

Behavioural Finance & Wealth Management

2 Days

COURSE OVERVIEW

Given the run-up in stock prices in 2004 to end of 2007 and the subsequent meltdown of financial markets, understanding irrational investor behaviour is as important as it has ever been. This is true for the markets in general but most especially for individual investors.

The reality of today's advisor-investor relationship demands a better understanding of individual investor's behavioural biases and an awareness of these biases when structuring investment portfolios. Advisors need to focus more acutely on why their clients make the decisions they do and whether behaviours need to be modified or adapted to. If advisors can successfully accomplish this difficult task, the relationship will be strengthened considerably, and advisors can enjoy the loyalty of clients.

LEVEL

Intermediate

WHAT WILL I GET OUT OF IT?

By the end of the course participants will be able to:

- Build better relationship with clients by understanding their natural impulses and behavioural biases.
- Understand investors' psychological traps to investing.
- Help clients to build portfolios that they are more likely to adhere to for long-term wealth building.
- Understand how traditional mean-variance portfolio models could be tweaked to incorporate investors' behavioural biases.

WHO'S IT FOR?

- Private banking relationship managers and asset managers wishing to consolidate and/or refresh their client liaison skills and product knowledge.
- Investment management professionals who advise on or participate in the design and implementation of asset allocation policies and portfolio models.
- Executives in legal and accountancy practices working with private bankers to improve their service to clients.
- Corporate bankers requiring an overview on their transfer to the private banking function.
- Senior managers responsible for planning the private wealth management function or its subsequent management.
- Legal & trust staff, branch managers and credit officers who need to understand the complementary nature of private banking services.

COURSE CONTENT

Decision Theory

- Mean-variance and modern wealth management
- Expected utility and client's risk-tolerance

Behavioural Finance

- Rational economic man versus behaviourally-biased man
- Role of behavioural finance with private clients

Judgement

- Heuristics and biases, mental frames
- Anchoring
- Over- and under-confidence, information overload
- Why people do or do not learn from experience

Choice

- Prospect theory and loss aversion
- Status-quo bias, inertia
- Regret and disappointment
- Mental accounting, preference reversals
- Cultural factors in decision making

Emotion

- Hope and fear, anxiety, stress, denial
- Mood management, self-discipline
- Illusion, unrealistic optimism

Social and Investor Psychology

- Risk profiling and its benefits
- Limitations of risk profiling questionnaire
- Integrating behavioural finance in risk profiling

Incorporating Investor Behaviour into Asset Allocation Process

- "Best" practical allocation
- Identifying behavioural biases with clients
- Applying bias diagnoses when structuring asset allocations