers: _____ Divide by 5: _____ Final Score: _____		

Wealth Identity Factor V: Financial Awareness		
I always know how much money I have.	3 2 1 0 -1 -2	I never know how much money I have.
I make money decisions by careful analysis.	3 2 1 0 -1 -2	I make money decisions on impulse.
I am prudent about what I spend.	3 2 1 0 -1 -2	I find it easy to lose track of what I am spending.
I inform myself about my financial affairs.	3 2 1 0 -1 -2	I leave my financial affairs to my advisors.
I know where my money goes.	3 2 1 0 -1 -2	I am never sure where my money goes.
Add circled numbers: _____ Divide by 5: _____ Final Score: _____		



Summary

Circle the box where your score lies for each factor:

Wealth Factor	Vulnerability	Vulnerable -2 - 0	Comfortable 1 - 2	Strong 2 - 3	Strength
Self-esteem/ Personal Security	Wealth plays dominant role in self-esteem, over-defining your worth by the size of your assets.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Feel in charge of your life, enjoy advantages of money without requiring high net worth to have sufficient level of self-worth.
Trust in Relationships	Intimacy, trust, and stability over-determined by money matters. Conflicts over money contaminate close relationships.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trust other people, and deal with money issues without poisoning or undermining your relationships.
Stewardship / Legacy	View wealth as primarily for your own use, don't have a legacy plan. Not concerned about future use of your money.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Have "future sense" of money decisions, desire a meaningful legacy, thoughtful about impact of inheritance on future generations.
Lifestyle	Spend impulsively, resulting in a short-lasting pleasure, waste, and negative financial consequences, or under-spend, feeling inhibited by feelings of shame and guilt.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Feel genuine pleasure and satisfaction in spending money. Spend without guilt; buy things that have meaning and for fun.
Financial Awareness	Behave as if wealth is really not your own, or is magically taken care of by others.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Solid hold on finances characterized by feeling of truly "owning your money."

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