



SSC # 65 BEHAVIOURAL FINANCE : UNDERSTANDING CLIENT BEHAVIOUR AND IMPROVING ADVISORY OUTCOMES

This course is eligible for:

3 Life & A&S CE Credits for BC, AB, SK, MB & ON.

Target Audience

This course is designed for **Canadian financial advisors, planners, insurance professionals, portfolio managers, and compliance officers** who are required to meet enhanced suitability, KYC, and client-focused obligations under the Client Focused Reforms (CFRs). It is particularly relevant for practitioners who provide investment advice, retirement planning, insurance recommendations, or behavioural coaching to clients making decisions under uncertainty. Advisors working with **pre-retirees, retirees, high-net-worth households, vulnerable clients, and self-directed investors** will benefit from the course's applied behavioural frameworks and communication strategies.

Course Overview

Behavioural Finance: Understanding Client Behaviour and Improving Advisory Outcomes is a comprehensive, practice-oriented program that integrates psychology, economics, and regulatory expectations to help advisors understand how real clients make financial decisions. The course explores the foundations of behavioural finance, major cognitive and emotional biases, client profiling models, communication strategies, and behavioural approaches to portfolio construction and retirement planning. Through case studies, advisor guidance notes, and compliance documentation examples, the course demonstrates how behavioural awareness strengthens suitability practices, enhances client relationships, and reduces the behaviour gap that undermines long-term financial outcomes.

This course draws on core concepts such as **Prospect Theory, System 1/System 2 thinking, cognitive and emotional biases, choice architecture, behavioural investor types, and behaviourally informed portfolio design**, all of which are essential competencies under modern Canadian regulatory expectations.

Purpose of the Course

The purpose of this course is to equip Canadian financial professionals with the behavioural finance knowledge and practical tools needed to:

- Recognize and mitigate client biases that lead to poor financial decisions.
- Strengthen suitability assessments and KYC documentation under the CFRs.

- Communicate more effectively with clients during periods of market stress or uncertainty.
- Apply behavioural insights to portfolio construction, retirement income planning, and client relationship management.
- Enhance professional judgment, reduce compliance risk, and improve long-term client outcomes.

The course supports the advisor's role as a **behavioural coach, decision architect, and emotional anchor**, enabling practitioners to deliver advice that is not only compliant but genuinely client-centred.

Learning Objectives

Upon successful completion of this course, participants will be able to:

Foundations of Behavioural Finance

- Define behavioural finance and explain how it differs from traditional finance theory, including the limitations of rational-actor and efficient-market assumptions. *“Behavioural finance acknowledges that human beings are subject to systematic errors in judgement, emotional impulses, and cognitive limitations...”*
- Trace the historical development of behavioural finance from Prospect Theory to modern applications in advisory practice.
- Explain the relevance of behavioural finance within Canada's regulatory environment, including enhanced KYC and suitability expectations under the CFRs. *“The enhanced Know Your Client (KYC) requirements mandate that advisors consider... investment knowledge, risk tolerance, and investment objectives — all of which are influenced by behavioural factors.”*
- Describe Kahneman's System 1/System 2 framework and its implications for client decision-making.

Cognitive Biases and Heuristics

- Define cognitive bias and explain how heuristics lead to systematic errors in financial decision-making.
- Identify and describe at least ten major cognitive biases relevant to investment and planning contexts, including anchoring, availability, representativeness, confirmation, hindsight, framing, mental accounting, illusion of control, recency, and conservatism.
- Apply advisor mitigation strategies for each bias using reframing, base-rate data, structured questioning, and documentation.
- Distinguish between helpful heuristics and harmful shortcuts in client decision-making.

Emotional Biases

- Distinguish cognitive biases from emotional biases and explain why emotional biases are more resistant to correction. *“Emotional biases arise not from errors in thinking but from feelings... They are resistant to logical correction because the client is not making a reasoning error.”*
- Identify and describe major emotional biases such as loss aversion, overconfidence, status quo bias, endowment effect, regret aversion, herding, and optimism bias.

- Apply empathy-based mitigation strategies that validate emotion while redirecting clients toward their long-term plan.
- Explain how emotional biases amplify market cycles and contribute to the behaviour gap.

Behavioural Client Profiling & Communication

- Describe and apply behavioural client profiling models, including the BB&K Five-Way Model and Pompian's Behavioural Investor Types.
- Use choice architecture and nudging techniques ethically to support better client decisions.
- Employ reframing, storytelling, and goal-based communication to improve client understanding and reduce bias-driven decisions.
- Design a bias-aware advisory practice using checklists, staff training, and behavioural IPS addenda.

Behavioural Portfolio Management & Retirement Planning

- Explain the disposition effect, home bias, and other behavioural patterns that affect portfolio performance.
- Compare Behavioural Portfolio Theory with Modern Portfolio Theory and apply mental-account-based portfolio construction.
- Apply behavioural frameworks such as the bucket approach to retirement income planning.
- Address longevity bias, sequence-of-returns anxiety, and other behavioural challenges in decumulation planning.

Compliance, Ethics, and Documentation

- Describe the regulatory context for behavioural finance in Canada, including CFRs, CIRO rules, and FP Canada practice standards.
- Navigate the tension between client autonomy and best-interest obligations when biases conflict with financial well-being.
- Distinguish ethical nudging from manipulative practices.
- Apply documentation best practices for recording behavioural observations, reframing conversations, and client decisions in KYC and suitability files. *“Documentation should be factual, specific, non-judgmental... Record what you observed, what you recommended, and what the client decided.”*