What is the BFA™ Curriculum?

Why Behavioral Financial Advice?

Multiple studies have shown that investor behavior influenced by financial professional advice is the single most important aspect of client investment return[1]. Understanding that a large component of financial professional advice is providing clients with insights on the financial impact of their behavior is why Behavioral Financial Advice is so important. When financial professionals support clients using behavioral finance and emotional competence, financial professionals distinguish themselves as a trusted, indispensable partner who goes beyond just managing money by focusing on the investor's behavior.

What is Behavioral Financial Advice?

Behavioral Financial Advice combines traditional finance practices with insights from behavioral finance, psychology and neuroscience. While Behavioral Financial Advice does not replace financial planning, it will increase the effective usage of a financial plan by improving client responses to emotions and decision-making behavior. This approach encourages rational decisions instead of emotional choices, even during turbulent markets and stressful personal moments. The goal of Behavioral Financial Advice is to support financial professionals in having more conversations that connect to what client's care about most, their values and their financial goals to their behavior. Within the financial professional – client relationship, Behavioral Financial Advice provides practical tools and concepts to structure their advice. Through implementation of Behavioral Financial Advice concepts, financial professionals can continue to deliver outstanding service to clients.

Behavioral Financial Advice - Learning Objectives:

The Behavioral Financial Advice curriculum prepares financial professionals to take the Behavioral Financial Advisor Designation Exam. The completion of the curriculum also prepares financial professionals to apply practical tools to begin to integrate behavioral finance into their advice. The two key course goals are to:

1. Develop the knowledge and competencies to comfortably talk to clients about Behavioral Financial Advice Concepts.

2. Effectively apply Behavioral Financial Advice concepts and tools when working with clients.

[1] July 2022."Putting a value on your value: Quantifying Vanguard Advisor's Alpha®" The Vanguard Group

Module 1: Why Behavioral Financial Advice?

1.1. Overview

Module overview

1.2. Welcome

Key topics:

Welcome

Introduce course goals

Why Behavioral Financial Advice and why you are here?

Overview of course modules/structure

Program learning tools

Quiz and exam structure

Introduction to case study

1.3. Behavioral Financial Advice Value Proposition

Learning Objectives:

1. Define Behavioral Financial Advice
2. Explain the Behavioral Financial Advice Value Proposition

Key topics:

What is Behavioral Financial Advice is and Why it is Important?

Making Financial Decisions

Financial Decision-Making Mistakes (examples)

The Impact of Emotions

How Behavioral Financial Advice Improves Decision-Making

Behavioral Financial Advice Value Proposition

1.4. Behavioral Financial Advice Core Disciplines

Learning Objectives:

1. Identify the three disciplines that influence Behavioral Financial Advice
2. Identify the impact of each discipline on client relationships

Key topics:

Behavioral Financial Advice Core Disciplines

Discipline 1: Traditional finance

Discipline 2: Psychology

Discipline 3: Neuroscience

Developing skills in each discipline can help improve client relationships

1.5. Behavioral Financial Advice Key Concepts

Learning Objectives:

1. Identify how Behavioral Financial Advice reduces stress for a client
2. Identify key concepts that provide the basis for Behavioral Financial Advice

Key topics:

Three things that people are interested in as they get older

From Misery to Wisdom - the health wealth connection

Having the right mindset has a positive impact on portfolio performance

Introduction to key BFA tools

Introduction to the six advisor competencies1.3. Behavioral Financial Advice Value Proposition

Module 2: The Right Mindset

2.1. Overview

Module overview

2.2. What are Your Stressors & Impact of Stress

Learning Objectives:

1. Identify how stress impacts behavior
2. List key warning signs that stress might be impacting your decisions

Key topics:

What are your stressors?

How psychology (stress) and neuroscience affect behavior and decision-making

The impact of stress on judgment and performance

Positive and negative stress

Emotionally reflexive vs. Emotionally reflective

Identifying emotions for better decisions

Goal achievement triangle

Personal stress assessment

2.3. Emotional and Moral Competency - Six Behavioral Competencies

Learning Objectives:

1. Differentiate between emotional intelligence and emotional competence
2. Differentiate between moral intelligence and moral competence
3. Identify how developing moral principles and competencies improves your effectiveness

Key topics:

Emotional intelligence vs. Emotional competency

Examples / definitions

Their importance to Behavioral Financial Advice

Moral intelligence vs. Moral competency

Examples / definitions

Their importance to Behavioral Financial Advice

Moral principles, competencies, benefits

Integrity

Responsibility

Compassion

Forgiveness

Six Behavioral Competencies

Integrity

Client Service Orientation

Concern for Order and Quality

Teamwork

Self-Confidence

Achievement Orientation

2.4. Rational Decision-Making

Learning Objectives:

1. List neurological factors that impact stress response
2. Identify strategies to make more rational decisions

Key topics:

How the brain works

Habit center vs. Emotional center vs. Rational center

Amygdala and cortisol / anger, stress, and cortisol

Motivation (internal vs. external)

Change and basal ganglia

How the brain impacts financial decisions and leads to decision-making mistakes

We feel before we think

We fall into patterns of behavior

How to improve your own decision-making

People are more engaged and innovative when they are internally motivated

Gratitude channel activity

Things to say to clients to keep these tendencies from impacting their decisions

2.5. Conclusion

Key topics:

Knowledge check questions

Module 3: The Behavioral Financial Advice Toolkit

3.1. Introduction

Module overview

Introduce the key topics in this module

Explain how they can help a financial professional improve performance

3.2. Definition of Values

Learning Objectives:

1. Identify the importance of values to rational decision-making

Key topics:

What are your core principles?

Ensure your actions are in harmony with your ideals and principles

3.3. Values Exercise

Learning Objectives:

1. Determine your top five values

Key topics:

Values definition

Values exercise

Using values

Values change over time

Different people define values differently

Do not fall into the trap of interpreting other people's values based on your own personal definition

Values reflection

3.4. Knowledge Check

Objective:

1. Strengthen understanding of BFA knowledge and skills

3.5. Alignment Model

Learning Objectives:

1. Identify how the Alignment Model can improve decision-making
2. Recognize the importance of aligning behavior with values and goals.

Key topics:

- Stages of behavioral change: Noticing, Understanding, Deciding
- Goal of the Alignment Model
- The Alignment Model
  - Moral Compass/Values (Frame 1)l
  - Goals (Frame 2)
  - Behavior (Frame 3)
- The Experiential Triangle - Putting the Alignment Model in action
- The Freeze Exercise

3.6. Knowledge Check 2

Objective:

1. Strengthen understanding of BFA knowledge and skills

3.7. Smart Money Philosophy

Learning Objectives:

1. Identify how the Smart Money Philosophy can understand can prepare clients

Key topics:

- Goal of the Smart Money Philosophy the brain works
- Prepare for the Certainty of Uncertainty
- The core tenants of the Smart Money Philosophy

3.8. The 4 Rs

Learning Objectives:

1. List and define the 4 Rs
2. Identify how using the 4 Rs can improve decision-making behaviors.

Key topics:

- Goal of the 4 Rs - Make decisions that are aligned with your goals and values
  - First R - Recognize
  - Second R - Reflect
  - Third R - Reframe
  - Fourth R - Respond

3.9. Goal Setting

Learning Objectives:

1. List the five components of a S.M.A.R.T. goal
2. Identify how the Alignment Model supports effective goal setting behavior

Key topics:

Relationship between goal setting and the Alignment Model

Five Steps of Setting Goals

S.M.A.R.T. goals

Have a plan

Module 3 Exam

Module 4: Setting the Stage

4.1. Introduction

Module overview

4.2. How will you explain BFA?

Learning Objectives:

1. Determine an approach for introducing Behavioral Financial Advice to your clients

Key topics:

Introduce the BFA Guideline of Setting the Stage

Introduce the Setting the Stage key phrases

4.3. Knowledge Check

Objective:

1. Strengthen understanding of BFA knowledge and skills

4.4. Introducing BFA to your clients

Learning Objectives:

1. List key concepts to include in your Behavioral Financial Advice introduction
2. Write your introductory script

Key topics:

Setting the Stage to get buy in

Enhance your BFA Value Proposition

Walsh Case Study - Introducing BFA to the Walshs

4.5. Exam questions

Objective:

1. Strengthen understanding of BFA knowledge and skills

Module 5: Using the Alignment Model

5.1. Introduction

Module overview

5.2. Using the Value Cards

Learning Objectives:

1. List the steps in the values exercise
2. Determine an approach for introducing the values card exercise to clients

Key topics:

- Preparing to use the values cards
- Steps in the values card exercise
- Introducing the values card exercise to your clients
    - Walsh case study
- Values card challenges

5.3. Knowledge Check

Objective:

1. Strengthen understanding of BFA knowledge and skills

5.4. Applying the Alignment Model

Learning Objectives:

1. Identify strategies for starting the Alignment Model discussion with clients
2. Fill out the Alignment Model template based on a client discussion

Key topics:

- Enhancing your BFA value proposition
- The Walshs - The Alignment Model
- Empowering clients to live in alignment
- Prioritizing client goals

5.5. Exam questions

Objective:

1. Strengthen understanding of BFA knowledge and skills

Module 6: Smart Money Philosophy and Planning for the Certainty of Uncertainty

6.1. Introduction

Module overview

6.2. Introducing the Smart Money Philosophy to your clients

Learning Objectives:

1. Identify strategies to help prepare clients for the Certainty of Uncertainty
2. Write your introductory script

Key topics:

Goal of introducing the Smart Money Philosophy to clients

Certainty of Uncertainty

Understand how uncertainty affects stress

Walsh case study

BFA Guideline - Smart Money Philosophy key phrases

6.3. Knowledge Check

Objective:

1. Strengthen understanding of BFA knowledge and skills

6.4. Planning for the Certainty of Uncertainty

Learning Objectives:

1. Identify strategies to help clients plan for the worst case scenario

Key topics:

Plan for worst case scenario

Categories to plan for

6.5. Exam questions

Objective:

1. Strengthen understanding of BFA knowledge and skills

6.5. Conclusion

Objective:

1. Strengthen understanding of BFA knowledge and skills

Module 7: Using the 4 Rs

7.1. Introduction

Module overview

7.2. Overview of the 4 Rs

Learning Objectives:

1. Identify how the 4 Rs can help clients make more rational decisions
2. Write your introductory script

Key topics:

Goal of introducing the introducing the 4 Rs to clients

Recognizing client emotions and experiences

Helping clients reflect

Reframing client perspectives

Client responses

Introducing the 4 Rs script

7.3. Knowledge Check

Objective:

1. Strengthen understanding of BFA knowledge and skills

7.4. When to Introduce the 4 Rs

Learning Objectives:

1. Identify strategies to for working through the 4 Rs with clients

Key topics:

The 4 Rs questions

4 Rs scenarios

Walsh case study

7.5. Exam questions

Objective:

1. Strengthen understanding of BFA knowledge and skills

7.5. Conclusion

Objective:

1. Strengthen understanding of BFA knowledge and skills

Module 8: Putting it All Together

8.1. Introduction

Module overview

8.2. Shaw family scenario

Learning Objectives:

1. Identify questions that assess an advisor's competency with Behavioral Financial Advice
2. Using the Behavioral Financial Advice guidelines to reduce financial stress for a client

Key topics:

- Top ten questions all financial professionals should know
- Introduce the Shaw family scenario

8.3. Knowledge Check - Shaw family scenario

Objective:

1. Strengthen understanding of BFA knowledge and skills

8.4. Developing your behavioral competencies

Learning Objectives:

1. Reflect on the six behavioral competencies scenario
2. Determine next steps for developing your six behavioral competencies

Key topics:

- Behavioral competency levels and example competency statements
  - Integrity competency levels
  - Client service orientation competency levels
  - Concern for order/quality competency levels
  - Teamwork competency levels
  - Self-confidence competency levels
  - Achievement orientation competency levels

8.5. Exam questions

Objective:

1. Strengthen understanding of BFA knowledge and skills