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SEI Survey Reveals Impact of Behavioural Biases on Financial Outcomes

Findings Highlight Importance of Goals-Based Wealth Management Approach for Advisors and Investors

TORONTO, Nov. 1, 2023 /PRNewswire/ -- SEI® (NASDAQ:SEIC) today announced the findings of its inaugural Behavioural Coaching Survey, which revealed that both advisors and investors can be affected by behavioural biases. The study examined insights from advisors in Canada about their personal biases and those they observe with clients, highlighting similarities and differences that could impact financial outcomes.

Anne Hoare, Head of Asset Management Solutions, SEI Canada, said:

"In today's environment, investors increasingly expect a collaborative and personalized experience with their financial advisor to meet their long-term goals. With emotions running high during market volatility, biases are more likely to show up in advisor-client interactions.

"Rather than avoid this emotional terrain, advisors can create space for discussions about the existence of biases and their potential impact on clients' financial health. Talking about these areas can put the advisor in a position to coach clients away from acting on biases and toward better outcomes."

SEI's research found that advisors and their clients tend to share common unconscious beliefs, including:

- **Loss aversion**: Recognized as a stronger sensitivity to losses than gains, this can lead advisors to recommend investments that are not appropriate for a client's risk profile, limiting growth opportunities for themselves and their clients. Thirty-four percent of advisors recognized this bias among themselves, while 62% suggested this is the most prevalent bias they see in clients.
- **Recency**: Defined as a mentality in which investment decisions are made based on recent market events, this has the potential to lead advisors and clients to select misguided investments or avoid investments that align with long-term goals. Twenty-one percent of respondents viewed this as one of their most common biases, while 50% indicated that this is the second most frequent bias observed with clients.
- **Familiarity**: Known as a predisposition to invest in assets that are familiar, this bias can result in an under-diversified portfolio that can limit clients from achieving their

goals. Sixty-two percent of advisors reported familiarity bias within themselves, while 25% cited this as a common bias among investors.

The survey also revealed that while some advisors are utilizing a goals-based wealth management approach, there is an opportunity to increase client-centric practices across the industry. When asked how advisors align client portfolio(s) with individual goals, only 33% reported that every goal has its own portfolio to match their risk levels and time horizons. Additionally, 59% of advisors noted that they have created financial plans for more than half of their clients, while 41% have not. Advisors who embrace a goals-based approach can help investors reach their goals, develop deeper relationships, and increase client retention.

Methodology
The survey results incorporated 169 responses from SEI's Behavioural Coaching Survey, conducted in May 2023.

About SEI Canada
Founded in 1983, SEI's Canadian business offers integrated investment management and strategic advice solutions to help institutional investors and intermediaries achieve their organizational goals and fulfill fiduciary responsibilities. SEI's investment approach provides multi-manager, globally diversified strategies with an appropriate home-country bias for Canadian retail investors. SEI's goals-based strategies, strategic asset allocation strategies, and asset class funds are available through select dealer relationships. For more information, visit seic.com/en-CA.

About SEI®
SEI (NASDAQ:SEIC) delivers technology and investment solutions that connect the financial services industry. With capabilities across investment processing, operations, and asset management, SEI works with corporations, financial institutions and professionals, and ultra-high-net-worth families to help drive growth, make confident decisions, and protect futures. As of Sept. 30, 2023, SEI manages, advises, or administers approximately USD $1.3 trillion in assets. For more information, visit seic.com.

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