Beyond Bias:

How to Humanize Financial Advice in Times of Relentless Change

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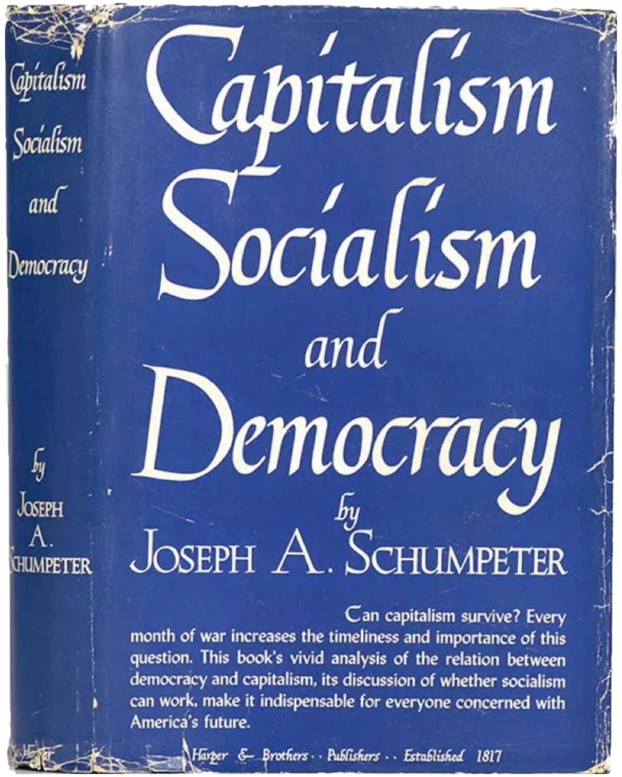
The way things were...

... isn’t the way things will be.

Capitalism's "essential fact"



"Creative Destruction"

"The process of industrial mutation that **incessantly** revolutionizes the economic structure from within, **incessantly** destroying the old one, **incessantly** creating a new one."


UBS Investment Bank
UBS Investment Bank
UBS Investment Bank
UBS Investment Bank
UBS Investment Bank

Things change

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."

- Charles Darwin, *The Origin of Species* (1859)

What are you doing to adapt?

How are others adapting?

Questions "you" are asking

1) How do we attract, train, and motivate the right **people** over the course of their careers?

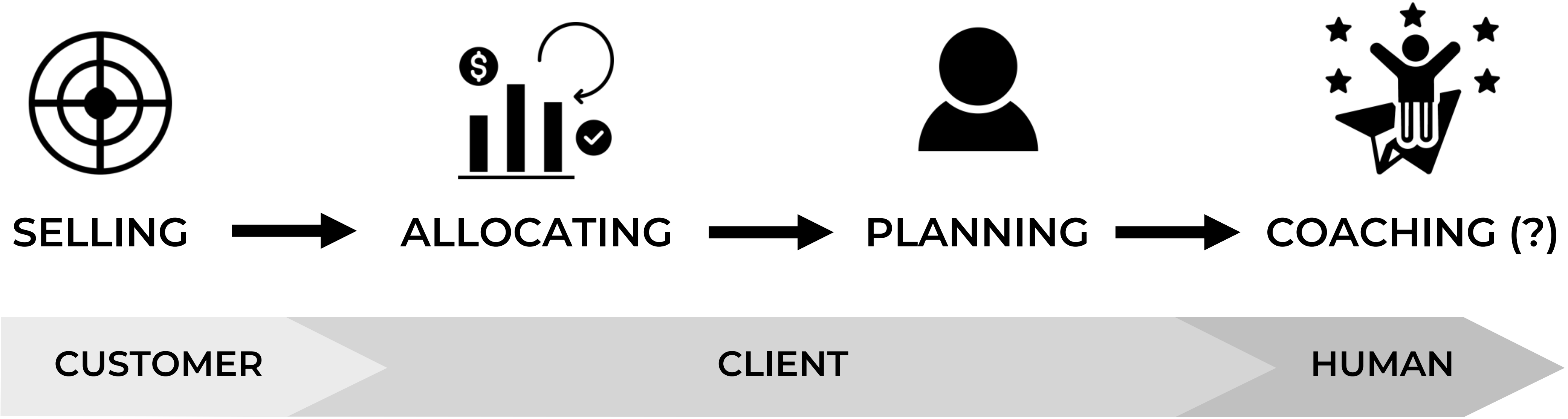
2) How can I continue to build a **career** that's meaningful, well-compensated, and fun?

3) How do we deliver and scale impactful, "referral worthy" **client** experiences?

4) How do we distinguish our firm from the many **competitors** offering me-too services?

5) How do we build a **culture** that goes beyond well-worn aphorisms and has real impact?

Our industry's evolution




How do I define and defend my value?

Advisors do **many** things

Advocate

Planner

Researcher

Messenger

Strategist

Organizer

Therapist

Mediator

Connector

Teacher

Coach

Economist

Risk manager

Confidant

Broker

Scheduler

Hand-holder

Accountant

Communicator

Ghostwriter

Permission-giver

Marketer

Bookkeeper

Investor

Analyst

Truth-teller

Networker

Number-cruncher

Allocator

Skeptic

Guide

Administrator

Forecaster

Connector

Advisors do **two** things

Manage money

Manage humans

But one gets more attention than the other

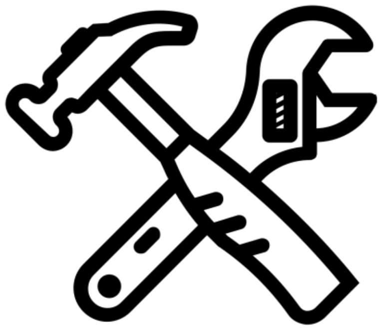
Manage money

The wealth management industry takes very seriously **decades of research** on capital markets, security selection, portfolio building and risk management.

Manage humans

The advice business is about people, but there is a **big gap** between what we know about psychology, decision-making, and happiness and how those insights are practically applied.

In delivering human-centric advice, advisors and teams play dual roles in helping people along life's journey:



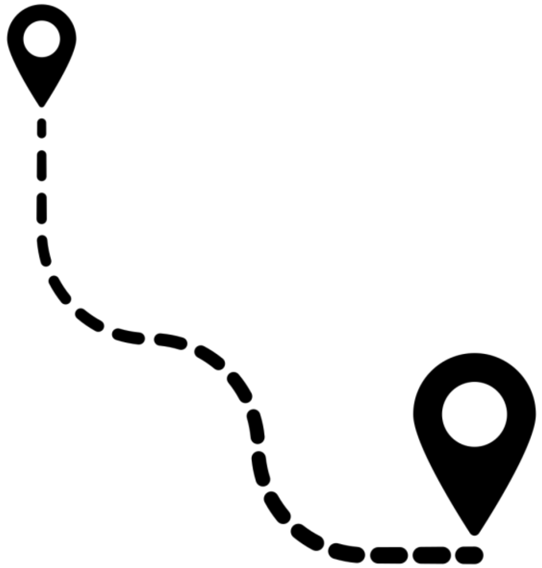
Mechanic

Guide

One focuses on the technical aspects of money.
The other focuses on the human experience of money.

Advisor-client communication gaps are wide

49%



90%

“Planner’s financial recommendations are based on client’s personal goals, needs, and priorities.”

Advisor-client communication gaps are wide

"Planner is open to discussing what client values most in life."

Advisor-client communication gaps are wide

"Planner contacts clients on a regular basis to see what changes in life may affect the financial plan."

Advisor-client communication gaps are wide

"Planner explains pros and cons of investments recommended to the client."

The percentage of financial advice clients who say they feel unsatisfied in terms of "having someone to talk to about money."

64%

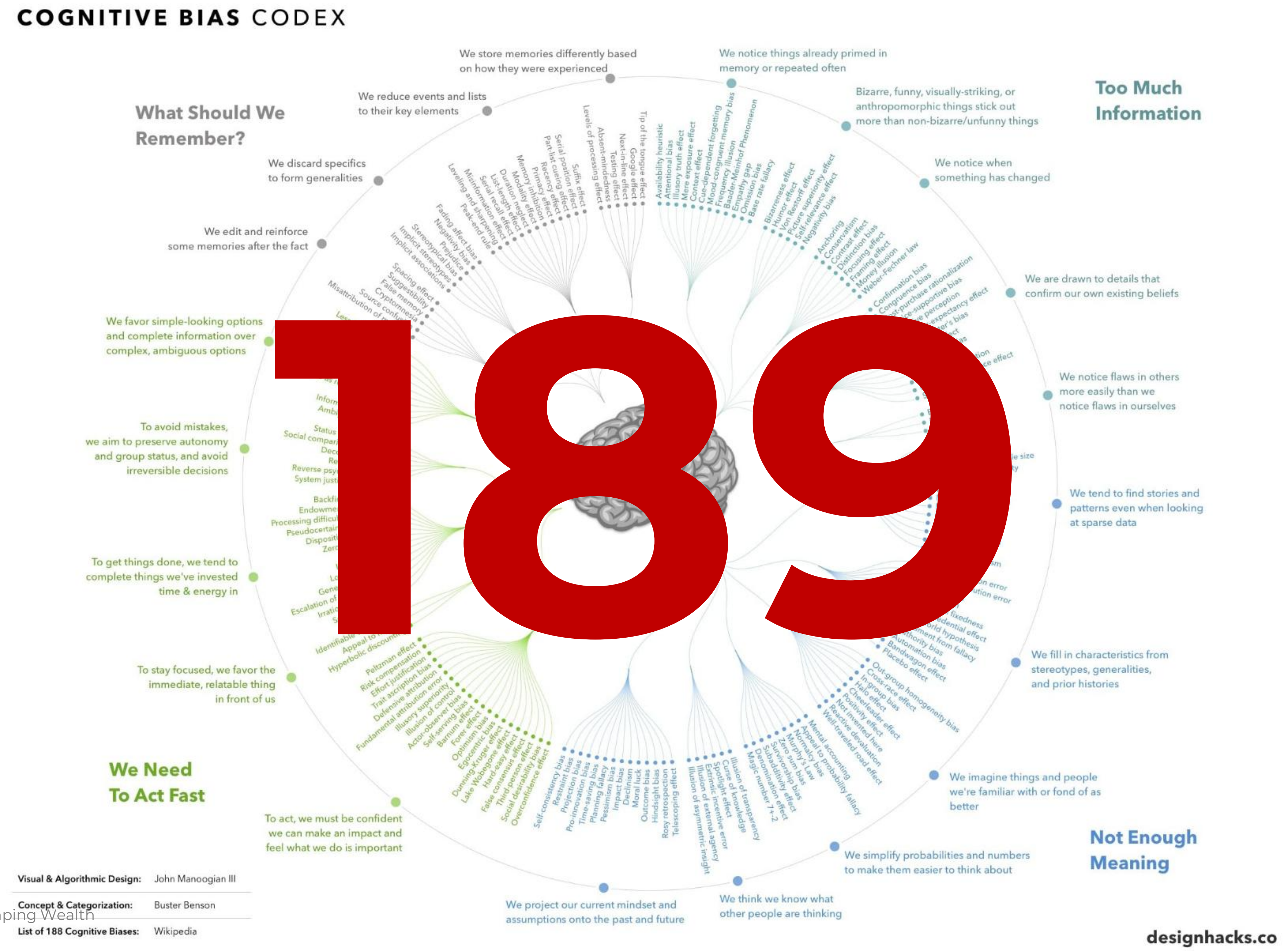
Okay, so how to work with "humans"?

The behavioral science revolution is *almost* everywhere

The invention of applied behavioral science over the past half-century has transformed the worlds of business, sports, and money:

- Fortune 500 companies have behavioral science divisions
- Major sports franchises use decision analytics
- The public embraces "Moneyball" and "nudge" thinking

In the global wealth industry, behavioral finance has been a dead end.


COGNITIVE BIAS CODEX
189
What Should We Remember?
Too Much Information
Not Enough Meaning
We Need To Act Fast
We store memories differently based on how they were experienced
We reduce events and lists to their key elements
We discard specifics to form generalities
We edit and reinforce some memories after the fact
We notice things already primed in memory or repeated often
Bizarre, funny, visually-striking, or anthropomorphic things stick out more than non-bizarre/unfunny things
We notice when something has changed
We are drawn to details that confirm our own existing beliefs
We notice flaws in others more easily than we notice flaws in ourselves
We tend to find stories and patterns even when looking at sparse data
We fill in characteristics from stereotypes, generalities, and prior histories
We imagine things and people we're familiar with or fond of as better
We simplify probabilities and numbers to make them easier to think about
We think we know what other people are thinking
We project our current mindset and assumptions onto the past and future
We favor simple-looking options and complete information over complex, ambiguous options
To avoid mistakes, we aim to preserve autonomy and group status, and avoid irreversible decisions
To get things done, we tend to complete things we've invested time & energy in
To stay focused, we favor the immediate, relatable thing in front of us
To act, we must be confident we can make an impact and feel what we do is important
Visual & Algorithmic Design: John Manoogian III
Concept & Categorization: Buster Benson
List of 188 Cognitive Biases: Wikipedia
designhacks.co

“Edutainment”

Behavioral finance was ...

0%

... of the CFP curriculum

It's now …

7%

… of the CFP curriculum

Out of the cul-de-sac: From toolbox to gravity

"How do we use behavioral finance with our clients?"

Like gravity in the physical world, human behavior is omnipresent in the social world. There is no "off" switch. Behavior is everywhere and always.

So the better question is:

How do we accommodate human behavior at every stage of the financial planning process?

This is how we improve the human experience of money...

Abstract	→	Integrated
"Irrational"	→	"Normal"
Weakness	→	Strength
Analytic	→	Empathetic
Piecemeal	→	Holistic
Investments	→	"Money Life"
Numbers	→	Stories

When we embrace that we are guides in addition to mechanics, we unlock opportunities for growth and transformation.

Abstract → Integrated

Let's finally answer the question:

What are the *practical* applications of behavioral insights?

“Irrational” → “Normal”

Let’s stop pathologizing understandable human behavior.

“People aren’t dumb. The world is hard.”

— Richard Thaler, economist & Nobel Prize winner

Weakness → Strength

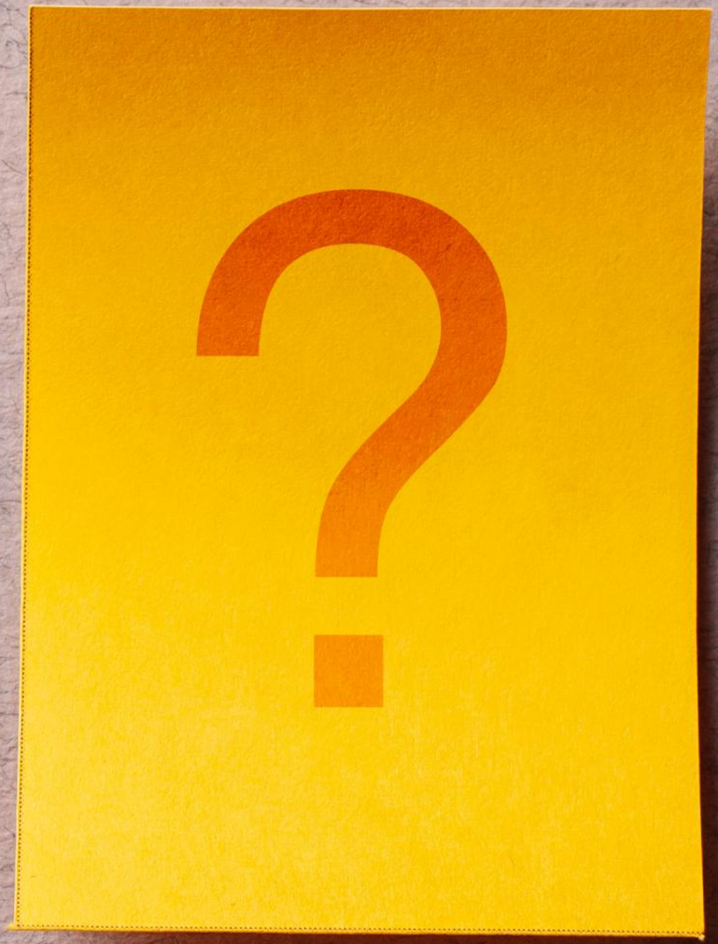
"The behavioral sciences can articulate a vision of the good life that is empirically sound, understandable and attractive."

– Martin Seligman (2000)

Analytic → Empathic

Empathy is a superpower of the modern advisor.

Is empathy a **trait** or a **skill**?



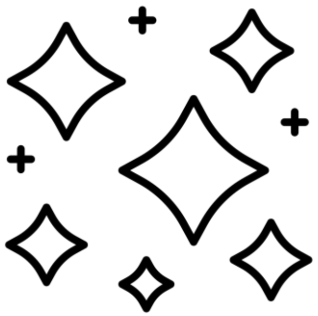
Piecemeal → Holistic

Let's start with a top-down view of wellbeing rather than assembling the messy pieces of (money) life from the bottom-up.

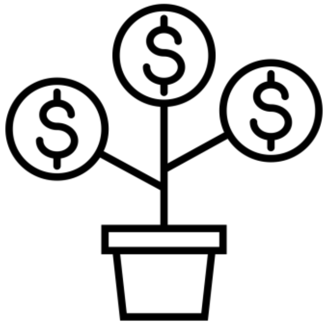
Holistic wellbeing

Physical

Emotional



Spiritual



Financial

Investments → "Money Life"

Earning | Saving | Spending | Borrowing | Investing | Protecting | Giving

Numbers → Stories

"No one ever made a decision because of a number. They need a story."

– Daniel Kahneman (in Michael Lewis' *The Undoing Project*)

More is a number. Enough is a story.

Going “beyond bias” to deliver human-first advice

Abstract	→	Integrated
“Irrational”	→	“Normal”
Weakness	→	Strength
Analytic	→	Empathetic
Piecemeal	→	Holistic
Investments	→	“Money Life”
Numbers	→	Stories

Going “beyond bias” to deliver human-first advice

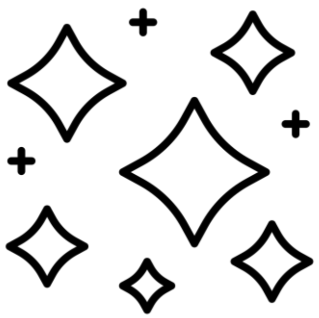
			Real-World Disciplines → Practical Skills
Abstract	→	Integrated	Growth (vs. fixed) mindset
“Irrational”	→	“Normal”	Cognitive and social psychology
Weakness	→	Strength	Positive psychology
Analytic	→	Empathetic	Emotional intelligence
Piecemeal	→	Holistic	Multi-disciplinary…
Investments	→	“Money Life”	Decision theory + habits
Numbers	→	Stories	Narrative planning

Behavioral finance is not a gimmick, trick, or hack.

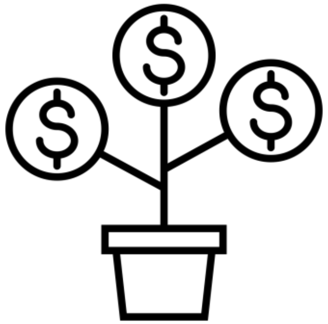
Searching for the good life...

Physical

Emotional



Spiritual



Financial


“Look for the helpers”

“Look for the helpers”

Doctors

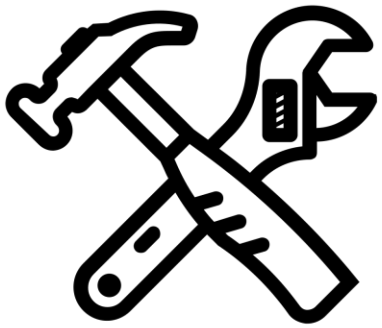
Counselors

Clergy

?

In other wellbeing domains, we have *institutionalized* and *socially legitimate* help.

In delivering human-centric advice, advisors and teams play dual roles in helping people along life's journey:



Mechanic

Guide

One focuses on the technical aspects of money.
The other focuses on the human experience of money.

Guide

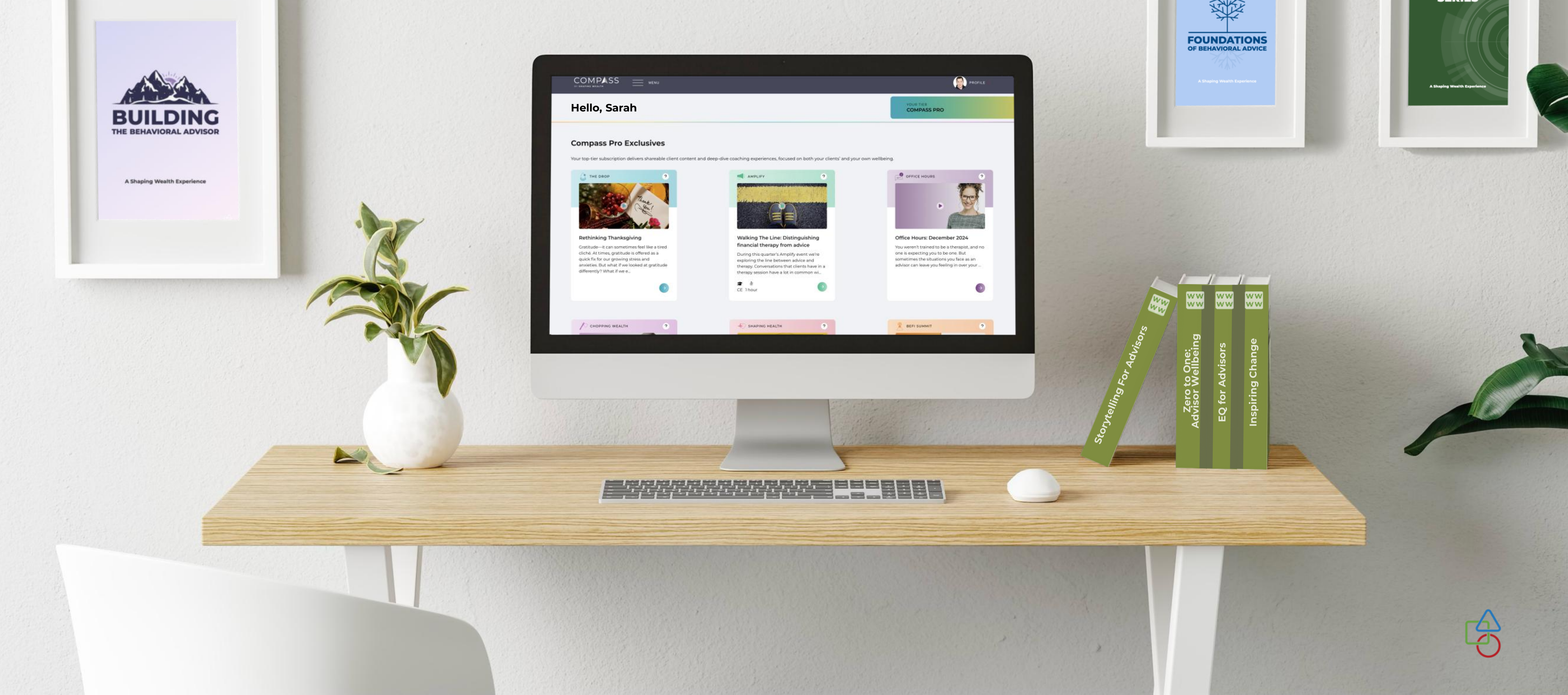
“Guidance” is a multi-faceted skillset inspired by behavioral finance, positive psychology, emotional intelligence, and other evidence-based disciplines.

Plus…


"We are drowning in information,
while starving for wisdom."
—E.O. Wilson

What is one piece of wisdom you want to share with clients?

Shaping Wealth is your first resource for human-first financial guidance



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JASON ZWEIG
Columnist
The Wall Street Journal


LYDIA

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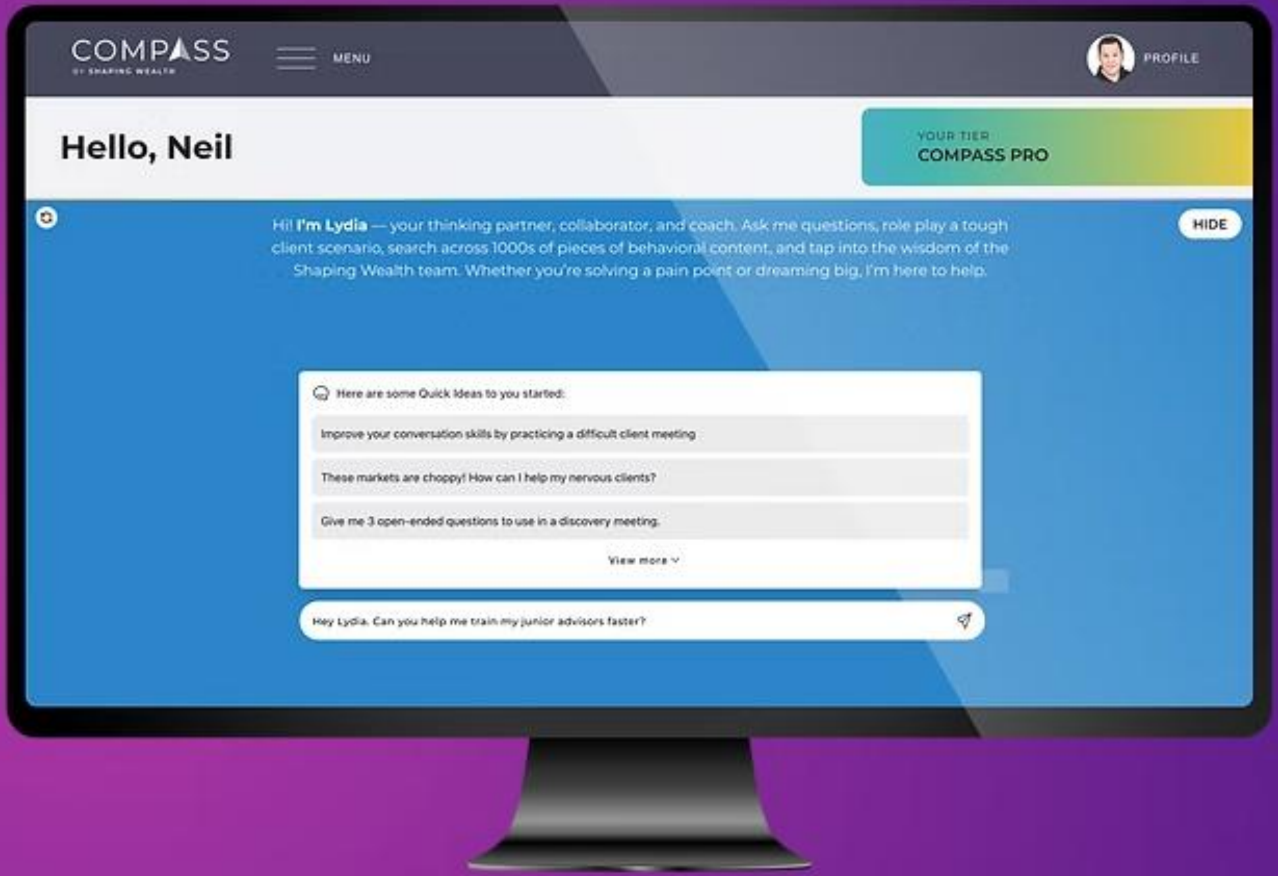
LYDIA™ IS LIVE!

Partner with Lydia right now if you're a financial advisor engaging in conversations with:

- A married couple fighting about money
- A recent widow who is overwhelmed with grief
- A business owner struggling to sell
- A retiree struggling with lost identity
- The adult children of your wealthiest clients
- A junior advisor on your team needing higher EQ

Lydia helps you master the moments that matter most.

LYDIA MAKES ADVISORS MORE HUMAN.



Thank you!

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