

CORE|DATA

High Net-Worth Research:

# Cognitive and Emotional Biases

December 2024

*Evidence Based, Purpose Driven Conversations*



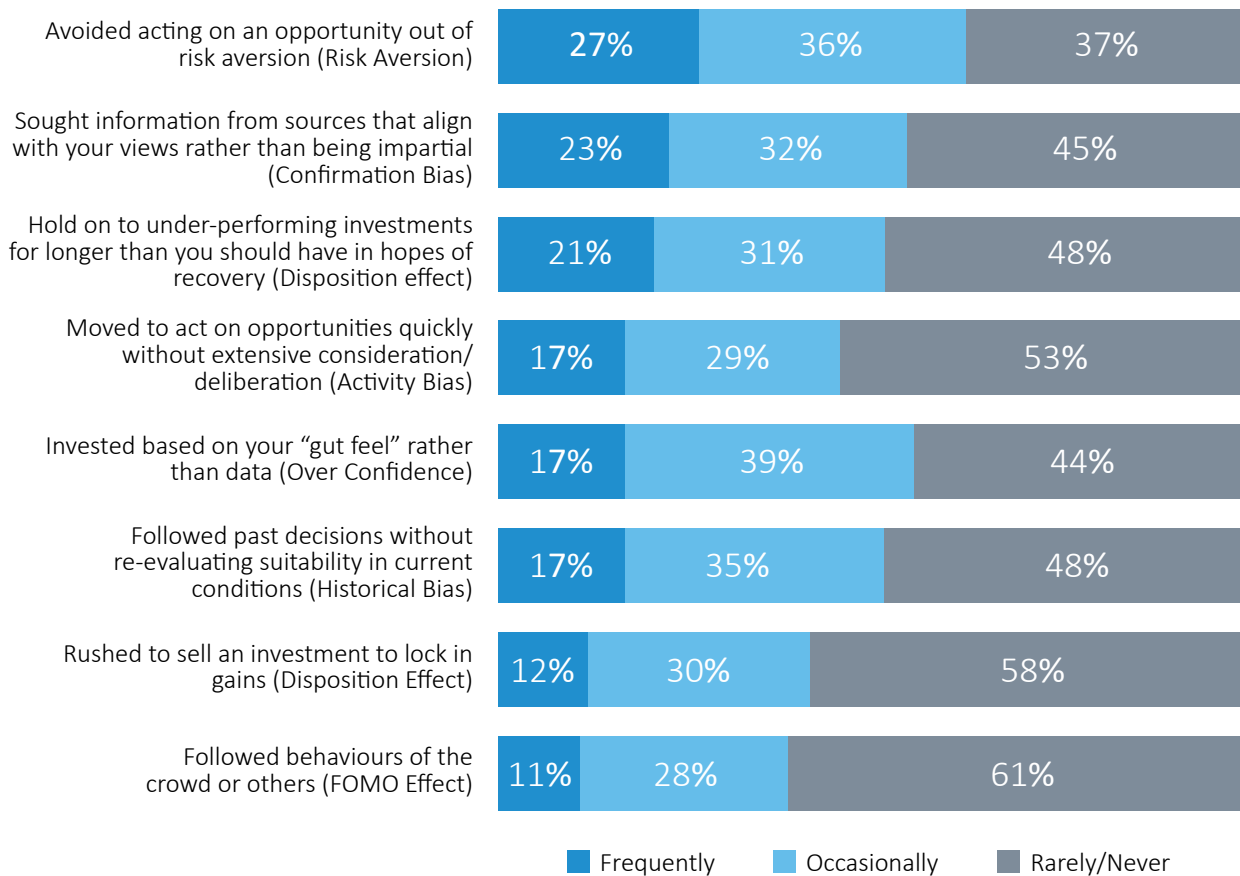
# High Net-Worth Individuals: Not Immune To Biases

When thinking of high-net-worth individuals\*, the common assumption is that they are astute, impartial investors with access to accurate information and therefore will act rationally. However, many will openly acknowledge that they have let biases affect their investment choices. This vulnerability becomes more pronounced during periods of market uncertainty or personal upheaval, when the right information might be scarce, or decisions need to be made quickly. Life events such as divorce, retirement, or managing a transfer of wealth can particularly predispose them to rely on cognitive and emotional shortcuts in decision-making.

One of the most prevalent inclinations among investors is risk aversion, characterised by a reluctance to seize seemingly advantageous opportunities. This tendency often arises from previous negative experiences

and a pronounced fear of loss, also known as loss aversion. Additionally, risk aversion can be fuelled by an exaggerated perception of danger, either due to misinformation or a focus on the worst-case scenarios. Conversely, there is also a tendency for some investors to rely overly on intuition, or ‘gut feel’, rather than empirical data when making investment decisions.

Another common tendency is confirmation bias, where individuals favour information that confirms their preexisting beliefs, often overlooking contradictory evidence. Approximately 23% of high-net-worth investors acknowledge frequently succumbing to this bias. There is also a historical bias, where investors continue to favour strategies that have previously succeeded without reassessing their current market relevance.



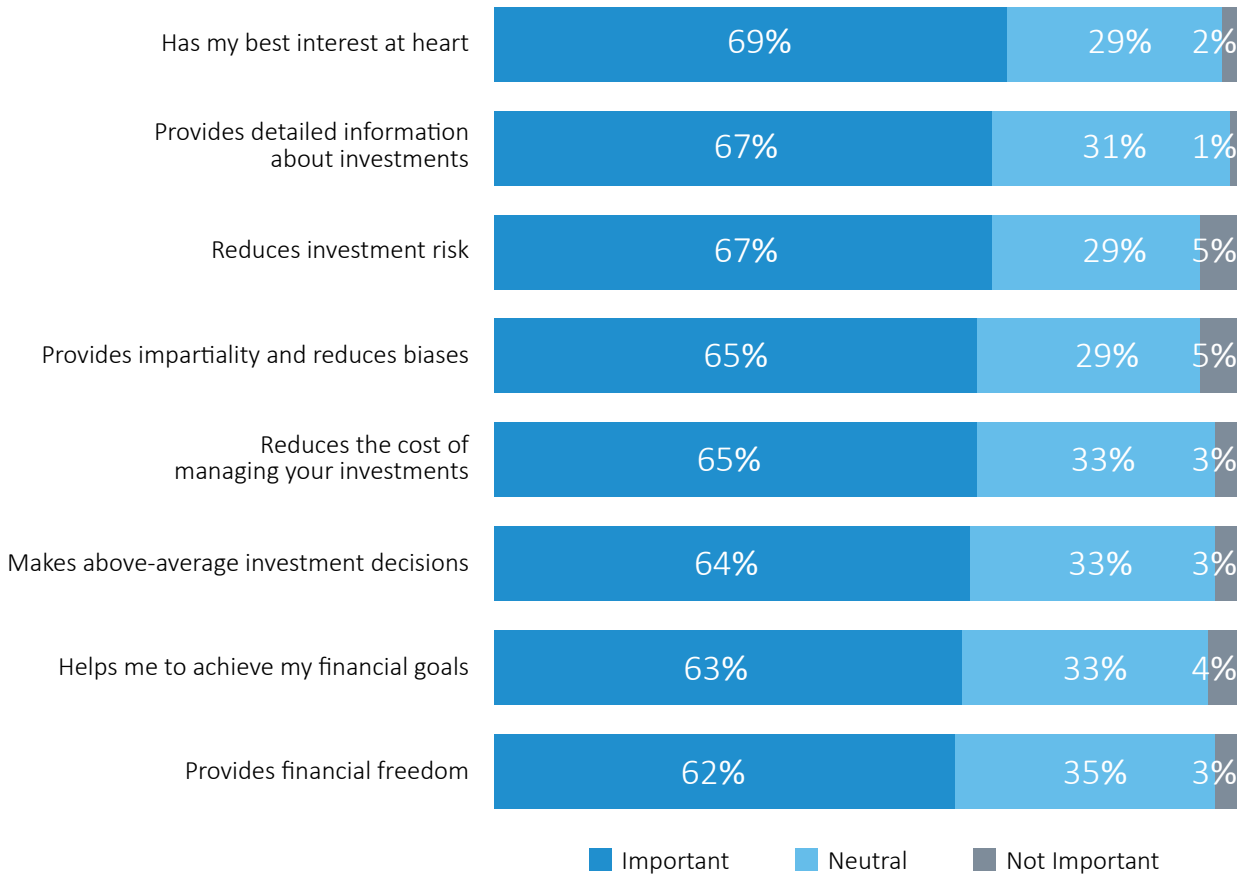
\* defined as those with over a million dollars in investible assets outside of their home and superannuation

Many high-net-worth investors recognise the valuable role that financial advisers and wealth management professionals play in countering their personal biases. Leveraging data-driven strategies, advisers can significantly diminish the influence of emotions on investment decisions. There is a growing consensus among these investors that utilising artificial intelligence in decision-making processes helps minimise subjective judgments, advocating for its increased use in financial advisory contexts.

Enhancing the client experience and maximising value delivered are top priorities for most advisory practices and wealth management firms. By gaining a deep understanding of their clients' behaviors, inclinations, and decision-making styles, advisers and client relationship managers can effectively identify and address biases. This approach not only facilitates optimal decision-making but also helps reduce client anxiety, boost confidence, and foster a relationship based on trust.



### Drivers Of Value When Engaging Advisers



## About Us

CoreData is a global specialist research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila. We help organisations transform their service propositions by better understanding their customers and their markets. Using our tried and tested research methods, we help you make evidence-based decisions that serve as a platform for future growth and continuous improvement.

CoreData's team is a complementary blend of experienced research, marketing and media professionals. Together, our combined industry and primary research experience brings unique perspective to consumer needs, attitudes and behaviours. CoreData strictly adheres to the Research Society Code of Professional Behaviour in relation to research confidentiality and security. We maintain the highest standards of data security requiring careful management and storage.





## AUSTRALIA

### SYDNEY

CoreData Pty Limited  
Suite 412, 15 Lime St  
Sydney NSW 2000

T: +61 2 9376 9600

E: [sydney@coredataresearch.com](mailto:sydney@coredataresearch.com)

### PERTH

CoreData WA  
Fern, 79 St Georges Tce  
Perth, WA 6000

T: +61 8 6500 3216

E: [perth@coredataresearch.com](mailto:perth@coredataresearch.com)

## USA

CoreData Research LLC  
265 Franklin Street, Suite 1702,  
Boston, MA 02110

T: (617) 702-3392

E: [boston@coredataresearch.com](mailto:boston@coredataresearch.com)

## PHILIPPINES

CoreData Research Services Inc.  
Unit E-1608 Tektite Towers, Exchange  
Road, Ortigas, Pasig City, 1605

T: +63 998 581 9950/ +63 917 562 5667

E: [manila@coredataresearch.com](mailto:manila@coredataresearch.com)

## UK

CoreData Research Ltd  
Office One, 1 Coldbath Square,  
Farringdon, London, EC1R 5HL

T: +44 779 336 7190

E: [london@coredataresearch.com](mailto:london@coredataresearch.com)