



Using Behavioral Finance to Improve Client Outcomes



Canadian Securities Institute
A Moody's Analytics Company

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Optimizing Portfolio?

What has a
bigger impact
on outcomes?

Focusing on saving
versus spending?

The Value of Behavioral Coaching

Better Client Outcomes

- More likely to adhere to plan
- More diverse portfolios
- Superior Sharpe Ratio

Better Outcomes for FAs

- Greater trust
- More likely to consult FA in future
- Increased perceived benefits of working with FA

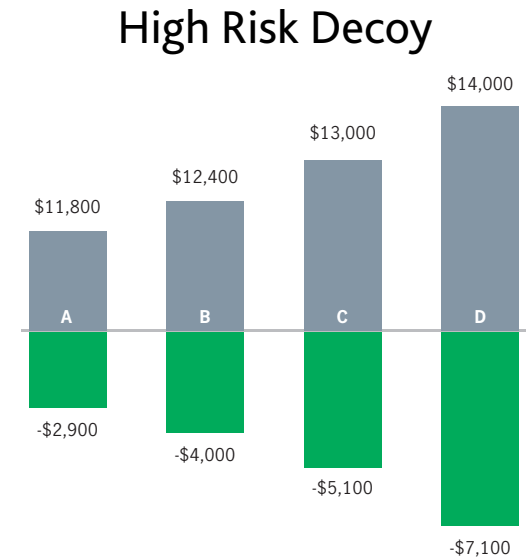
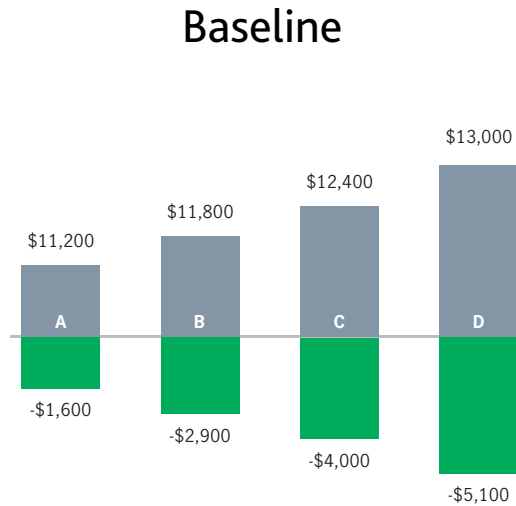
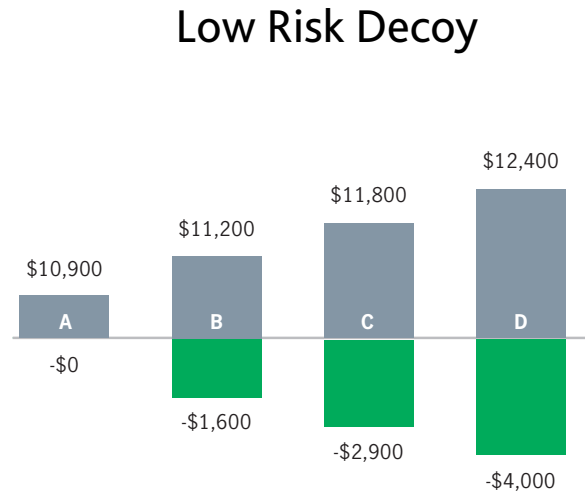


What is Behavioural Finance and Why Does it Matter?

How do we really make decisions?

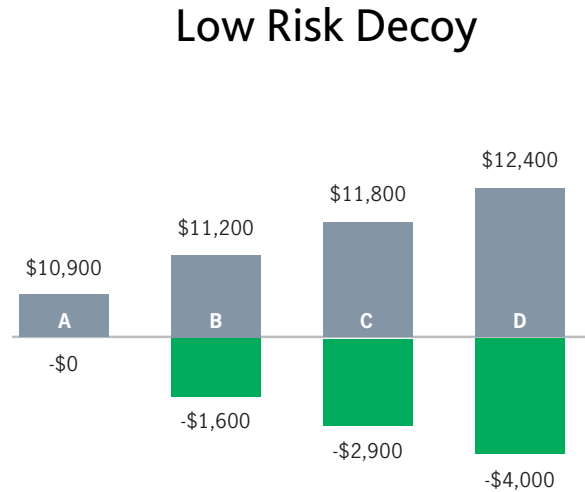


Which portfolio would you choose?

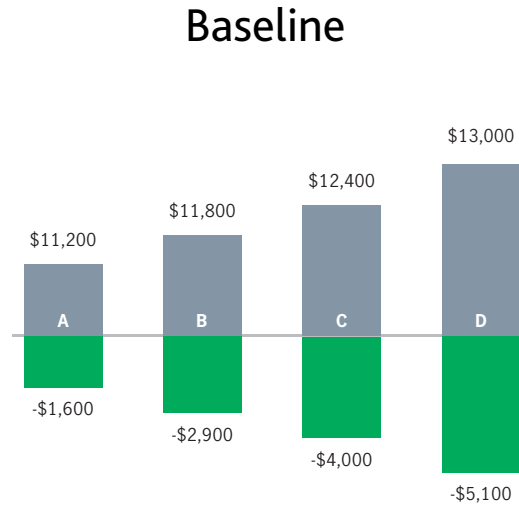


Baseline			
Fund A	Fund B	Fund C	Fund D
27%	23%	33%	17%

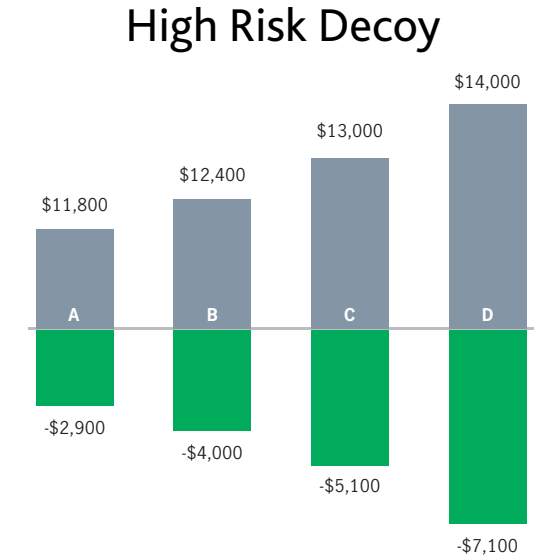
Which portfolio would you choose?



Low Risk Decoy			
Fund A	Fund B	Fund C	Fund D
20%	30%	32%	18%



Baseline			
Fund A	Fund B	Fund C	Fund D
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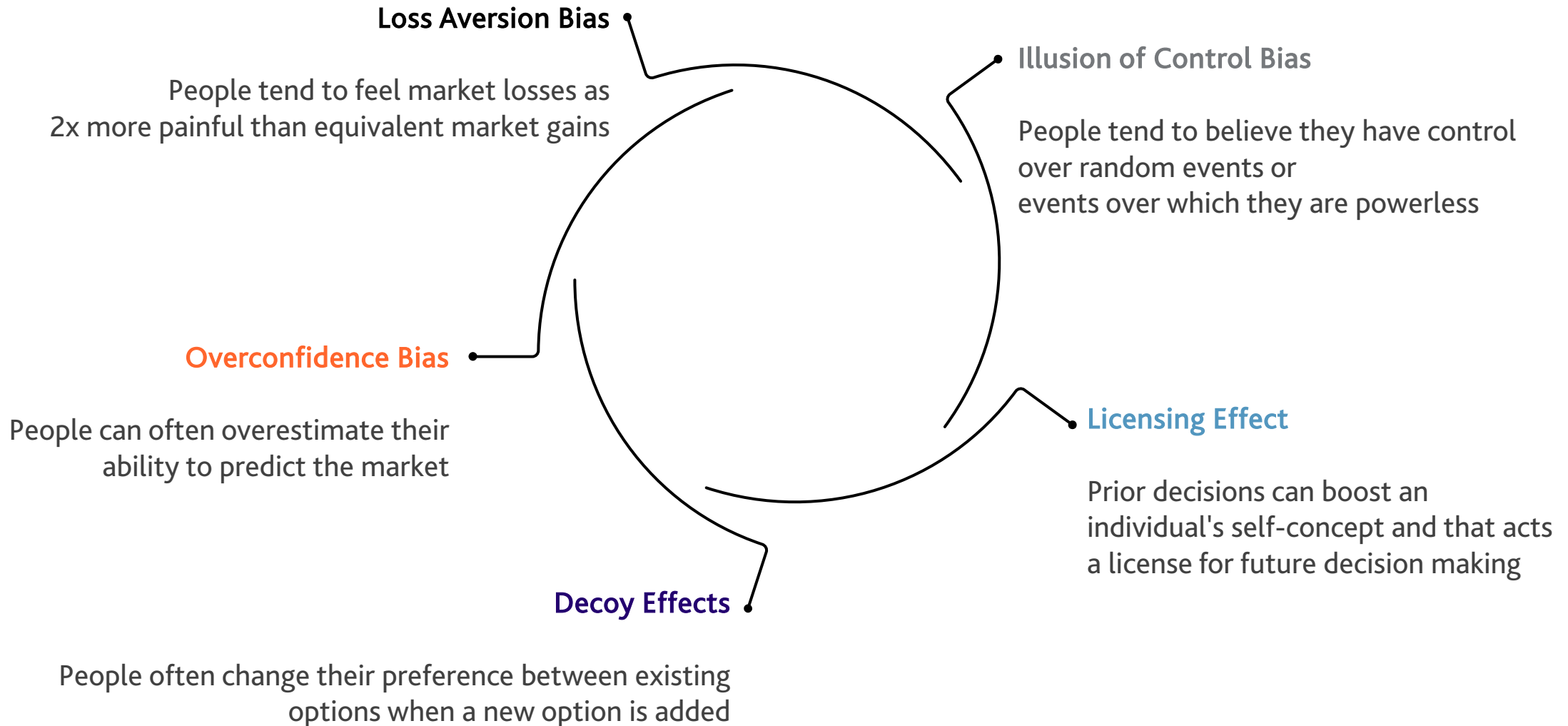
High Risk Decoy			
Fund A	Fund B	Fund C	Fund D
20%	30%	32%	18%

The Choice Architecture is never neutral



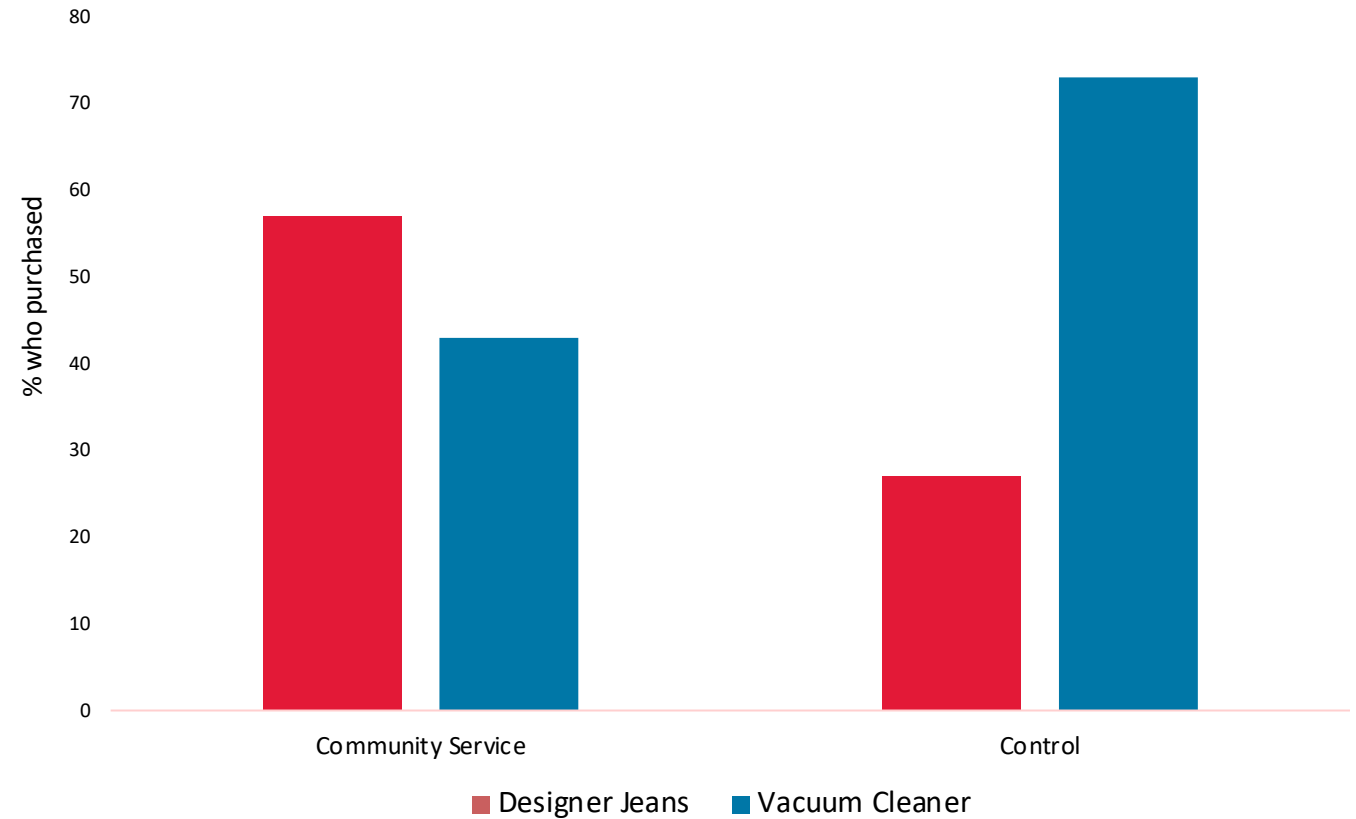
Biases don't go away, they just become more or less prominent, depending on the choice architecture.

Common biases affecting investors



The Licensing Effect

Providing a temporary boost to a person's relevant self-concept can alter their behaviour.



Overconfidence

There is a difference between what people know and what they think they know.

Demonstrating this difference is key to overcoming overconfidence, but it must be done carefully

Understanding the psychological factors that influence how people make financial decisions is the first step in helping clients achieve financial success.

Redefining Engagement

Putting it all Together



Client Acquisition



Onboarding

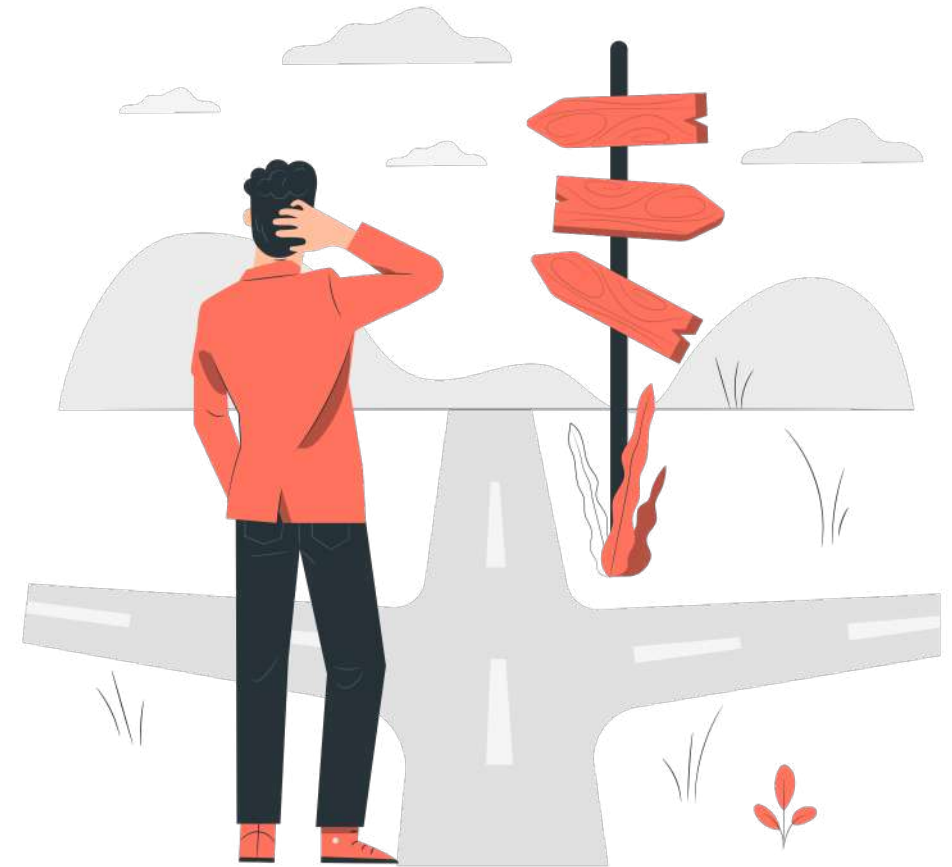


Ongoing Engagement
(Retention)

Redefining Engagement

From the Advisor's Perspective

Planning → Implementation Gap



Redefining Engagement

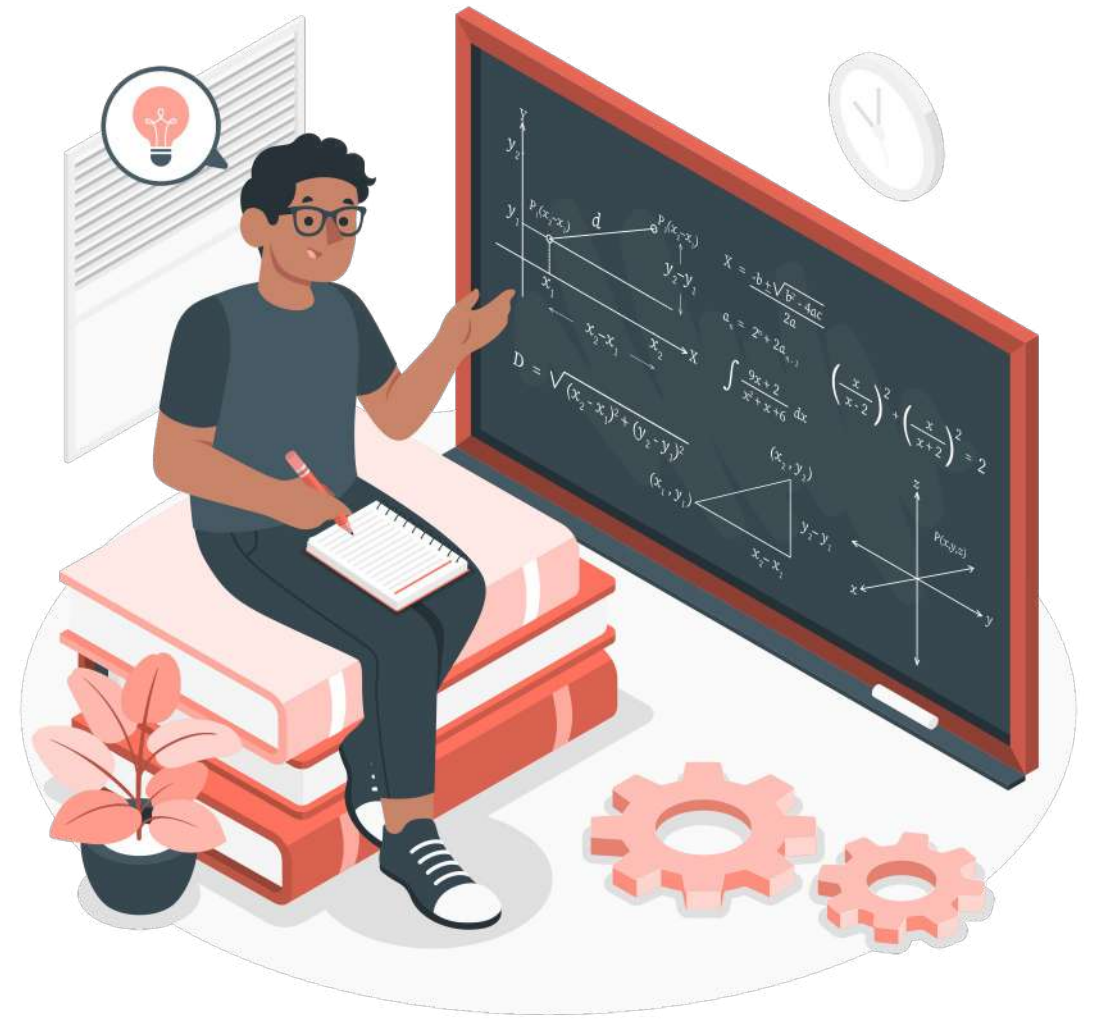
From the Client's Perspective

Ideal Self vs Real Self



Putting into Practice

- Overconfidence
- Loss Aversion



Q&A and Contact Details

To begin learning, visit csi.ca

Questions?

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Thank you