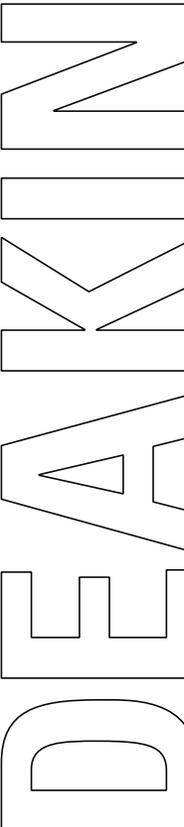


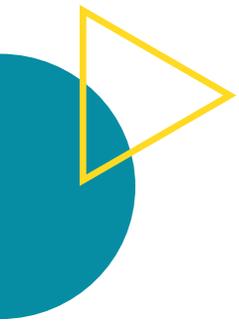
Leveraging behavioural insights to increase client engagement

Dr Campbell Heggen

Senior Lecturer, Financial Behaviour and Decision Making

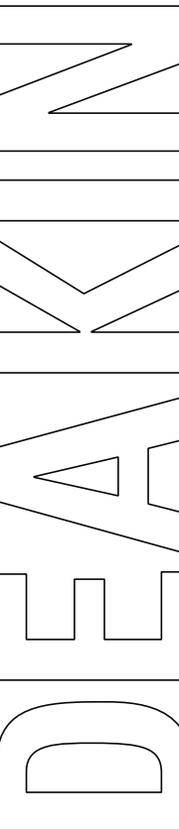
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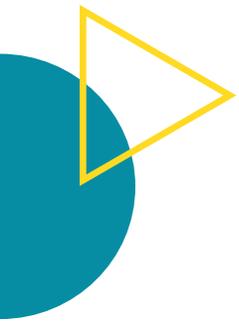




What this session is (hopefully) about

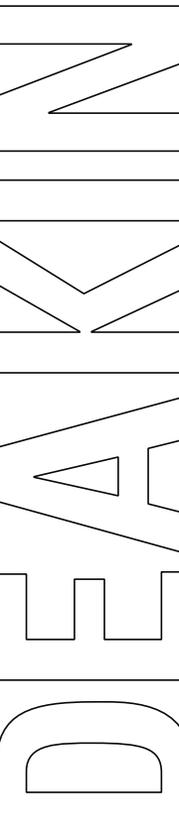
- I am not an 'expert'.
- Anecdotal evidence and personal experience \neq Science.
- Knowledge does not exist in a vacuum.
- Two behavioural design frameworks
- Applying BI to FDS and annual opt-in requirements

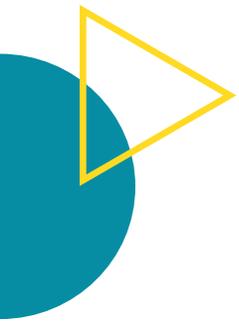




A behavioural approach to Financial Planning

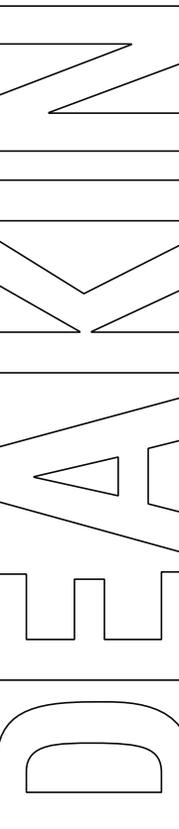
- When it comes to managing our finances, we are often our own worst enemy ...
 - It can be tempting to **spend now**, to reward ourselves for all of our hard work.
 - It is also all too easy to put everything off, and **avoid** making any decisions at all.
 - We can be tempted to want what is working **now**, rather than what has **always** worked.
 - We make decisions based on **instant gratification**, rather than the long-term benefit.
 - We have a tendency to trust our own **opinions** more than any hard **evidence**

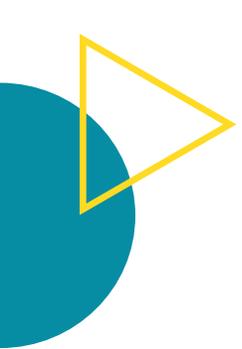




A behavioural approach to Financial Planning

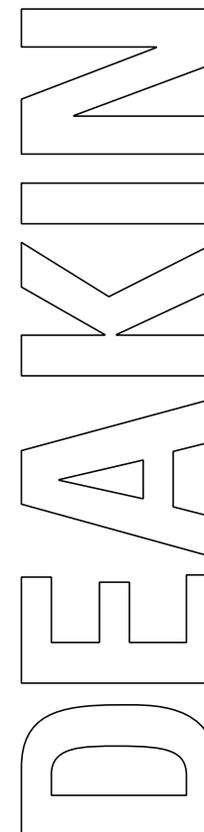
- Most of us know what we *should* be doing to improve our finances, and save more for our future selves. So what's the **barrier**?
- Research has identified that simply *telling* people what to do, and *educating* them about their finances, does not correlate with actual **financial behavioural change**.
- What does this mean? It means that financial advisers should be spending much more time on behavioural '**nudges**' and **environmental changes**, than teaching our clients about how to manage their finances.

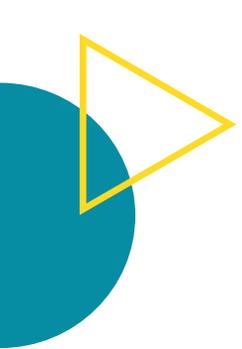




How can Behavioural Insights help?

- **Behavioural Insights** (BI) is about understanding and changing behaviour – and ultimately, as financial advisers, that is our goal too
- The client must already have a desire or need to fulfil – it's the job of the financial adviser to make it as easy as possible to **achieve** that goal, **empowering** them to make **positive, conscious decisions** across their journey
- You are helping and **nudging** them along their journey, not changing their path with persuasion





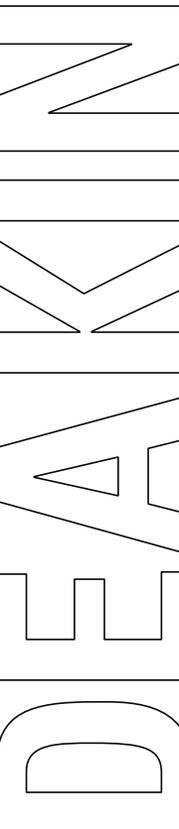
Two design frameworks to remember

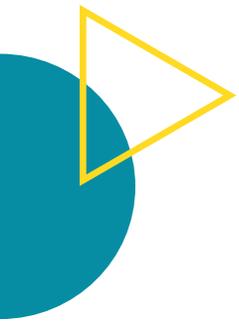
3Bs

- **B**EHAVIOUR, **B**ARRIERS, **B**ENNEFITS

EAST

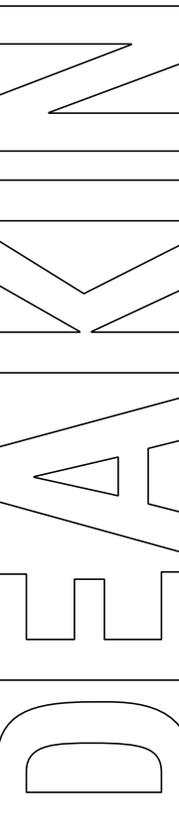
- **E**ASY, **A**TTRACTIVE, **S**IMPLE, **T**IMELY

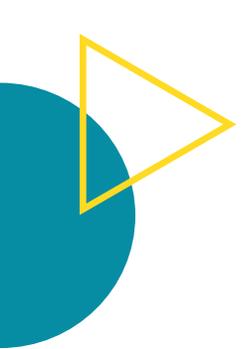




The 3Bs Framework

- Designing **behavioural interventions** in practice can be a daunting task and identifying all the relevant factors which may affect behaviour change is difficult in complex situations.
- To simplify the process, **Irrational Labs** developed the **3Bs Framework** to help design interventions for behavioural change
- The framework outlines the three of the most important steps to design for behaviour change: Identifying the key **behaviour**, removing **barriers** and amplifying **benefits**.



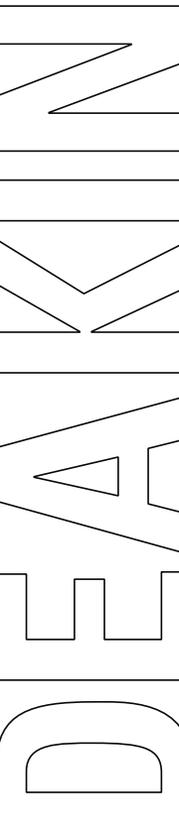


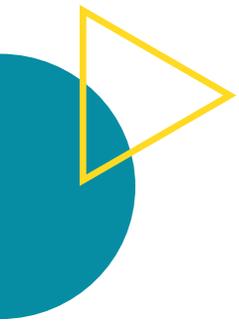
Identify key Behaviours

- The key **behaviour** is a **specific** and **measurable** action you want a client to take.

Ask yourself:

- What **action** do you want the client to take?
- Is this the single most **important behaviour** for them to do to meet their goals?
- How **often** do you want the client to do this behaviour? Some behaviours only need to happen once, but some require habitual engagement.



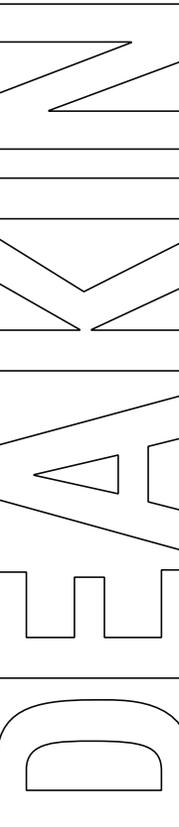


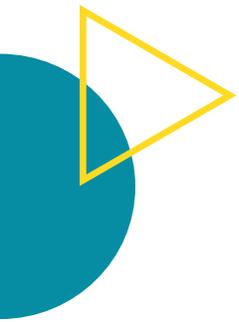
Reducing Barriers

- Barriers are the **extra steps** and the **hard questions**.
- Barriers are the **frictions** that prevent clients from doing our key behaviour.

Example:

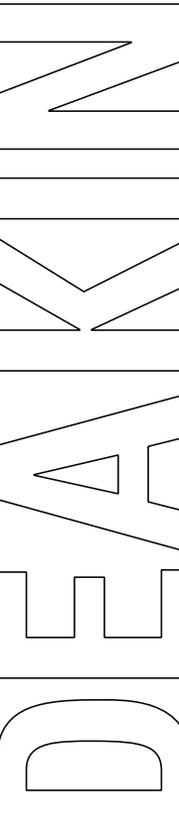
- Barriers can be **big**, like **accessing** and **filling out long forms** to apply for insurance or social security benefits, but they can also be much **smaller**, like remembering your **login** and **password**.
- Every **click**, every **field**, every **signature**, every **step**, every **call**, adds **friction**.
- Having to **think** and/or **make a decision** is also a barrier. The more you can reduce this barrier, the better.

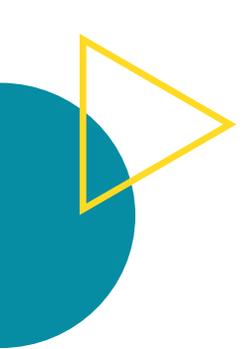




Amplify Benefits

- Benefits **encourage** and **motivate** clients to do our key behaviour.
- To design for behavioural change, we want to **amplify** existing benefits or **create** new benefits.
- Where barriers add **friction**, benefits add **motivation**.
- In both cases we want to focus on creating **immediate** and **hedonic** benefits.
 - What would impact a client's life **right now**?
 - Does the benefit appeal to someone's **emotion**?





Applying the 3Ds to FDS and *opt-in* annual consent

Switching the **default**: opt-out vs. opt-in advice models

Behaviour:

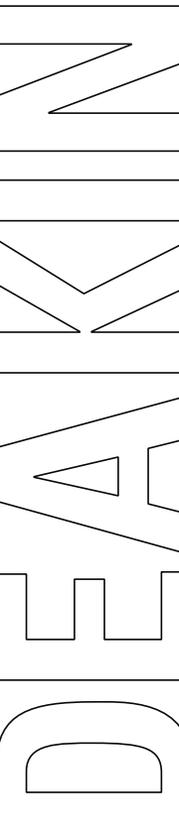
- Provide informed and timely consent to charge ongoing fees

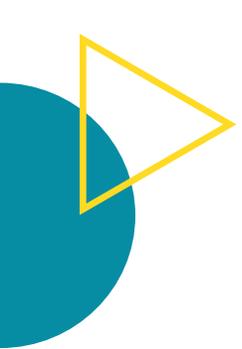
Barriers:

- Steps involved to sign and return the written consent form; client procrastination

Benefits:

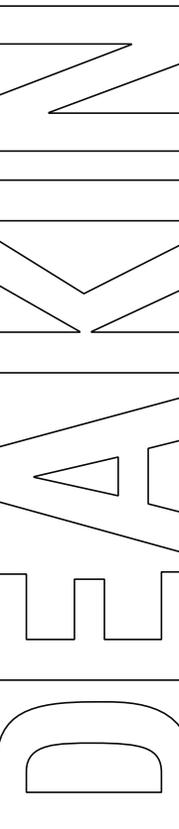
- Ongoing fees = Ongoing advice

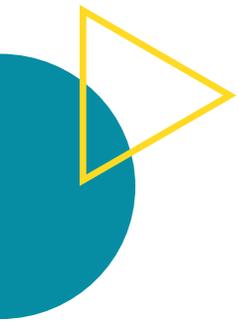




Applying the 3Ds to FDS and *opt-in* annual consent

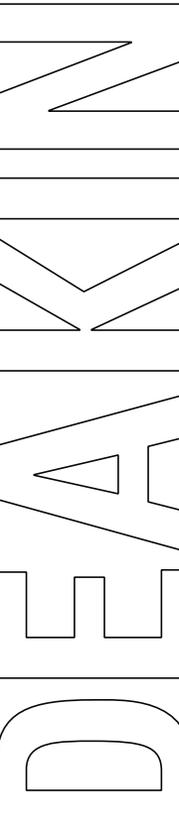
- Provide FDS no later than **60 days** after the anniversary day for the arrangement
 - The **amount** and **frequency** of each ongoing fee that the client will be required to pay
 - Information about the **services** that the client will be entitled to receive
 - A termination statement
 - A statement that the renewal period is **120 days** beginning on the anniversary day
- You can **combine** the FDS and written consent into a single document
 - Provided both are worded in a *clear, concise and effective* manner
- You can seek written consent **electronically** (e.g., via email or secure webpage)
 - The client can **sign electronically** / provide electronic consent in *different* ways
 - “For example, the account holder could **tick a box on a website** in response to a statement such as: *‘By ticking this box, you consent to the charging of ongoing fees that are set out in this document.’*”

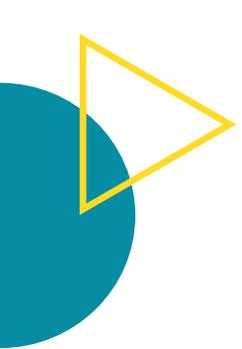




EAST – Four Simple Ways to Apply Behavioural Insights

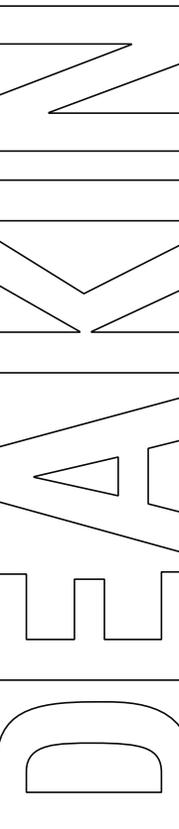
- The **EAST** framework states that to **change behaviour** the intervention must be:
- **EASY** - If a decision requires minimal **effort**, it's more likely to be the one that's chosen.
- **ATTRACTIVE** – If something is **attractive**, we will be drawn to it.
- **SOCIAL** – We are **social** beings – we care about what our peers are doing, and what they think of us.
- **TIMELY** – The **time** that you choose to **prompt** or '**nudge**' someone towards a desired behaviour is vitally important.

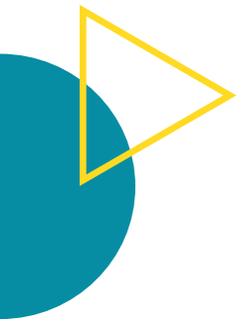




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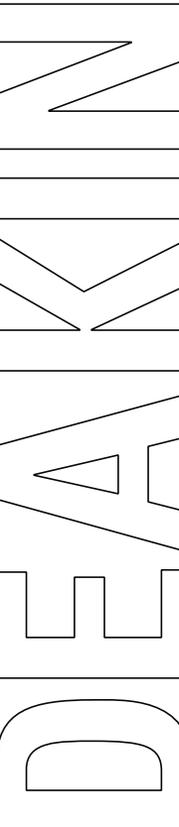
- **EASY** - If a decision requires minimal **effort**, it's more likely to be the one that's chosen.
 - Harness the power of **defaults**
 - Reduce the **hassle** factor of taking up a service
 - **Simplify** messages

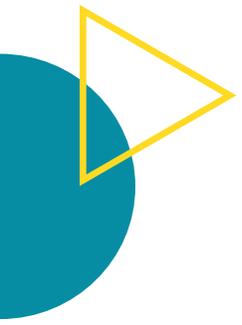




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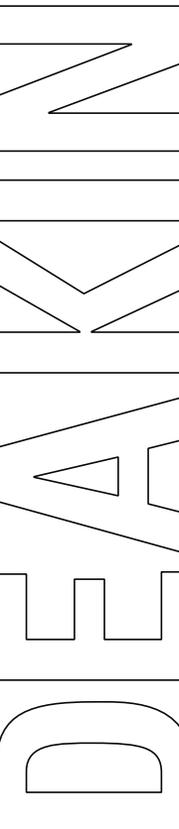
- **ATTRACTIVE** – If something is **attractive**, we will be drawn to it.
 - Attract **attention**
 - Design **rewards** and **sanctions** for maximum effect

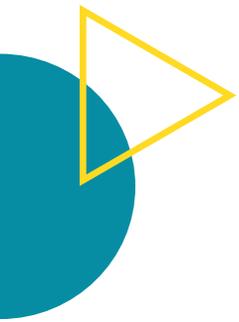




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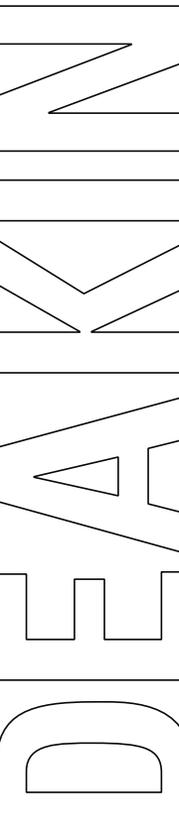
- **SOCIAL** – We are **social** beings – we care about what our peers are doing, and what they think of us.
 - Show that **most** people perform the desired behaviour
 - Use the power of **networks**
 - Encourage people to make a **commitment** to *others*

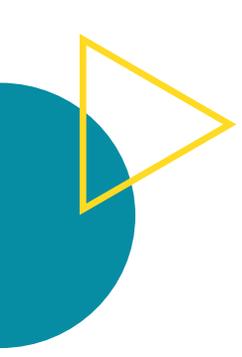




EAST – Four Simple Ways to Apply Behavioural Insights

- **TIMELY** – The **time** that you choose to **prompt** or ‘**nudge**’ someone towards a desired behaviour is vitally important.
 - **Prompt** people when they’re most likely to be receptive
 - Consider the **immediate** costs and benefits
 - Help people **plan** their response to events





Leveraging behavioural insights to increase client engagement

Q & A

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Deakin Business School

