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By Mike Miliard

Gayle Buff is principal of Buff Capital Management, a Newton Highlands, Mass., firm she founded in 1989. Ms. Buff, who previously worked as a psychiatric nurse, takes special interest in the psychology of decision-making. She spoke with WSJ.com Financial Adviser about how advisers can recognize and respond to the differences between their clients' right-brain and left-brain reactions.



Gayle Buff

My earlier training in psychiatric nursing heightened my awareness of how people process information. This should be of interest to advisers because it has a huge impact on how people make choices in their financial lives. Sometimes clients get in their own way, unfortunately, and understanding why that happens is very useful.

I talk about the two brains, the left brain and right brain. Our right brain is in the moment and quite emotional, and our left brain is quite reasonable. Ideally we want to have access to and use both sides of our brain. But in extreme times, often the reasonable part of our brain sort of shuts down.

You've probably heard that people shouldn't make an important decision at a time of emotional stress. There's a reason for that: It's because we're overly emotional and it's hard to have access to our left brain.

That's the key role the adviser can play, particularly during highly emotional times in the market or highly emotional times in the client's life: to help bring the left-brain thinking into focus.

I came up with a schematic that I call the adaptive process. In that process, the first thing that has to happen is to acknowledge and accept the message, whatever it is. Sometimes we don't like the message, so we rail against it. For example, in this most recent market, people had losses. To acknowledge and accept that there was a loss would be the first of this three-part

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process.

The next is to reflect on it. That is, to reassess the situation: How is my life different because of this loss, and what do I need to do differently?

The third step is to devise a plan. And this is where the adviser can be extraordinarily helpful — to come up with a strategy for whatever the situation is.

The relationship between an adviser and a client should be a long-term one. The adviser and the client will go through many market cycles; as the relationship evolves and the adviser acts as a guide and a teacher, ultimately you end up with a better client. You learn from the client, you understand how they act over time, and you become a trainer and help them become better investors.

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