

In an uncertain time, behavioral finance offers value for advisors and clients.

This edition of the BeFi Barometer continues our partnership with the Investments & Wealth Institute and Cerulli Associates, Inc., in surveying financial advisors nationwide. Fielded in May and June 2020—after an unprecedented period of market turbulence and societal turmoil—this year’s survey gives us a unique backdrop in which to consider the effects of behavioral finance on advisors and their clients.

This infographic highlights some of our key findings from BeFi Barometer 2020. For more details, download the Cerulli whitepaper.

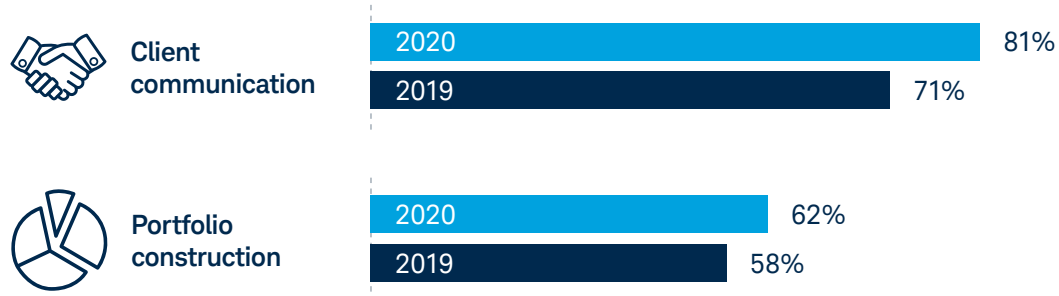
[Download the Cerulli whitepaper >](#)



A growing trend

In this year’s study, advisors reported that they continue to embrace behavioral finance, with an increasing percentage saying they’ve implemented it in their practices.

More advisors reported using behavioral finance in 2020, especially in client communications.



Fewer advisors reported barriers to adopting behavioral finance in the 2020 study.



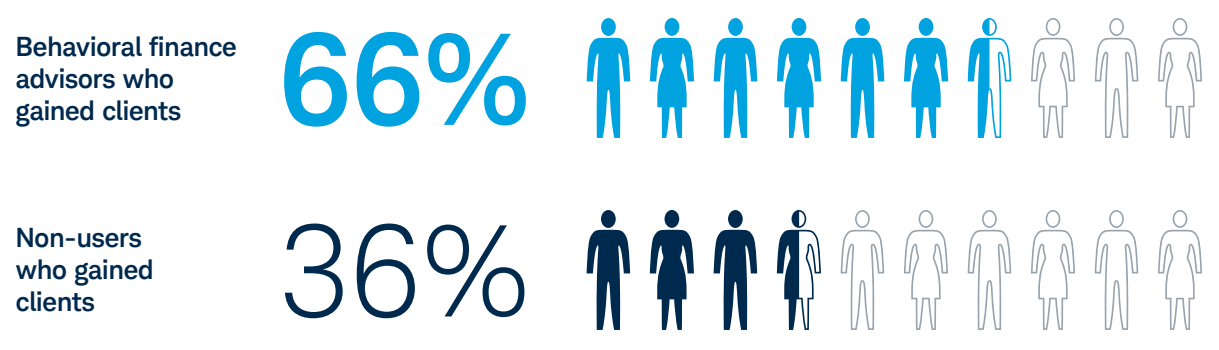
What volatility revealed

Advisors who use behavioral finance said it made positive differences for them and their clients in the unprecedented volatility of early 2020.

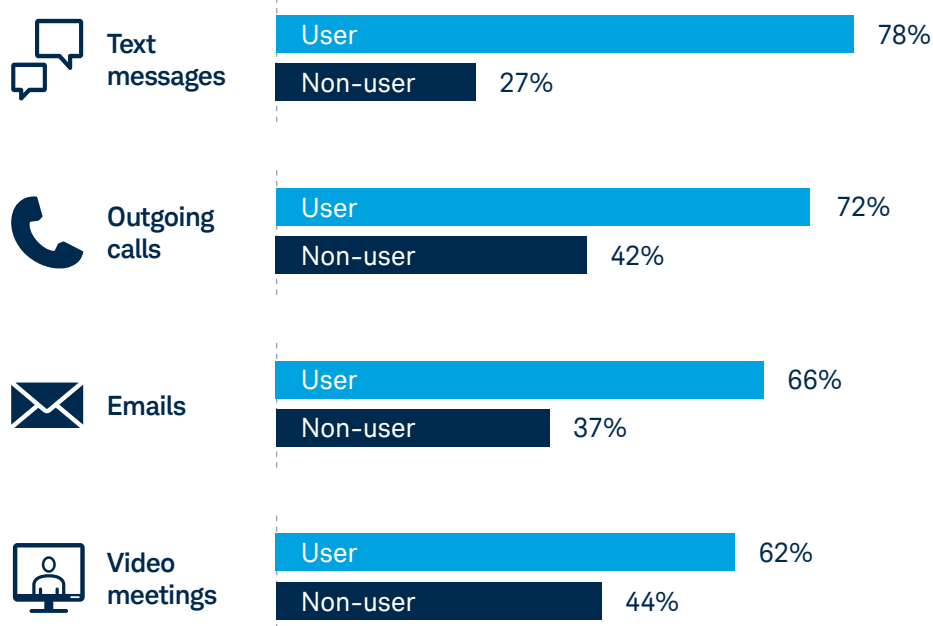
Advisors identified two aspects of behavioral finance with greatly increased effects during volatility: keeping clients invested during volatility and deepening their understanding of clients’ comfort with risk.



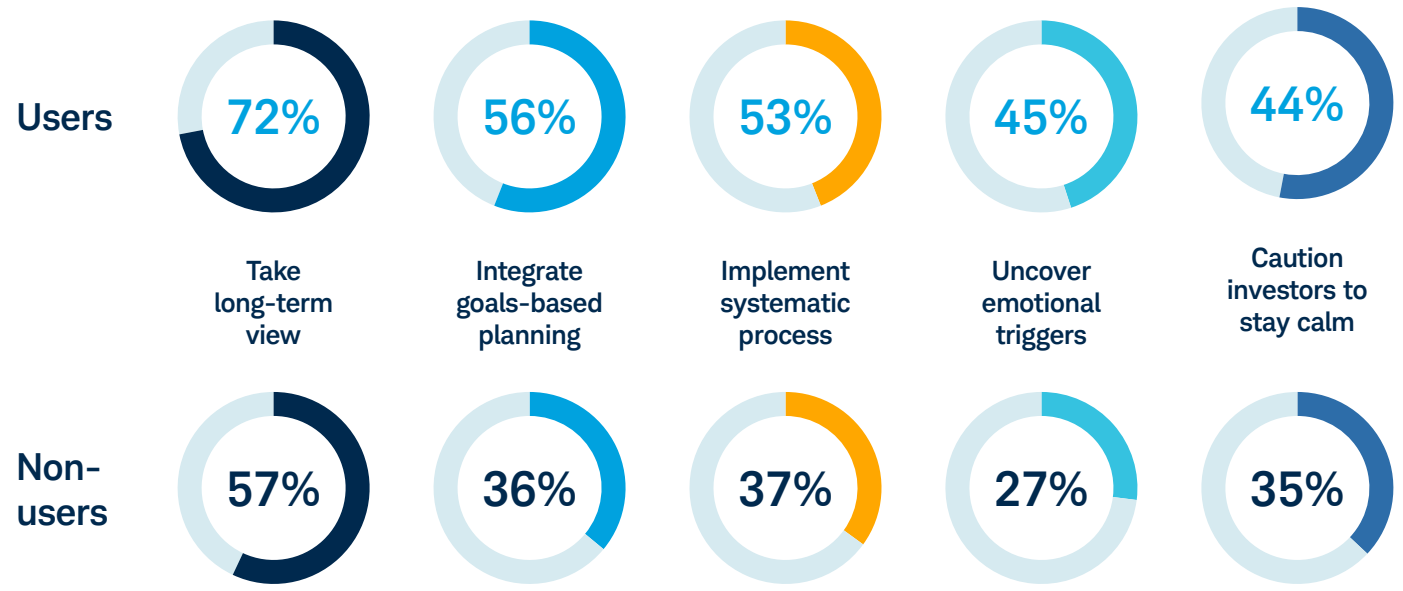
Those who use behavioral finance also reported gaining new clients since Q1 2020 at a rate almost double that of non-users.



Among advisors, behavioral finance users had better results in gaining new clients when they reached out via:



All advisors reported certain techniques being effective during recent market turbulence—but especially advisors who use behavioral finance. The techniques reported as most effective are:

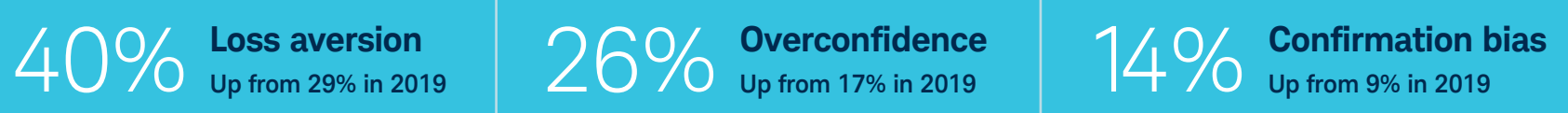


Considering biases

Identifying and responding to emotional and cognitive biases is key to using behavioral finance techniques successfully. We asked advisors to report on their clients’ biases as well as their own.

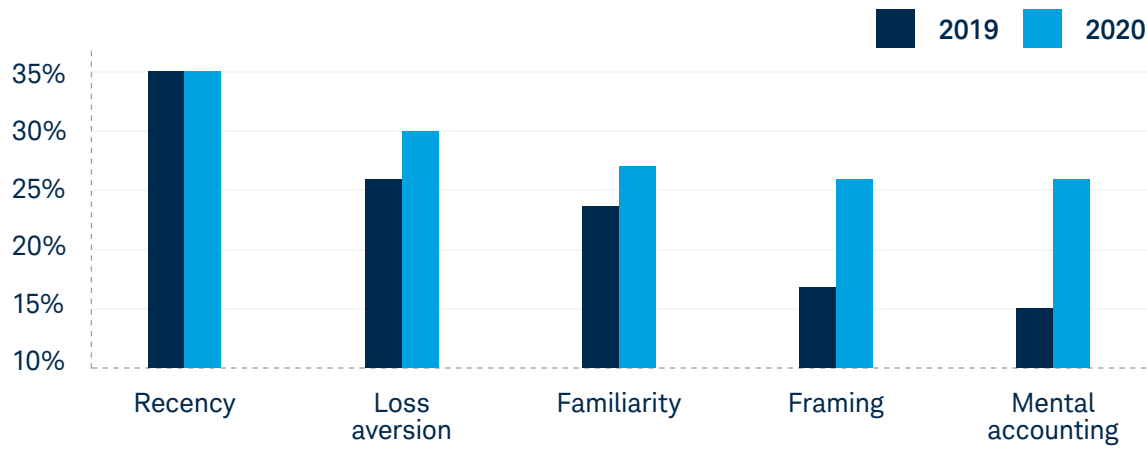
Advisor biases

In this year’s study, advisors recounted feeling higher levels of the biases they reported most often in 2019.

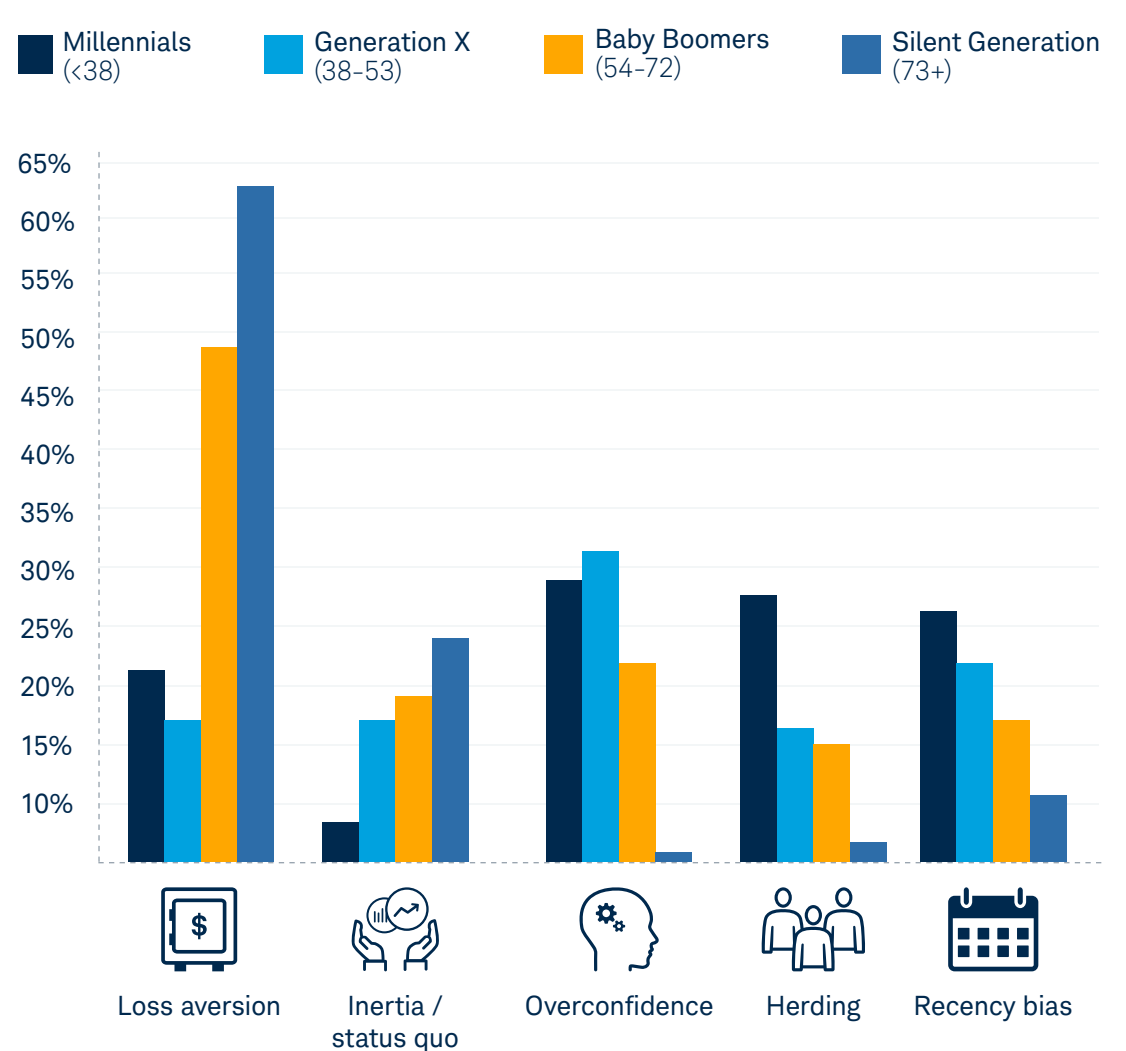


Client biases

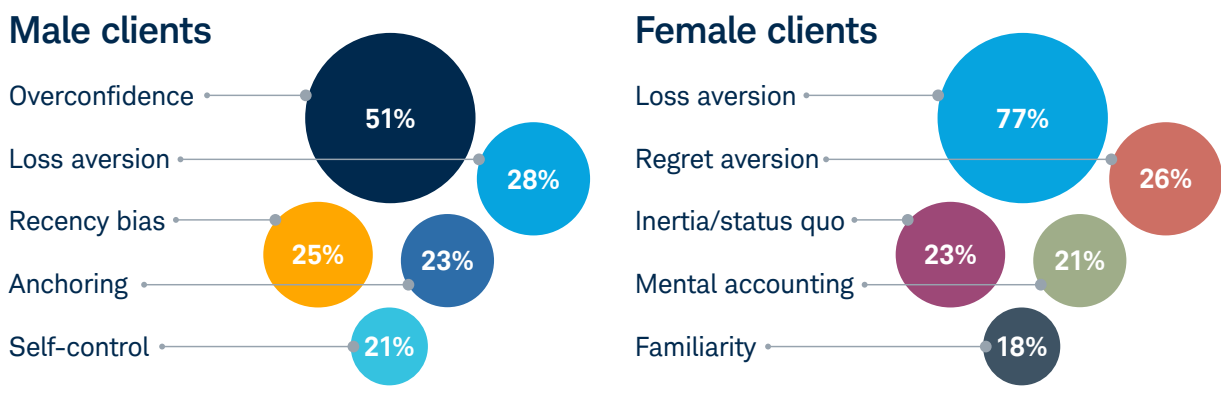
Among their clients, advisors reported several of the most common biases gaining prominence in early 2020.



Advisors also reported varying biases across client age groups. Loss aversion and inertia increased with age, while overconfidence, herding, and recency decreased with age.



When considering client biases, advisors reported notable differences between men and women.



In a period of unprecedented volatility complicated by a global health crisis, behavioral finance helped advisors gain new clients, cement trusting relationships, and keep clients invested for their long-term goals.

Advisors expect to continue their proactive client outreach, expand their digital capabilities, provide more market insights, and focus even more closely on long-term planning.

We can help

Charles Schwab Investment Management is committed to providing insights and resources to help advisors put behavioral finance into practice to enhance the client experience, deepen relationships, and help improve client outcomes. To learn more, start with resources like these.

- Tools >** Implement behavioral finance in your practice with the Biagnostics® toolkit
- Articles >** Learn how biases affect investor decisions and influence market trends
- Podcasts >** Access on-demand expertise in behavioral finance

Find out more about the study results in the [downloadable white paper](#).

Or talk with a Charles Schwab Investment Management professional by calling **877-824-5615**.

This infographic is based on the results of a survey conducted by Cerulli Associates, Inc., the Investments & Wealth Institute (IWI), and Charles Schwab Investment Management. It was fielded in May and June 2020 and reflects the views of more than 300 advisor members of IWI. Respondents are diversified among business models, including wirehouse, registered investment advisor (RIA), and national/regional broker dealers. All data is self-reported by survey participants and is not verified or validated.

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