The Financial Planning Journey: A Grounded Theory Towards Bias Mitigation

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Declaration

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Abstract

Behavioural finance suggests that individuals behave in a less than optimal manner. The decision-making of investors is subject to behavioural biases, which represent systematic deviations from logic and rationality. Research at the intersection of behavioural finance and financial planning has the potential to significantly improve the welfare of individuals through enhanced decision-making. This thesis explores the potential that financial advice may have toward debiasing investors. Debiasing investors has the potential to positively influence investor welfare and improving individuals' financial decisions has the potential to extend its positive effects on a broader scale. For instance, the South African government remains concerned about the growing number of individuals who rely on the state for financial support due to insufficient retirement assets. Improving individuals' decision-making could result in better savings and investment decisions for the individual. This research draws on behavioural finance concepts to systematically develop new theory.

This research uses a constructivist, grounded theory approach. In-depth interviews were undertaken with 12 qualified financial planners in South Africa (of whom two formed part of a pilot study). Financial planners have the capacity to detect bias and deviations from logic within their clients. Financial planners seek to correct these deviations from logic through a two-phase approach entailing both pervasive and tailored techniques for their clients' scenarios. Ultimately, the efficacy of debiasing techniques must be contextualised within the broader financial planning process. The substantive grounded theory this research explicates discusses the debiasing process that individuals might undergo when they seek financial advice.

The grounded theory produced by this research, *"The Theory of the Financial Planning Journey",* articulates how the relationship between the investor and the financial advisor, underpinned by trust, functions to create an environment that is conducive to debiasing. The process of building and establishing a relationship during the financial planning journey enables the financial advisor to deploy techniques to help mitigate threats, such as biases, to the journey. The more partial a client is to the advisor, the greater the efficacy of the debiasing techniques the advisor may use (such as education or probing questions). This theory contextualises debiasing strategies as a

toolkit of techniques to be implemented by the financial advisor. The use of each strategy changes depending on the bias and type of client presented.

Although research about behavioural biases and debiasing methods is well-documented within finance literature, this research represents a unique academic contribution in multiple ways. First, it approaches a behavioural finance problem with a qualitative, constructivist methodology that is uncommon within the research paradigm. Second, it extends the literature about financial planners by providing a novel, theoretical contribution regarding the role that planners might play in supporting bias mitigation of their clients. There are limited endeavours in behavioural finance literature that systematically seek to develop new theory. Debiasing literature is largely focused on testing debiasing strategies in isolation. This grounded theory suggests how multiple debiasing techniques may work within the process of financial advice. Third, this research identifies specific policy recommendations to improve investor welfare in the future.

From a practical perspective, *The Theory of the Financial Planning Journey* has the propensity to influence the practice of financial advice. This research highlights the importance of relationship-building between advisor and client. Recommendations to policymakers therefore include elevating the importance of social skills when considering what core competencies are required for an individual to qualify as a certified financial planner.

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Dedication

Dedicated to my parents: Shamin and Harry Jugnandan.

I am a learner – and you both are wonderful teachers.

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List of Abbreviations

AMH	Adaptive markets hypothesis
ASISA	Association for Savings and Investment South Africa
CFP	Certified Financial Planner
CIS	Collective investment scheme
DFM	Discretionary fund manager
EMH	Efficient Markets Hypothesis
ETF	Exchange traded fund
FOMO	Fear of missing out
FPI	Financial Planning Institute of South Africa
FPJ	Financial planning journey
GDP	Gross domestic product
JSE	Johannesburg Stock Exchange
SARB	South African Reserve Bank
US	United States
UCT	University of Cape Town

CHAPTER 1 INTRODUCTION

1.1 Introduction

This chapter establishes the research context and research objectives. The research objective drives the direction of the research and informs the methodology adopted to achieve the objective. This chapter also includes the rationale for the research, its objectives, the research question, a summary of the research design and an overview of the results.

1.2 Research Rationale

South Africa is an emerging economy that remains challenged by its history of economic inequality stemming from apartheid[1] legislation (Fortuin et al., 2022; Hammond et al., 2009; OECD, 2018, 2020b, 2021; Stats SA, 2021c). As described by Hammond et al. (2009, p. 707), the laws of apartheid defined people based on race and defined access to health care, jobs and education.

Emerging economies such as South Africa's reflect low financial literacy rates (Klapper & Lusardi, 2020). Even though many people find financial concepts challenging (Hammond et al., 2009; Klapper & Lusardi, 2020), individuals are increasingly left to take ownership of their personal, financial decisions regarding savings and investments (Gaar et al., 2020; Keizer et al., 2019) and must bear the consequences of any poor judgements in this regard. For instance, in South Africa, there is no legislative requirement for employers to be custodians of their employees' retirement by providing them with retirement benefits (Marumoagae, 2017). The South African government remains concerned by the number of South Africans that retire with insufficient funds to support themselves (Marumoagae, 2017).

In bearing the onus for their own retirement and savings decisions, individuals are subject to flaws in judgement when making decisions (Kahneman, 2003; Kahneman & Tversky, 1979, 1984; Tversky & Kahneman, 1974, 1981, 1992). Persistent deviations from optimal outcomes and flaws in judgement give rise to behavioural bias,

[1] Apartheid refers to a period in South Africa's history whereby races were segregated (Hammond et al., 2009).

which can have detrimental consequences on an investor's financial welfare (Barber et al., 2009; Barber & Odean, 2001; Gaar et al., 2020; Hirshleifer, 2001; Kumar & Goyal, 2015; Odean, 1999). For example, the herding bias could result in individuals making investments or buying financial products purely because they are inclined to follow what their peers are doing (Fei & Liu, 2021; L. Kaiser & Stöckl, 2020). This is problematic as the individual might not fully comprehend the risks behind such an investment.

Overall, biases within financial decision-making can be detrimental to individuals' financial and personal welfare. There is thus an impetus to advance research into methods that debias investors or help them make better decisions (Lilienfeld et al., 2009). Debiasing investors has the potential to improve their financial decision-making capacity. Literature offers some techniques to mitigate the influence of bias on decision-making (debias) such as training about the nature of biases (Adame, 2016; Sellier et al., 2019). Indeed, as articulated by Lilienfeld et al. (2009, p. 391), "debiasing people against errors in thinking could be among psychology's most enduring legacies to the promotion of human welfare".

Many individuals do not feel personally equipped to make financial decisions alone, potentially leading them to seek support from a financial advisor (Eriksen et al., 2022; Hackethal et al., 2012). Financial advisors can use their knowledge, skills and experience to help investors make rational decisions to achieve quality financial outcomes. For instance, financial advice results in more diversified asset classes (Shin et al., 2020; Von Gaudecker, 2015), better exposure to risky assets based on the investment horizon and goal (Changwony et al., 2021) and better retirement savings (Harlow et al., 2021).

Despite this, there remains a gap in the literature regarding how financial advisors mitigate their clients' biases. The identification of client bias and its remedy through advice remains an area for further research (Athota et al., 2023)[2]. The importance of this research is reiterated by Bogan et al., (2020, p. 3), who posit that research at the intersection of behavioural finance (specifically client behaviour) and financial planning has the potential to "significantly improve" the lives of individuals. Thus, a better

[2] Early access at time of writing (2022).

understanding of how financial advisors might mitigate their clients' biases can better inform financial policy and have practical implications for regulators. Debiasing research has the potential to improve investor welfare through improved decision-making. Given the onus on the individual to ensure the sufficiency of their personal savings, it is imperative to understand how financial advisors may contribute to the mitigation of bias.

It is important to clarify that the term "bias" within qualitative has a different meaning to the behavioural finance use of the word "bias" being discussed within this research. Qualitative research sampling, for instance, is inherently biased because it seeks out specific experiences that the research matter necessitates (Bryant & Charmaz, 2010). Qualitative research sampling bias can be understood by contrast with "random" sampling of participants. Counterintuitively, if a qualitative research sample was driven by randomisation to mitigate bias, then it would actually introduce bias by not providing insights to the entire scope of the phenomenon being examined. This is due to the naturally thin tail ends that are characteristic of a normal distribution curve (Bryant & Charmaz, 2010).

Bias in qualitative researcher may also refer to the manner in which data is collected being distorted by the researcher's theory, values or preconceptions (Maxwell, 2013). However, it is not appropriate to try to standardize the researcher towards pure objectivity. Instead, qualitative research seeks to communicate how the researcher's values influence the conduct and conclusion of the study (Maxwell, 2013). Integral to the qualitative research process is the contextualisation of the researcher as an instrument. "Just as the methods we choose influence what we see, what we [the researcher] bring to the study also influences what we can see" (Charmaz, 2010, p. 15). The background, assumptions and disciplinary perspectives naturally shape and alert their analytic to seek out possibilities and processes (Charmaz, 2010). It thus shapes the research topic and conceptual emphasis.

The research topic of this study is rooted in behavioural finance. The researcher is a qualified chartered accountant that is registered with a well-known professional body. This means that the researcher has an academic knowledge of finance and accounting concepts at post-graduate level. This makes up the "stock of knowledge" (Charmaz, 2010, p. 15) with which the researcher has approached the research problem. The

professional designation potentially afforded personal credibility to the researcher via a social status, which contributed to the researcher's efforts in eliciting research participants.

The researcher's guiding interests in behavioural finance and personal drive to seek solutions to biases led the researcher to apply a solutionist-mindset to the interview analysis and engagement. This led to the researcher drawing out concepts such as client-education and strategic behavioural bias deterrents from the study's data. However, these guiding interests only provide points of departure as opposed to limiting the conceptual ideas within the study (Charmaz, 2010).

The researcher began the study from a finance perspective, but the study evolved from the data to examine wider concepts such as trust and building relationships within the broader financial planning journey. The researcher felt compelled to explore the complexities in creating a strong relationship between the client and the planner; and what role trust played in this process. Such concepts are not strongly rooted in pure-finance literature and were not something the researcher had initially anticipated would play such a large role in mitigating bias. This example demonstrates the need to keep an open mind in undertaking the grounded theory analysis. Remaining close to the actual data generated supported the researcher in identifying concepts beyond the scope of their initial stock of knowledge. In other words, the existing body of knowledge the researcher brought into the study marked a beginning and not an end; in that the researcher remained as open as possible to non-financial concepts that were drawn from the actual data. A discussion of the researcher's experiences and personal interests are expounded on within the methodology chapter.

1.3 Research Objective

This research seeks to understand the underlying debiasing mechanisms that financial advisors may implement with their clients. The aim of this research is to produce actionable knowledge for the design of a qualitative theory toward debiasing within the financial advisory literature.

This research thus aims to make the following contributions:

- The *theoretical* contribution of this research is the design and implementation of a qualitative research methodology in the field of finance. Additionally, this is a response to earlier literature suggesting that research in finance should be expanded to include more qualitative research (Kaczynski et al., 2014; Salmona et al., 2015). This research is based on constructivist grounded theory (Charmaz, 2010). This use of grounded theory enabled this research to construct a novel theory to advance the behavioural finance and financial advisory literature.
- The *practical* contribution of this research is an understanding of the debiasing process that happens between an investor and their financial advisor. It provides insight into the financial advisory process in South Africa in order to make practical recommendations to improve investor welfare in South Africa.

This research objective broadly aligns with that set out by Baker and Nofsinger, (2010, p. 33). Most of the behavioural finance body of research thus far contains empirical studies that exemplify anomalous behaviours (behavioural biases) when compared to traditional finance models of perfect rationality (Baker & Nofsinger, 2002, 2010). In advancing the behavioural finance research agenda, behaviouralist researchers should "demonstrate interactions between behavioural forces and institutional features" (Baker & Nofsinger, 2010, p. 33). Researchers from a traditional finance perspective and a behavioural finance perspective are both inclined to agree that "Behavioural forces have a greater impact […] on behaviour when institutions have weak disciplinary power" (Baker & Nofsinger, 2010, p. 33). The potential for institutions to discipline or curb the influence of behavioural biases is therefore of interest to this research. Furthermore, there is an impetus for research regarding how financial planners may improve client behaviour for better quality decisions (Bogan et al., 2020).

In understanding the research objectives (or, the research problem), a distinction must be drawn between symptoms of the problem as well as the researcher's perception of the problem. The underlying theoretical driver of the research problem are behavioural biases as understood through the theoretical perspective of behavioural finance. Symptoms of investor's acting on their bias are poor financial decisions. Poor financial decisions may be understood as decisions that are detrimental to the financial wellbeing of the investor, such as overuse of credit and spending beyond earned

income (Grable & Joo, 1999). The researcher perceives behavioural biases within this context to be detrimental; although there are proponents within the broader psychology field that consider certain elements of biases and heuristics to be beneficial (Gigerenzer & Gaissmaier, 2011).

The objective of this research is to theorise how the process of professional financial advice might "discipline" the behavioural forces of the retail investor[3] (Baker & Nofsinger, 2010) and outline this interaction within a grounded theory. Finance research can be categorised into three dimensions: institution, method and theory (Baker & Nofsinger, 2010, p. 24). These dimensions are summarised within this chapter: institution within section **1.4** and the method within section **1.5**. The theoretical underpinning of this research is pervasive and is discussed in both sections.

1.4 Research Institution

Although economic concepts might traditionally be taught as scientific, concepts such as money and financial institutions exist relative to human interpretations and feelings (Searle, 2005). In understanding the concept of an institution, it is important to clarify its epistemological and ontological positions. Although there exists an epistemically objective institutional reality that underpins money and economic institutions, this reality is partially comprised of subjective feelings and attitudes (Searle, 2005). This research is sensitised to the subjective ontology that underpins financial advice as the advisory process contains inherent social, interpretive components. The epistemologically and ontologically subjective nature of this is undertaken through a constructivist lens. A financial planner must understand and interpret the quantitative and qualitative information provided by the client in order to collaboratively construct a financial plan.

An institution can be understood as a collectively accepted system of procedures or rules that enable the creation of institutional fact (Searle, 2005). There is a "collective intentionality" (Searle, 2005, p. 6) between participants in financial advice, such that a client might intentionally seek out an educated view from the advisor. Cooperation between the planner and the client provides demonstrable evidence of collective

[3] Akin to the lay person investor (Hillenbrand et al., 2022); i.e., not a professional investor.

intentionality. Within the financial advisory relationship, there is an assignment of function and status. A status function is necessary in moving the dynamic from being a social fact to being an institutional one (Searle, 2005). This entails a person performing their assigned function based on the collective assignment of a certain, socially accepted status. The financial advisor is bestowed with the status of an advisor; the client, in turn, is the advised. Engaging the financial advisor creates a shared understanding of roles between the parties involved. The role of the advisor thus presents a status function, which is a component of an institution.

The role of institutions is to create relationships that generate rights, obligations and empowerments, collectively referred to as deontic powers (Searle, 2005). Structures of power within relationships are ubiquitous and can be seen from contractual relationships to informal friendships. Institutions increase human power; by creating stock markets, humankind's capacity for action increases. Humans have desires and can satisfy them through institutional structures, such as the desire to be rich being satiated through the stock market. Through the institution of financial advice, a client or investor may grow or maintain personal wealth. Individuals may satisfy their desire to achieve certain financial goals through financial advice. Cumulatively, financial advice can be seen to sufficiently constitute an institution subject to study.

1.5 Research Questions

To achieve the objective of this research, the objective is refined into two key research questions. This research articulates questions and not a hypothesis, which is consistent with the qualitative approach adopted (Creswell, 2009; Mason, 2002).

The central, broad research question is:

- *How are the behavioural biases of individual investors managed by financial planners in South Africa?*

To respond to this question, this research constructs a substantive, grounded theory of bias mitigation within the institution of financial advice.

The specific, sub-research question asks:

- *What strategies are implemented by financial advisors to manage the effect of behavioural bias on their clients?*

The sub-research question supports the key research question. This question is responded to by outlining the detailed strategies financial advisors have implemented. The strategies identified form the building blocks of the ultimate theory. Theory is formed by the researcher creating relationships between and among the strategies (which are broken up into codes for grounded theory purposes (Charmaz, 2010)).

There are many perspectives on what constitutes theory (Charmaz, 2010; Corley & Gioia, 2011; Gehman et al., 2018; Maxwell & Mittapalli, 2012). Whilst grounded theory can be seen as a methodology towards both positivist and interpretivist outcomes, this research is based upon an interpretive, constructivist foundation. It thus follows that this research applies an interpretive definition of theory. Participant's reactions, discussions and perspectives are interpreted towards the construction of a theory that emphasizes the lived practices of the financial planners and their actions (Charmaz, 2010). Theory within this research is ultimately the articulation of saturated, interpretively constructed concepts that are related via statements of relationship towards an integrated framework.

1.6 Research Method

This research implements a qualitative, grounded theory methodology (Charmaz, 2010; C. Urquhart, 2013f) to achieve its objective of constructing substantive theory. In depth interviews were conducted with qualified financial planners from different provinces in South Africa. Each interview participant was a registered Certified Financial Planner (CFP) registered with the Financial Planning Institute of South Africa (FPI). These credentials indicated that participants were qualified members of a regulated professional body. All interviews were fully transcribed.

The transcripts were analysed on an iterative basis while interviews continued to be conducted, as is characteristic of grounded theory (Flick, 2018b). All transcripts underwent a detailed cycle of coding and constant comparison (Charmaz, 2010; C. Urquhart, 2013c). Data analysis was driven by the coding methodologies of grounded theory to enable the researcher to remain close to the data and produce theory that resonated with the lived experiences of each participant (Flick, 2018b; C. Urquhart, 2013b). By staying close to the data, the researcher did not force any experience or prior knowledge onto the theory (Flick, 2018b).

Theory can be seen as a set of concepts and the proposed relationships that exist among and between such concepts (Maxwell & Mittapalli, 2012). In the context of the research questions, the detailed bias mitigation strategies related to other data (codes) obtained in the interview process in order to construct theory. To develop relationships between the codes, classical grounded theory coding families (Flick, 2018d; C. Urquhart, 2013b) were considered. Throughout the process, the researcher drafted theoretical memoranda to consider relationships between codes and reflect on whether codes had appropriately been saturated (Charmaz, 2010).

As previously mentioned, finance research encompasses three dimensions: institution, design and theory. This research specifically aims to be theory generative. However, the theory is not developed in isolation. Instead, this theory can be contextualised within the broader efficient markets hypothesis (EMH). The grounded theory constructed by this research can be seen as a mechanism towards correcting the irrational underpinnings of investors that typify behavioural finance. This bias mitigation might serve as a theoretical bridge to join behavioural theory with the EMH. The constructed theory is compared to and contextualised with the EMH and then adaptive markets hypothesis (AMH) and agency theory in subsequent discussions. The grounded theory constructed by this research is interpretive in nature and encompasses both constructivist and social constructionism elements.

1.7 Research Contribution

The primary contribution of this research is its theoretical contribution to the debiasing literature. This theory advances the behavioural finance and financial planning discourse regarding how institutions might discipline the biases of investors. This theoretical contribution might be subsequently tested quantitatively or be extended by future research. The study offers several unique contributions.

First, there are limited discussions of behavioural finance that systematically develop new theory (Baker & Nofsinger, 2010). Instead, typical behavioural finance research concentrates on the identification and discussion of bias or performing quantitative analysis on data (Baker & Nofsinger, 2010; Kaczynski et al., 2014). This research provides a novel example of the application of a research methodology that is not frequently used within behavioural finance. Both quantitative and qualitative

perspectives are required to generate innovative perspectives to advance a field of literature. Thus, in addition to its results, this research presents a methodological contribution to the literature.

Second, this research proposes a new theory within the institution of financial planning: *The Theory of the Financial Planning Journey*. This theory provides insights into how financial planners may work together with their clients to mitigate bias while maintaining the client's autonomy. This theoretical proposition advances the behavioural finance research agenda as well as the literature on financial planning. The theory has practical implications for consumers and financial planners alike. It outlines the potential that financial planning has towards disciplining individual investors' biases and encouraging appropriate financial decision-making.

Clients often misunderstand financial planning, particularly by assuming that advice merely entails a brokerage function. Literature frequently complements this misunderstanding by considering financial advisors within the context of non-independent advice, whereby advisors merely perform the task of a broker (Bergstresser et al., 2009; Mullainathan et al., 2012). This research has interviewed both independent and non-independent financial advisors. Financial advisors perceive themselves as doctors, seeking to help their clients and provide them with comfort. In addition, financial advisors provide behavioural coaching. The client and the financial advisor, together, embark on what this research calls the "Financial Planning Journey". The Financial Planning Journey forms the basis of the grounded theory titled "*The Theory of the Financial Planning Journey*".

At the outset of the journey, the client and the financial advisor get to know each other. The advisor understands the client's hopes and dreams to craft a financial plan to enable their clients to achieve their goals. These goals could be aspirational or could carry emotional connotations, such as buying a house in Spain or passing on wealth to the next generation. A collaborative process is required to establish the financial plan, which acts as a map for the client and thus provides direction to their financial planning journey. The client also forms a bond with the financial advisor and grows to trust the advisor. The concept of trust within the context of financial services is well researched and suggests that trust is closely correlated with advice usage (Alsemgeest & Steyn, 2021; Burke & Hung, 2021; King, 2021). Trust enables the client

to be partial to the planner's debiasing approaches, which is crucial for the financial planning journey to arrive at its successful destination or goal.

The investor may be subject to bias, which may threaten the success of their journey. A good relationship and trust in the advisor results in the investor talking to their advisor about their potentially biased decision, such as wanting to copy the portfolio of a peer (bandwagon bias or herding bias (Fei & Liu, 2021; L. Kaiser & Stöckl, 2020; Scharfstein & Stein, 1990)). At this point, the financial planner has a two-fold approach to debiasing: a pervasive set of approaches that tend to underpin all debiasing efforts and a more targeted approach.

The financial planner may then ask probing questions to get an understanding of why the investor would want to undertake this decision by asking them to explain. This is akin to elaboration, which has proven useful in mitigating bias (Cheng et al., 2014). Asking probing questions forms part of a set of pervasive debiasing techniques that advisors commonly utilise when confronted with bias. Subsequently, a more targeted debiasing approach, depending on the client and the situation, might be taken. For example, for impulsive clients, slowing down the pace of the decision (Pavićević & Keil, 2021) may help curb overconfidence.

Trust and the strength of the relationship enable these debiasing techniques to result in effective decision outcomes. In this manner, the financial planner acts to protect the client's financial journey. The process of educating the client through the engagement might also prove useful for future debiasing (T. Kaiser et al., 2021). A good relationship in turn makes the client more partial to future debiasing actions in a fruitful cycle. This research contributes to the literature regarding financial advice and how it may intersect with behavioural finance phenomena.

From a practical perspective, this research offers an opportunity to bridge the gulf between academia and practice. The grounded theory motivates for enhancements to the practical, core competencies of financial advisors to be considered. An elevation of skills relating to relationship building and understanding the client is potentially required within the syllabus of aspiring financial advisors. The theory might also present an avenue for existing planners to implement in dealing with client biases.

1.8 Outline of Thesis Chapters

CHAPTER 2 provides an overview of the behavioural finance domain within the literature that this research is situated in. The literature review compares and contrasts traditional finance with behavioural finance and discusses debiasing solutions. It then explores financial advice and the role it has within the broader debiasing agenda. Lastly, it also provides more context to the South African environment, to which this research is subject.

CHAPTER 3 discusses the grounded theory methodology in detail. The methodology chapter includes details regarding the pilot study implemented prior to commencement of the final study. As this research relies on interviews with participants, ethical considerations are also featured within the methodology chapter.

Subsequently, the results discussion is bifurcated: **CHAPTER 4** discusses the coding results in detail while **CHAPTER 5** provides the response to the research objective. Chapter 4 provides salient extracts from interview transcripts to articulate the results of the coding process. It also establishes the foundations for the grounded theory by providing an explanation of the core category and subcategories that were constructed through the grounded theory coding process. Answers to the sub-research question are provided therein by articulating the detailed strategies that financial planners use when confronted with clients' errors in judgement.

Following the coding results, Chapter 5 explains how the core category and subcategories are related. It then compares the resulting grounded theory to existing, relevant theories within the domain of finance. In addition, Chapter 5 explains the limitations and delimitations of this research.

CHAPTER 6 concludes by focusing on the academic contribution of this research and providing practical recommendations to policymakers. Suggestions for future research are also contained within the concluding chapter.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This literature review discusses behavioural finance and its differences compared to the traditional assumptions of standard finance. Bounded rationality and heuristics underpin many decisions that individuals may make (Kahneman, 2003; Tversky & Kahneman, 1981). Systematic biases that stem from bounded rationality may result in punitive financial consequences for an investor (Hirshleifer, 2001), such as being unable to care for themselves when they retire (Marumoagae, 2017; Tomar et al., 2021) or exposing their portfolio to concentrated risk with subpar returns (Gaar et al., 2020).

To remedy these biases, literature has tested multiple debiasing solutions, such as training (Isler et al., 2020; Sellier et al., 2019) or designing warnings (Cheng & Wu, 2010; Compen et al., 2022). In addition, financial advice represents an important potential debiasing method (Allen, 2001; Bluethgen et al., 2007), particularly considering the limited financial literacy of the general population in an emerging economy such as South Africa (Dhlembeu et al., 2022; Klapper & Lusardi, 2020).

2.2 Theories in Finance

> *"What is an economic man like? He has three properties. (a) He is completely informed. (b) He is infinitely sensitive. (c) He is rational. […] an economic man who has the properties discussed above is very unlike a real man"* (Edwards, 1954, pp. 381–382).

2.2.1 Standard Finance

One of the core tenets of standard finance and economics is that investors are rational and that markets are efficient (Baker & Nofsinger, 2010; Fama, 1970; Kumar & Goyal, 2015; Simon, 1955; Statman, 2008). Within the standard finance and economics paradigm, people make unbiased decisions and act in a perfectly rational manner towards their own interests (Baker & Nofsinger, 2010; Searle, 2005). Should an individual make a poor decision, they would bear the detrimental consequences and either learn from their experiences or exit the market.

In addition, standard finance encompasses normative assumptions (i.e., how people should behave) regarding risk and decisions made under conditions of uncertainty, which could differ from how people actually behave (Baker & Nofsinger, 2010; Statman, 2008; Thaler, 1980). Some proponents of traditional finance sit on a spectrum of positivism[4] (Friedman & Savage, 1948; Statman, 1995; Thaler, 1980), espousing the predictive benefits of these simplifying assumptions of rationality. Economists argue that any errors are independent across multiple individuals and will cancel out on a total equilibrium basis (Hirshleifer, 2001).

2.2.2 Behavioural Finance

Despite the assumptions of rationality within standard finance, there is an abundance of evidence that individuals underperform in the financial market (Barber et al., 2009; Barber & Odean, 2000, 2001, 2013; Shefrin & Statman, 1985). These results suggest that individuals behave in a manner that is inconsistent with traditional models but appears consistent with behavioural flaws in judgement as articulated within psychological research (Baker & Nofsinger, 2002; Kumar & Goyal, 2015; Lo, 2004; Statman, 2008).

While the simplified assumptions of rationality within traditional finance continue to be relevant research (Lo, 2005), there is also a significant volume of research (Baker & Nofsinger, 2010, p. 5) that aims to combine behavioural and cognitive psychology with traditional economics and finance. Such research has broadly come to be known as behavioural finance. Literature has offered compelling behavioural versions of traditional economic and financial concepts, such as behavioural portfolio theory (Shefrin & Statman, 2000) in lieu of traditional portfolio theory (Markowitz, 1991) and prospect theory (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992) as a potential behavioural version of utility theory. Alternatives to the EMH have emerged in literature, such as the AMH (Lo, 2002, 2004, 2005). The adaptive markets hypothesis is cognisant of human errors in judgement, positing that investors adapt and grow as they learn from their experiences.

[4] More subtle forms of positivism are found in some contemporary traditionalists of finance (Baker & Nofsinger, 2010).

2.2.3 Bounded Rationality and Heuristics

The concept of perfect rationality within traditional finance and economics has not gone without challenge. Nobel Laureate Herbert Simon was credited (Kahneman, 2003; Lo, 2004, 2005) with introducing the concept of bounded rationality quite early, by questioning whether the model of rationality is a *"suitable foundation to erect a theory"* (Simon, 1955, p. 99). Individuals are not capable of constantly optimising their decisions due to cognitive constraints, such as limited cognitive capacity or computational skills (Simon, 1955). Instead of maximising their utility, individuals make choices that are merely satisfactory (Simon, 1955).

Heuristics are mechanisms that help ease the cognitive burden of determining a solution to a complex problem (Schwartz, 2010). Heuristics can be seen as strategies that *"ignore[s] part of the information [provided] with the goal of making decisions more quickly, frugally, and/or accurately than more complex methods"* (Gigerenzer & Gaissmaier, 2011, p. 454). Rules of thumb that are pervasively observed and represent systematic deviations from rational outcomes are collectively referred to as biases (Schwartz, 2010). Seminal literature on biases has sought to identify and categorise biases with the ultimate objective of improving judgement and decision-making (Kahneman & Tversky, 1979, 1984; Tversky & Kahneman, 1974, 1981, 1992). Behavioural biases may be regarded as an encompassing term that may be further categorised into cognitive or emotional bias.

The volume of literature that considers methods to mitigate or manage the influence of bias on individuals continues to grow (Almashat et al., 2008; Bialek & Sawicki, 2014; Fischoff, 1981; Hartono & Wahyuni, 2017; Isler et al., 2020; Kaustia & Perttula, 2012; Kenyon & Beaulac, 2014; Lilienfeld et al., 2009; Sellier et al., 2019; Son et al., 2021). However, this research agenda is not entirely unified as some proponents view heuristics as useful and posit that judgements need only be satisfactory and not optimal (Gigerenzer & Gaissmaier, 2011). While there may be scenarios for which heuristics could be useful (such as scenarios that do not lead to significant financial loss), this research aligns with the objectives of improving the decision-making capacity of individuals.

2.3 Behavioural Biases

Psychological factors may influence decisions in a manner that leads to bias in decision-making (Baron, 2008; Tversky & Kahneman, 1974). Literature contains extensive lists of biases (Baron, 2008; Hirshleifer, 2001; Kumar & Goyal, 2015; Zahera & Bansal, 2018). The objective of this section is not to provide an exhaustive list of biases; instead, this section outlines some of the common behavioural biases discussed within finance literature and their problematic consequences for an investor. The biases discussed influence the decisions of stock market participants (Hirshleifer, 2001). The biases discussed herewith were influenced by the nature of data collected during the implementation of the research methodology, as is explained further in Chapter 3 (Methodology) through the implementation of the informed grounded theory model. Thus, some biases which may be more prevalent within the canonical behavioural finance literature dialogue may not be discussed in detail.

2.3.1 Home Bias

Home bias describes a behavioural bias whereby investors place undue emphasis on their domestic market (Cooper & Kaplanis, 1994; Gaar et al., 2020; Lewis, 1999; Liu, 2022). Individuals affected by this bias hold too little of their wealth in foreign assets, relative to the value that would optimally hedge portfolio risk and increase returns in terms of standard portfolio theory (Lewis, 1999; Markowitz, 1991). This results in a portfolio that is heavily invested in the investor's domestic market. Such an investment is usually disproportionate when considering the local market relative to the size of the international market.

Home biased portfolios are deviations from standard portfolio theory, which advocates for proportionate international diversification (A. V. Mishra, 2008, 2015; A. V. Mishra & Ratti, 2013; Riff & Yagil, 2019, 2016). The benefits of international diversification have been comprehensively studied in the literature (Grauer & Hakansson, 1987; Grubel, 1968; Levy & Sarnat, 1970; Rugman, 1976), making this bias inconsistent with traditional financial theory. Portfolio theory posits that rational investors should hold an internationally diversified portfolio of equities if capital is fully mobile across borders (Ardalan, 2019). However, this rational theory is not reflective of investment patterns in practice, hence the "home bias". Portfolio under-diversification can be a costly mistake to investors and so is not part of an optimal investment strategy as it can

compromise returns and increase risk within a portfolio (Karlsson & Nordén, 2007; Lütje & Menkhoff, 2007; Nordén, 2010; Von Gaudecker, 2015).

Home bias has been originally attributed to the work of French and Poterba (1991). Investors within the United States (US), Japan, the United Kingdom), France and Germany, were shown to hold a disproportionately large share of domestic assets within their equity portfolios. US investors were shown to have allocated approximately 94% of their funds to domestic securities, despite the US market comprising less than 48% of the global equity market at the time of the study.

2.3.2 Anchoring and Adjustment

Anchoring and adjustment, in a rational instance, commences with an appropriate and accurate starting point and gives rise to appropriate subsequent adjustments to get to a reasonable conclusion, such as in the process of considering a price-to-earnings ratio or forecasting (Clarkson et al., 2020; Meub & Proeger, 2016). The bias could occur when the process commences with an incorrect starting point, such as, for example, an incorrectly determined or inflated price-to-earnings ratio. This bias usually manifests when trying to predict values where an initial value is available as a starting point (Tversky & Kahneman, 1974).

For instance, the 52-week price peak plays a critical role in analysts' target price formation and forecasts (Clarkson et al., 2020), which creates a largely optimistic bias within price forecasts. In drafting forecasts, investors and analysts might overestimate the probability that the future will mirror the present due to an insufficient adjustment of current data (Givi & Galak, 2019). Analysts could also anchor their forecasts relative to the industry median (Cen et al., 2013). When the influence of this bias is mitigated, forecasts may present more useful predictions of returns. Research has also extended to finding evidence of anchoring in property valuations (George et al., 2000; Lowies et al., 2016; Ünveren & Baycar, 2019). These errors could misinform investment decisions, such as in the purchase or disposal of stocks or property.

2.3.3 The Disposition Effect and Framing

Prospect theory suggests that individuals make decisions based on incremental value (potential gains or losses) rather than the end point or outcome (Kahneman & Tversky,

1979; Tversky & Kahneman, 1992). The model of prospect theory can be expanded into three facets as explained in Thaler (1980). First, individuals are risk averse when it comes to gains but are risk-seeking when faced with losses. The bearing of potential loss weighs greater in an individual's decision-making than the potential for gains. Second, individuals favour certainty relative to uncertain outcomes, tending to overweigh certainty. Third, the form or presentation of a problem has the potential to impact the decision reached.

The disposition effect pertains to a tendency of investors to sell stocks that are appreciating in value prematurely, while simultaneously refraining from selling losing stocks (Shefrin & Statman, 1985). Prospect theory's explanation of risk preferences helps explain the disposition effect (Shefrin & Statman, 1985; Vaarmets et al., 2019), which has the potential to result in detrimental financial consequences for an investor (Odean, 1998). The disposition effect bias can affect both individual and professional investors, although at a lower degree for professional investors (Shapira & Venezia, 2001).

The framing effect describes a propensity of individuals to be influenced by the way information is presented to them (Cheng et al., 2014; Xing, 2021). Individuals may be swayed in their judgements depending on how options or alternatives are described. This bias is thus related to loss-aversion, as described within prospect theory (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992). Investors might be swayed by their emotional aversion to loss, instead of making unbiased decisions informed by probabilities.

2.3.4 Overconfidence

The average individual tends to be overconfident (Taylor & Brown, 1988). Overconfidence pertains to an individual's inflated sense of self-ability (Tversky & Kahneman, 1974). The effects of overconfidence, from a behavioural finance perspective, have been found to be robust (Meier, 2018; Meier & De Mello, 2020). Overconfidence can have a host of detrimental consequences, such as trading too frequently despite taking losses, over-leveraging, overreacting to market signals, purchasing overpriced stock and under diversification (Adebambo & Yan, 2018; Kent et al., 1998; Meier, 2018; Odean, 1999; Walters & Fernbach, 2021).

Behavioural finance posits that overconfident investors result in overpricing of stocks due to an overestimation of the quality of information and underestimation of risk (Adebambo & Yan, 2018). Frequent trading has the potential to erode returns (Barber & Odean, 2001; Odean, 1999). In addition to the average human mind's inability to intuitively and accurately process statistical information (Tversky & Kahneman, 1974), investors may also overreact to irrelevant information and thus execute inappropriate stock trades. The monetary penalties of overconfident trading can be significant (Hwang et al., 2022). Overconfident investors might over-estimate their abilities, which could preclude them from seeking advice when needed.

2.3.5 Herding Bias / Bandwagon Effect

Herding is a bias that drives market bubbles due to its emphasis on group consensus as opposed to robust, individualistic analysis. Practically, literature articulates this as investment decisions being replicated or mimicked by others (Compen et al., 2022; Gupta & Shrivastava, 2022; Scharfstein & Stein, 1990). Individual rationality is challenged by both group psychology and individuals' desire to not act contrary to others at the risk of their reputation.

Research suggests that herding within an investment context has been present for a long time, with evidence of herding being presented on the St Petersburg stock exchange in 1865 (Gavriilidis & Kallinterakis, 2021). Significant herding behaviour has been found in literature relating to cryptocurrency, particularly regarding unsophisticated investors (L. Kaiser & Stöckl, 2020). These investors may not have a sufficient understanding of the underlying investment, which exposes them to undue risk. Despite not understanding the investment, investors might proceed to transact to mimic their peers. From a forecasting perspective, financial analysts are also subject to accuracy-compromising herding bias (Christoffersen & Stæhr, 2019).

2.3.6 Recency Bias

Recency bias refers to a tendency of investors to overweight, or over-emphasize, recent information received (Chang et al., 2016; Dugan & Greyserman, 2019). The underlying cognitive bias is linked to the availability heuristic, whereby individuals would make predictions about the future based on information that is more recent, mentally available and easy to remember

(Dugan & Greyserman, 2019). Under the availability heuristic, information that is easier for an investor to recall is perceived to be more common (Hirshleifer, 2001).

This bias can be problematic because a wholistic, comprehensive perspective of financial information should ideally be considered when making a decision. For example, within a sports betting context, bettors tend to bet on teams who have won games more recently (Durand et al., 2021). By extension, the recency bias could result in an investor switching funds based on the most recent financial results of the fund without being cognizant of their personal investment horizon and the lifetime returns of the fund. The overemphasis of recent information will also distort investor return expectations (Cakici & Zaremba, 2023). Recency bias has been demonstrated across multiple stock-markets around the world (Cakici & Zaremba, 2023) and thus continues to be prevalent.

Literature regarding recency bias is often coupled with discussions about investor overreaction to news in financial markets, as originally established in De Bondt and Thaler (1985). Investors tend to overreact to surprising and dramatic news events. The propensity for investors to overreact to information continued to be corroborated in recent literature (Piccoli & Chaudhury, 2018). Investors overreact to financial information when market sentiment is low (i.e. low confidence levels). Investors that exhibit the recency bias will overreact to unexpected news and make immediate portfolio changes or financial decisions without taking into account a comprehensive set of data (such as longer-term perspectives).

2.3.7 Confirmation Bias

Individuals hold certain beliefs or preconceptions about the world. When presented with contradictory evidence to these beliefs, individuals might explain departures from their own beliefs as attributable to luck or question the validity of the data (Hirshleifer, 2001). People are more likely to accept evidence that affirms their existing views whilst subjecting conflicting evidence to more

scrutiny (Lord et al., 1979). Confirmation bias reflects a dismissal or misinterpretation of new information in support of pre-existing beliefs (Duong et al., 2014). Rational, Bayesian behaviour would result in a reconciliation of factual differences and potentially revised beliefs.

Practically, confirmation bias could result in inaccurate price forecasts or processing of financial information. For example, residential property appraisers were more likely to compute an appraised value similar to the provided property contract price (Eriksen et al., 2020). Appraisers that were aware of the property contract price reflected higher valuations on average than appraisers that were unaware of contract prices (Eriksen et al., 2020). There is a potential intersection between the anchoring and adjustment bias and confirmation bias in this regard.

Confirmation bias can have different effects on investors, depending on their priorities. Value investors (investors seeking distressed stocks with high intrinsic value) demonstrating confirmation bias underreact to positive financial information and overreact to bad information (Duong et al., 2014). Glamour investors (investors holding famous growth stocks) underreact to bad information but process positive information efficiently (Duong et al., 2014).

2.4 Mitigating Behavioural Bias

The literature is not without mitigating solutions for behavioural biases. Behavioural finance as a field of study not only has the potential to explain how people make decisions, but also how to improve decisions. Increasingly, individuals are left with the personal responsibility to save for their own retirement and bear the consequences of their own financial decisions (Gaar et al., 2020; Keizer et al., 2019; Peteros & Maleyeff, 2015). In emerging economies, some individuals are left with insufficient funds once they retire (Marumoagae, 2017; Tomar et al., 2021), which is a cause for concern for regulators and governments. The economic welfare of individuals thus depends on the outcomes of their own financial decisions (Duclos, 2014). This creates impetus to find remedies to biases that could jeopardise an individual's savings and investments. In this section of the literature review, debiasing strategies are elaborated on.

2.4.1 Training and Education

Literature finds that individuals are partial to debiasing efforts that occur through training (Fischoff, 1981). Contemporary measures to mitigate bias seek to deliver training through gamified approaches, which have enjoyed successful outcomes (Bessarabova et al., 2016; Dunbar et al., 2014; Legaki et al., 2021). Training has also been found to successfully mitigate the anchoring and adjustment bias (Adame, 2016) as well as overconfidence (Kaustia & Perttula, 2012). Furthermore, observational learning interventions have shown fruitful debiasing results (Yoon et al., 2021).

In the long term, financial education has the potential to lead to positive financial behaviours in individuals (T. Kaiser et al., 2021; T. Kaiser & Menkhoff, 2020; Urban et al., 2020). Higher intelligence and learning abilities, measured by education level, has been found to be useful in mitigating the influence of the disposition effect (Vaarmets et al., 2019). Literature also suggests a model of short-term training on biases when an important financial decision is imminent (Foltice, 2017). Providing individuals with personalised feedback is important in the process of debiasing through training and education (Fischoff, 1981; Meub & Proeger, 2016).

2.4.2 Warnings and Alternatives

Warnings of biased behaviour or actions, prior to the individual making a decision, have been tested in various forms. The effects of some biases, however, are significant and can resist debiasing efforts. For instance, the herding bias and anchoring and adjustment were found to be resistant to warnings (Compen et al., 2022; George et al., 2000). On the other hand, selection neglect bias[5] was found to be successfully mitigated by an external warning (Koehler & Mercer, 2009).

Warnings might be effective when paired with training, as seen in Kaustia and Perttula's (2012) study into debiasing overconfidence. Challenging individuals to think of a myriad of different options and pursuing a counterfactual argument has also been tested by literature as a potential debiasing strategy with some success (Adame, 2016; Chaxel & Han, 2018; Cheng et al., 2014; Hirt et al., 2004).

[5] Failing to discount that information provided may not be representative of the population, e.g., mutual funds advertising only their best performing funds (Koehler & Mercer, 2009).

2.4.3 Rules

By predetermining the decision-making process through rules, Otuteye and Siddiquee, (2015) posit that the decision itself will adhere to logic and rationality. Emphasis is placed on data and reasoning and as such, the process of the investment decision is prioritised over the outcome. In turn, cognitive bias exposure is limited, provided the investor adheres to the process in a disciplined manner. From a practical perspective, aspects of the predetermined investment decision-making process include focusing on established, key value indicators, the margin of safety and susceptibility to bankruptcy of the firm.

In a similar rules-based manner, Peteros and Maleyeff, (2015) use the Lean Six Sigma method by analogy to propose an investment framework. The principle of this debiasing strategy is to predefine the investment strategy and adhere to it with discipline. Rules might also be statutory, such as governments considering limiting premature retirement fund withdrawals to deter investors from having insufficient assets at retirement (Marumoagae, 2017).

2.4.4 Other Debiasing Approaches

The volume of pertinent information and the way information is presented have the potential to debias investors. For instance, presenting information in a hard-to-read font can mitigate causality bias[6] (Diaz-Lago & Matute, 2019). Changing the presentation currency of financial information is also a potential avenue to mitigate home bias (Rotenberg, 2013). In addition, making additional information available about investment options has been shown to support the mitigation of home bias (Pownall et al., 2014).

Literature presents mixed effects with regards to the effect of investors' experience. Evidence suggests that the overconfidence bias increases with experience (K. C. Mishra & Metilda, 2015). Furthermore, a study that considered the disposition effect, overconfidence and representativeness bias found that experienced investors were not conclusively more rational (Chen et al., 2007).

[6] Research indicates that a reduction in the processing fluency of a task will improve the ability of people to judge causal relationships in a more accurate manner.

Indeed, while more experienced investors are sometimes perceived to be more sophisticated and rational, this may not always be true (Chen et al., 2007). Instead, experience might be more useful to investors by allowing them to understand classroom-taught concepts in practice, thus making it a valuable education tool (Foltice & Langer, 2018). When compared to teaching people about bias, experiential learning has proven to be more effective at helping participants retain debiased behaviours (Foltice, 2017). This could also connect to themes of personalisation or personal feedback, which was posited as a useful element in teaching investors bias-mitigating behaviour (Fischoff, 1981).

2.5 Financial Advice

Financial advice could present an additional debiasing avenue to explore. A financial advisor provides direction to an individual seeking to make a financial investment decision. The overarching purpose of financial advice is to support the individual to make an optimal financial choice, given their circumstances (Cruciani, 2017). In an assessment of the core role that a financial advisor plays, Collins (2012, p. 308) discusses that financial advisors *"defuse biases that lead to common mistakes"* and thereby enable cognition regarding the financial decision process. Financial advice is one of the most important services in the finance industry (Hens & Mayer, 2018).

Providing investors with access to financial advice could improve their overall financial behaviour (Newall & Parker, 2019). In situations where an individual investor is unable to behave in a perfectly rational manner, the role of an intermediary (such as a financial advisor) is to facilitate the enhanced financial performance of the investor (Allen, 2001). Financial advisors intend to guide investors to make decisions that best serve the investor's interest (Kahneman & Riepe, 1998).

Through the advice of a financial advisor, the quality of the underlying financial decision made by a financially unsophisticated individual is theoretically of a better quality. Furthermore, an investor's uncertainty regarding the quality of a decision can be eliminated by using a financial advisor, even when the outcome of a decision is poor (Bachmann, 2018). Using a financial advisor thus helps provide the investor with comfort over the decision-making process itself.

2.5.1 The Demand for Financial Advice

Investing may prove to be too challenging for an investor to undertake alone (Bluethgen et al., 2007; Hackethal et al., 2012; Hillenbrand et al., 2022). Decisions about investment planning and retirement savings are complex (Tomar et al., 2021). Thus, investors may resort to financial advisors to improve their investment process and avoid making financial mistakes (Bender et al., 2022; Calcagno & Monticone, 2015; Gennaioli et al., 2015; Malliaris & Malliaris, 2021; Mastroeni et al., 2022; Von Gaudecker, 2015). The financial advisory industry is large and its role in society important (Monti et al., 2014; Reiter-Gavish et al., 2021). In a study focused on high-net-worth individuals (millionaires), 33% of participants were found to rely on professional financial advice to make investment decisions (Bender et al., 2022).

Globally, only one in three adults is financially literate (Klapper & Lusardi, 2020) where such literacy measures contain basic knowledge of interest rates, inflation and risk. The complexity of financial decisions that households must make continues to grow. It follows that unsophisticated investors might (because of limited financial competence and in the absence of advice) make inappropriate financial decisions or even entirely avoid participating in the stock market (Calcagno & Monticone, 2015; Stolper & Walter, 2017).

There are mixed results regarding the typical investor who would seek financial advice. Studies have examined different populations, such as Israel (Reiter-Gavish et al., 2021), the Netherlands (Kramer, 2016), Vietnam (Nguyen & Rozsa, 2019) and Italy (Calcagno & Monticone, 2015). Some studies posit that sophisticated investors, who have a higher confidence in their own financial literacy, are less likely to follow financial advice received (Kramer, 2016; Reiter-Gavish et al., 2021). Other research findings indicate that a high degree of financial literacy is associated with consulting an advisor (Calcagno & Monticone, 2015). Investors with a low level of financial literacy are less likely to consult an advisor but are more likely to delegate portfolio choices than other investors (Calcagno & Monticone, 2015). In Vietnam, there is a positive association between financial literacy and financial advice seeking (Nguyen & Rozsa, 2019).

Grable and Joo (1999)'s early findings suggest that individuals that are young, financially stressed and exhibit poor financial behaviours tend to seek professional financial advice. These traits were more explanatory of financial help seeking

behaviour than demographic and other socioeconomic factors. Extending their research, Grable and Joo (2001) subsequently added that additional variables to seeking financial advice include financial risk tolerance and financial satisfaction. These latter variables also provide insight into whether individuals will seek professional advice or seek advice from family or colleagues.

Risk appetite is explanatory as individuals that are risk-averse would prefer to not risk being exposed to potential reprimand from professionals. Such risk-averse individuals will instead prefer to seek advice from family and friends. In addition, individuals with higher levels of financial satisfaction tended to be more likely to seek professional advice. This is because individuals who are confident in their behaviours will be more proactive in seeking support.

It was posited that those who seek help from professionals may inherently demonstrate positive financial behaviours prior to seeking advice; such that their behaviours improve after working with a professional (Grable & Joo, 2001). These findings were triangulated in subsequent studies using a different population (Joo & Grable, 2001). People with higher income, better financial behaviours, positive attitudes towards retirement and higher levels of financial risk were more likely to seek out and utilise assistance from finance professionals regarding retirement planning (Joo & Grable, 2001).

When considering the financial help-seeking behaviours of millennials (young adults), similar findings abound (Glenn & Heckman, 2020). Individuals with higher education, better financial knowledge and higher risk tolerances are more likely to seek financial advice (Glenn & Heckman, 2020). Individuals that have a better financial knowledge are more likely to prefer financial advice from professionals. Risk tolerance, on the other hand, is not indicative of seeking professional advice. Instead, risk tolerance is a general predictor of financial-advice seeking, such that investment options might potentially be discussed with friends, family or colleagues. Cumulatively, one might interpret the literature to suggest that there is a somewhat barbell effect when it comes to financial help-seeking behaviour, such that individuals that are both highly knowledgeable and less competent seek advice compared to the average individual.

Women are more likely than men to use financial advice (Bluethgen et al., 2007; Reiter-Gavish et al., 2021) and individuals who are widowed or divorced are more

likely to use financial advice than married investors (Reiter-Gavish et al., 2021). Women turning to professionals for financial advice is consistent with earlier research which suggests that women are less overconfident than men (Barber & Odean, 2001; Calcagno & Monticone, 2015). Investors are more likely to use and seek out financial advice when they trust the advisor (Burke & Hung, 2021) so trust is important in following the advice of an advisor (Monti et al., 2014).

Trust might be an appropriate remedy to enable individuals to take risks and earn returns that they would otherwise not receive (Gennaioli et al., 2015; Westermann et al., 2020). Anxiety about meeting with a financial advisor could present a barrier to seeking advice (Gerrans & Hershey, 2017). Trusting the advisor might help reduce the anxiety that investors might feel. Trust is crucial in a financial advisory relationship (Alsemgeest & Steyn, 2021; Cruciani, 2017). Clients who trust their financial advisor are inclined to follow their advice (Hackethal et al., 2012), delegate their decisions to the advisor (Calcagno et al., 2017; Calcagno & Monticone, 2015) and hold riskier assets (Calcagno et al., 2017; Calcagno & Monticone, 2015).

2.5.2 The Benefits of Financial Advice

Consumers seek financial advice due to psychological and financial benefits (Westermann et al., 2020). Financial advice can be beneficial for investors who are subject to behavioural biases (Bluethgen et al., 2007; Hoechle et al., 2017). The identification of investor biases by the financial advisor could potentially prevent the investor from making a financial mistake. For example, a portfolio under diversification could be a costly mistake to investors (Von Gaudecker, 2015). Advised portfolios, when compared to unadvised ones, are better diversified and carry less idiosyncratic risk (Bluethgen et al., 2007; Kramer, 2012; Shapira & Venezia, 2001; Von Gaudecker, 2015).

Advice may also help mitigate the disposition effect (Shapira & Venezia, 2001). Trading accounts managed by financial professionals were more diversified and had more profitable trades than those of independent accounts (Shapira & Venezia, 2001). In addition, managed accounts' returns are less correlated with the general market than retail investors' returns. This could suggest that professionally managed accounts are selecting stocks based on intrinsic value or merit, instead of just acting on a herding bias (Shapira & Venezia, 2001). Financial advisors should utilise their

investment knowledge, experience and expertise to support their clients in reducing biases in decision-making (Baeckström et al., 2021; Feng & Seasholes, 2005).

Financial advisors have been perceived as holistic, well-being advisors who support their clients by assisting them to identify and assess their desires while navigating cognitive errors in the process of attaining them (Statman, 2019b). The additional benefits financial advisers might provide to the clients include enhancing investor confidence, preventing loss due to fraudulent investments (Mullainathan et al., 2012) and advice on saving for retirement, tax planning and estate planning (Foerster et al., 2017). Financial advice has also been used as part of an integrated, psychosocial intervention programme to prevent male suicide (Capponi et al., 2022).

Financial advisors should generally enhance the return profile of individual investor portfolios while ensuring the appropriate risk balance (Haslem, 2008). Households that engage financial advisors tend to achieve consistency between their financial risk appetite and the resulting financial behaviour (E. Park & Yao, 2016). Advisors can encourage clients who might shy away from investments to engage in savings and investments to increase portfolio returns (Gennaioli et al., 2015). Being invested is potentially better for an investor than absenting themselves entirely from the market. Advisors can help clients determine and meet their savings goals and take better risks (Changwony et al., 2021).

Insufficient preparation for retirement has the potential to result in poverty (Tomar et al., 2021). Investors who utilised a financial advisor experienced 15% more retirement replacement income compared to unadvised householders (Harlow et al., 2021). Financial planners have a role to play in helping investors determine retirement plans and goals (Tomar et al., 2021; Willows, 2020).

Potential for Debiasing

Literature has conceptually explored debiasing within the context of financial advice. The approaches towards financial advice addressing biases can be summarised into three elements: attempt to change investor behaviour (debias), adapt to investor behaviour (Pompian & Longo, 2005) and instil trust within the relationship (Roy et al., 2020; Tyler & Stanley, 2007) such that decisions are delegated to the advisor by the client (Malliaris & Malliaris, 2021). Delegation might not present an optimal strategy as

financial advisors, like other professionals, are not immune to behavioural bias (Athota et al., 2023; Fischoff, 1981).

Attempting to change the behaviour of the investor entails actions that would lead to the elimination of bias within their financial decisions (Fischoff, 1981). Literature has also provided suggestions for how financial advisors might challenge biases within their clients and themselves (Kahneman & Riepe, 1998). Suggestions for challenging overconfidence included making clients aware of the uncertainty inherent in investment decisions and making clients aware of realistic probabilities of success (Kahneman & Riepe, 1998). In addition, when providing alternative courses of action to clients, advisors should take care to ensure these choices are framed in a manner relevant to their client's wealth (Kahneman & Riepe, 1998). Advisors may have a role to play in educating their client when they are about to make a financial decision (Fernandes et al., 2014). It however remains unclear how the contemporary financial advisor actually challenges bias (Athota et al., 2023).

The decision financial advisors should make regarding adaptation or debiasing is suggested to be a function of client wealth (Pompian & Longo, 2005). A bias that could lead to an investor outliving their retirement assets is more severe and requires change as opposed to a bias that could result in an immaterial loss. Adaptation to investor bias involves working around existing investor bias rather than making a conscious effort to address the bias. For instance, domestic companies with foreign operations might be a potential solution to mitigate home bias in investors who are reluctant to invest in foreign assets (O'Hagan-Luff & Berrill, 2019). This works around the investor's bias towards domestic companies but still provides the investor with diversification. In this manner, home bias might be mitigated.

Although a body of literature considers investor behavioural bias in the context of financial advice, there continues to be a research gap regarding the specifics of how financial planners detect and address bias (Athota et al., 2023). Indeed, monetary outcomes aside, there is a view that there may be other "substantial intangible benefits" that are unobservable when it comes to using a financial advisor (Bergstresser et al., 2009). This research seeks to expand on the debiasing literature within the context of financial advice.

2.5.3 The Drawbacks of Financial Advice

The benefits of financial advice are not without challenge. Some proponents in literature point to the fees financial advisors charge potentially outweighing the benefits (Mullainathan et al., 2012). Research that seeks to understand the goal of the financial advisory practice has suggested that those trading based on advice trade more frequently than unadvised accounts (Allie et al., 2016). Advised investors might also earn, on average, lower returns due to erosion by trading costs and commissions payable to advisors (Hackethal et al., 2012). In suggesting investments to clients, advisors tend to encourage investment in funds that are actively managed more often than index funds (Mullainathan et al., 2012) which results in higher fees that may reduce investment returns. It might also be difficult for unsophisticated investors to select an appropriately skilled financial advisor (Malliaris & Malliaris, 2021). Solutions for this include active regulator involvement (Mastroeni et al., 2022).

Conflicting interests, like those described above, exist in industries other than financial advice, such as medicine or law. Despite the potential for conflicts of interest, people continue to consult experts. Perhaps in a similar manner, millions of people still choose to use financial advice (Eriksen et al., 2022). In an experiment that attempted to understand behaviour under conflicts of interest within the advisory environment, Eriksen et al. (2022) found that individuals acting in an advisory role are averse to giving bad advice intentionally when subject to a conflict of interest. Reputational risk in addition to regulatory consequences may act as a deterrent for poor quality financial advice (Eriksen et al., 2022). Financial advice has the potential to add value to clients in a manner that improves the welfare of both the client and the advisor (Eriksen et al., 2022).

Financial advice is part of a collective market for credence goods (Balafoutas & Kerschbamer, 2020; Darby & Karni, 1973), such as expert legal or medical advice. Credence goods are characterised by information asymmetry, such that the consumer might not be able to verify the quality or nature of advice purchased. These markets are thus inherently prone to certain inefficiencies, yet consumers continue to engage with and seek credence goods.

2.6 The South African Context

South Africa is one of the major countries on the continent of Africa (Newell et al., 2002). South Africa has been portrayed in literature as having a significant economic and leadership role within the broader African continent (Alden & Soko, 2005; Vaughn & Ryan, 2006). Its economic leadership could potentially be explained by the size of its financial market.

2.6.1 Economic and Socio-political Context

The Johannesburg Stock Exchange (JSE), South Africa's most prominent stock exchange, is the largest in Africa (Schiereck et al., 2018). Various multi-national companies listed on the JSE, such as British American Tobacco and BHP Billiton (Schiereck et al., 2018), provide investors with the opportunity to have international exposure through locally listed equities (Farooqi et al., 2015). The JSE, by market capitalisation size, is highly competitive among leading stock exchanges globally (Schiereck et al., 2018). Investors in the JSE have typically benefited from annualised real returns that exceed inflation (Maré, 2018). South Africa is classified by the World Bank as an upper-middle income economy (World Bank, 2021).

Inequality is a problematic social dynamic in South Africa. The country has a high Gini coefficient of 0.62 (OECD, 2020a). This inequality is sustained by a significantly disparate distribution of market income and wealth, coupled with pressing unmet societal needs in education, health and infrastructure (OECD, 2020a). Large portions of the South African population are subject to poverty and unemployment (Stats SA, 2019).

From an educational perspective, only 46.2% of South Africans possess a minimum grade 12 qualification[7] (Stats SA, 2019) and only approximately 12% of all South Africans have a post-secondary school[8] qualification (Stats SA, 2021b). Education in South Africa is a significant contributor to financial literacy (Nanziri & Leibbrandt, 2018) and participation in the financial sector (Mhlanga et al., 2021). Therefore, continuing

[7] Completing grade 12 provides a learner with the National Senior Certificate (high school diploma). It is the end of high school for learners. Subsequent to grade 12, learners may attend a university or college.
[8] In South Africa, education is divided into two phases; secondary school comprises grades 7–12.

to improve access to quality education remains a South African imperative. Literature suggests a relationship between financial literacy and behavioural biases. Investors who are more financially sophisticated with a higher financial competency tend to not be susceptible to the disposition effect (Dhar & Zhu, 2006)

2.6.2 Retirement Assets

Foreign investment through South African retirement vehicles is limited. South African pension, provident and retirement annuity funds are governed by the Pension Funds Act (Willows et al., 2018). Regulation 28 of this Act constrains foreign portfolio investment exposure to a maximum of 30% (National Treasury, 2011; Willows et al., 2018). Research that compared Regulation 28 compliant funds to non-compliant funds concluded that the limits imposed by compliant funds could lead to inferior investment choices and outcomes (Willows et al., 2018). Prior to this, when regulation constrained foreign exposure to 25%, Bradfield and Munro (2015) found that when investors targeted a premium of 1–8% above inflation, all portfolios with the highest probability of achieving the targets had allocations to foreign assets in excess of the 25% limit. There is thus a tension between retaining funds within South Africa, as mandated by legislation, and seeking gains through international diversification beyond mandated restrictions.

Notably, in South Africa, employers have no legislative obligation to provide their employees with retirement benefits (Marumoagae, 2017). The burden for retirement savings thus rests largely on the individual (Dhlembeu et al., 2022). Only a few South Africans retire with sufficient funds to support themselves (Dhlembeu et al., 2022; Marumoagae, 2017; Willows, 2019). By contrast, research has suggested that advised households may retire with larger retirement replacement income compared to unadvised households (Harlow et al., 2021).

South Africa has a growing problem regarding lack of awareness of how much one may need for retirement savings (Marumoagae, 2017), which could potentially be remedied through financial advice or counselling. Only 24% of South Africans have a personal retirement savings plan (Dhlembeu et al., 2022) and the chances of having a retirement plan increase with disposable income. However, over 50% of South Africans are not confident in their current retirement plans (Dhlembeu et al., 2022). Using the services of a financial planner have been found to increase confidence in

financial decision-making and help people to develop and implement a retirement plan (Bachmann, 2018; Willows, 2020). Using a financial planner to develop a financial plan improves an individual's attitude to money and increases the chances of successful retirement planning (Willows, 2020).

2.6.3 Discretionary Assets

South African households tend to significantly favour real estate and other durable goods in preference to financial assets (such as equity stocks) (Badarinza et al., 2019). Furthermore, South African households tend to own their own vehicles, thereby creating exposure to vehicle financing debt (Badarinza et al., 2019). South African individuals also tend to have strong inclinations to purchase real estate, instead of renting (Ingram, 2019). This is consistent with other emerging economies, where more than three-quarters of households hold a form of real estate (Badarinza et al., 2019).

Stock market participation tends to be limited to wealthier households because poorer households have liquidity and other constraints that preclude participation (Badarinza et al., 2019). For the 12 months to the end of June 2021, only 26% of inflows to investment in the collective investment scheme (CIS) industry came directly from private, individual investors, as reported by the Association for Savings and Investment South Africa[9] (ASISA) (ASISA, 2021). However, this does not necessarily mean that investors have acted without advice. Some investors pay for financial advice and then implement the financial decisions themselves (ASISA, 2021). Financial advice could therefore encourage investment activity.

2.6.4 Governance

Emerging markets tend to present issues of asymmetric information and fears of insider trading due to underdeveloped market regulation (Badarinza et al., 2019). South Africa is not an exception to these risks. Issues of trust within organised market systems could also present hesitancy for South African individual investors to participate directly in the stock market.

[9] ASISA is a non-profit company formed in 2008 to represent the savings, investment and insurance industry that contributes trillions of rand to South Africa's economy. The organisation gathers and reports quarterly statistics from CIS funds registered with ASISA.

South Africa has seen several cases of fraud within its local stock market, for example, Steinhoff[10] (Motsoeneng & Rumney, 2019). Literature on fraud experiences suggests that once an investor experiences corporate fraud, participation in the stock market tends to decrease due to loss of trust (Giannetti & Wang, 2016) but can stabilise, in an emerging economy, in the medium term (Sane, 2019). The establishment and adherence to strong corporate governance principles are essential for emerging economies (such as those in Africa) to encourage foreign direct investment (Vaughn & Ryan, 2006).

2.7 Chapter Summary

Behavioural finance challenges the traditional notion of finance by indicating that individuals do not act in a perfectly rational manner (Kumar & Goyal, 2015). Instead, individuals are subject to biases, which could cause flaws in their financial judgements and decisions (Hirshleifer, 2001; Tversky & Kahneman, 1974). These biases are problematic, particularly as individuals are increasingly left to bear the consequences of their own financial decisions. In South Africa, the onus is on the individual to save and manage their own retirement funding (Marumoagae, 2017) as well as to ensure they possess sufficient discretionary savings.

Behavioural biases can detrimentally influence investment decisions. Poorly made investment and savings decisions could have harsh financial consequences (Tomar et al., 2021). Financial advisors are well-positioned to help support investors to make sound financial decisions and potentially help mitigate their behavioural biases (Allen, 2001; Pompian & Longo, 2005). Debiasing research remains crucial to improving individuals' decision-making abilities (Cheng & Wu, 2010; Lilienfeld et al., 2009).

[10] Steinhoff was a retail group that overstated profits for multiple years, cumulatively amounting to fraud of approximately USD 7.4 billion.

CHAPTER 3 METHODOLOGY

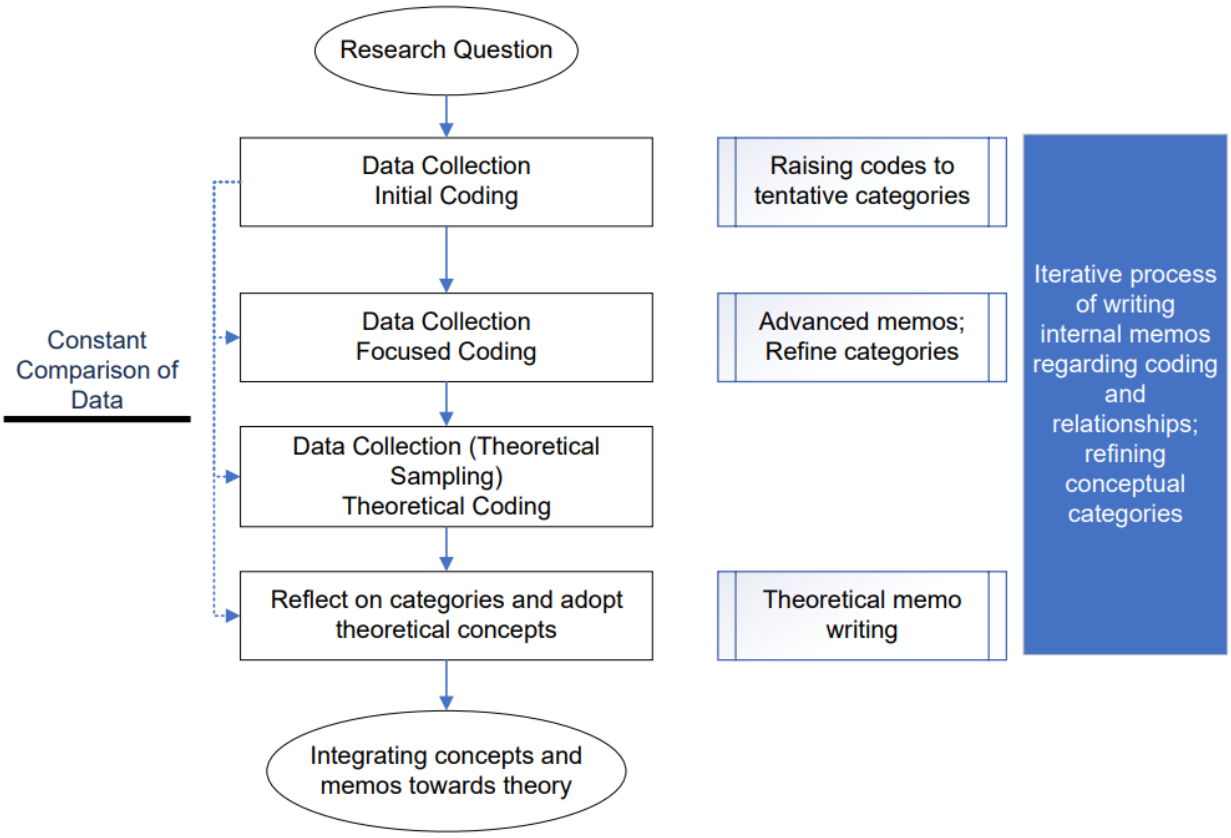
3.1 Introduction

This research seeks to extend the literature by asking how, within a South African context, financial advisors can mitigate bias. In responding to this question, a theory was constructed towards bias mitigation by applying the constructivist grounded theory method. Interviews with participants were facilitated using an interview guide. Data analysis and data collection were performed simultaneously and on an iterative basis (Charmaz, 2010), as is characteristic of grounded theory.

Sampling of participants moved through three stages: beginning with convenience, then purposive and finally culminating in theoretical sampling. The interview data was analysed using coding, which evolved through multiple stages, from open, to focused and ending in theoretical. Although discussed in separate sections, the grounded theory process is fluid and when implemented, the stages are not as discrete. This chapter explains, in detail, the constructivist grounded theory research methodology implemented towards the construction of theory. Figure 1 summarises the research process.

Figure 1

The grounded theory process[11]



3.2 Qualitative Research in Finance

Literature has previously acknowledged the dearth of qualitative research methodologies in the field of finance (Kaczynski et al., 2014; Salmona et al., 2015). For instance, seminal research on dividend policy that remains valid today began as a qualitative research study (Lintner, 1956, as cited in Kaczynski et al., 2014). The use of multiple research methodologies, including qualitative approaches, has been identified as imperative to the financial planning research agenda for the next decade (Bogan et al., 2020). Unlike a scientist of physics who is unable to converse with atoms, scholars of finance can engage in interviews with market participants in order to understand their actions, motivations and explore the reasoning behind such actions. Qualitative methods allow the researcher to obtain an understanding of

[11] Adapted from Charmaz (2010).

otherwise unobtainable views through, for example, understanding the perspective of participants (Charmaz, 2010).

In traditional finance literature, theory is understood to entail statistical and mathematical modelling and techniques and to be underpinned by presumptions of rational market participants (Salmona et al., 2015). By contrast, behavioural finance posits that market participants are irrational and supplements the finance paradigm with the integration of social science research elements (Salmona et al., 2015). Engaging with market participants and implementing qualitative methods allows for the emergence of theory that could offer alternative perspectives beyond the ambit of how finance theory has been articulated traditionally.

The impetus to imbue social, human realities into fields traditionally dominated by rational and quantitative paradigms is not unique to finance. Consider, for example Lawson (2003); in his writing, Lawson advocates for contemporary economics to realign with social realities to avoid a mismatch between the analysis that is characteristic of economics and the nature of the world it seeks to interpret. Lawson suggests an ontological pivot in economic theory. Mathematical models are a tenet of modern economics, which is not inherently problematic provided that such models reflect fundamental realities (Baddeley, 2013). Indeed, both quantitative and qualitative data are important for the generation of academic theory. However, the method adopted must be appropriate for the research question. The subsequent section reflects on the research question and its theoretical underpinnings.

3.3 Research Question

The central, broad, research question is:

- How are the behavioural biases of individual investors managed by financial planners in South Africa?

The specific, sub-research question asks:

- What strategies are implemented by financial advisors to manage the effect of behavioural bias on their clients?

Notably, a research question is stated and no hypothesis is formulated, consistent with qualitative research methodology (Creswell, 2009; Mason, 2002). The study is thus

guided by a research question instead of a thesis statement; it does not seek to defend a position but rather investigates a question through specific processes and methodologies to achieve its objective (Creswell, 2009). In writing about qualitative research, Mason (2002) describes the research question as a puzzle, with different archetypes of puzzles being illustrated. This research question acts as a mechanical puzzle, which entails the exploration of how something works. This mechanical puzzle is like Maxwell's (2013) explanation of a process research question that focuses on how and why things happen.

These research questions are asked to pursue the generation of theory that draws on behavioural finance paradigms to extend existing literature. With regards to the central research question, the operative word of enquiry is "how", suggesting an exploration into the methods applied by such advisors. The more specific question to be explored is the way financial advisors manage their clients' behavioural bias. The research then extends its understanding of such methods by constructing a theory towards bias mitigation. The production of theory lends itself to a qualitative approach (Graebner et al., 2012), as it enables the researcher to generate detailed accounts of the phenomenon being studied and remain open and flexible to new explanations (Charmaz, 2010).

The perspectives of the individual research participants are thus integral to the research question. The collaboration with practitioners positions this proposed research at the nexus of practice and academic rigour, enhancing its value through engaged scholarship (Van de Ven & Johnson, 2006). Engagement with practitioners provides this research with insights that can potentially lead to incremental originality and practical utility (Corley & Gioia, 2011). Engaging with practitioners has been described to address issues that are missing within research (Fischhoff, 2002). The objective of this research is to build a theoretical framework from the interpretivist, subjective nature of financial planners' lived experiences in dealing with individual investor's behavioural biases.

Prior finance research that is built on the views of research participants can be seen in Ho (2015), whereby an understanding of the decision to invest in a fisher's first fishing boat is analysed through a qualitative, constructivist grounded theory approach. Bruhn (2015) is an additional example of a qualitative finance study that implemented

elements of grounded theory. There is thus initial precedent to support this research's qualitative approach.

3.4 Philosophical Position

This section outlines key elements of the theoretical perspectives that underpin this research. It outlines the ontology of this research (being concerned with 'what is', or the nature of social reality) as well as its epistemology (regarding how this research articulates "what it means to know") (Crotty, 1998, p. 10). Although not an ontological or epistemological position, the connection between behavioural finance and the qualitative approach of the research method is also articulated.

3.4.1 Behavioural Finance

As previously discussed, wider finance theory has been inherently driven by quantitative methods and approaches (Salmona et al., 2015) which presume the rationality of market participants (Statman, 2019a). What Statman describes as "second generation" behavioural finance presents the counterpoint that people are "normal" (Statman, 2019a, p. xi) and subject to cognitive biases. As individuals and their decisions are an important component of behavioural finance, it follows that elements from social science can extend the behavioural finance literature (Baddeley, 2013). Sociological forces interact with investor psychological forces, which then affect investor behaviour (Baddeley, 2013). Based on this understanding, the constructivist grounded theory methodology implemented in this research has its origin in sociology. Behavioural finance is not in itself a method but is presented in this chapter as an important theoretical view integrated into the research process.

3.4.2 Ontological and Epistemological Position

In qualitative research, ontological and epistemological matters tend to emerge in tandem and it is often practically challenging to clearly distinguish between these two aspects (Crotty, 1998). Cumulatively, this section discusses the "theoretical perspective" of this research. Constructionism is the epistemology that typical qualitative research invokes (Crotty, 1998, p. 9). This position remains relevant within this research.

This research perceives meaning as the product of individuals' engagement with the world and each other, such that meaning is effectively contracted (Berger & Luckmann, 1991). As expressed by Crotty (1998, p. 63), this perspective is at once realist and relativist. The financial plan exists as the production of collaboration between the client and the planner. However, the plan contains different meanings for those that interpret it (such as for the achievement of personal financial goals or the client's hopes and aspirations). The plan is influenced by and assigned meaning through the socialisation of the client with the planner and, in turn, the experiences of the client with other individuals (peers or family members). Meaning may thus vary among individuals and is not necessarily uniform in nature.

Crotty (1998, p. 58) delineates "constructivism" and "social constructionism". Constructivism is a term reserved for epistemological concerns that pertain to the meaning-making activities of the individual mind. On the other hand, constructionism focuses on the collective generation and transmission of meaning. Social constructionism is cognisant of cultural influences that modify or impact the individual's perspective. These positions are summarised in Table 1.

Table 1

A comparison of constructivism and social constructionism

Constructivism	**Social constructionism**
Focuses solely on the individual's mind and the activities of the mind that construct meaning.	Relates to a more collective generation of meaning, encompassing the social and cultural influences of the world an individual participates in.
Considers the unique experiences of each person.	Focuses on the significant impact culture has on individuals. The influence of culture is pervasive and influences the way an individual feels and thinks.
The unique experiences of each person are valid and worthy of respect; thus, minimising what Crotty refers to as "critical spirit" (Crotty, 1998, p. 58).	Fosters a critical spirit, considering the impact of the cultural influences and preconceptions and whether such influences are valuable and/or inhibitive.

Source: Table designed by researcher based on the discussion contained in (Crotty, 1998).

This research resides in the realm of both constructivism and social constructionism, as other qualitative research has done before (Crotty, 1998). While individual financial planners' perspectives are captured through interviews, the participants demonstrated remarkable cognisance and sensitivity to the broader cultural and institutional

influences of their clients' behaviours towards money. While the advisor may deal with a single client, the understanding the client obtains may transcend the realm of the individual's experiences and consider elements such as how the influence of the client's parents' cultures and attitudes to money may influence their current behaviours. Engagement with the data helped refine the perspectives of both the researcher and the theoretical perspective of this research in an iterative manner that typifies grounded theory.

From a practical perspective, in articulating the approach to the grounded theory methodology applied, the constructivist term is retained. However, when discussing the emergent theory in the results chapter (as well as in subsequent considerations of higher levels of abstraction from the data), the elements of social constructionism are apparent. Ultimately, truth and meaning are produced from engagement with the realities inherent in the world. Meaning is therefore constructed and not discovered (Crotty, 1998). People, including the researcher, collectively construct the realities they are participants in (Charmaz, 2010). The interplay of the ontology, epistemology and the grounded theory method is discussed subsequently in this chapter. Additionally, within the grounded theory chapter, the epistemological positions discussed here are expanded on to give life and context by connecting this philosophical position to the data collected.

3.5 Grounded Theory

This research employs constructivist grounded theory towards the creation of theory. The objective of this method is not to test a hypothesis from an existing theoretical framework but instead to develop a new theory that is grounded within data (Dunne, 2011). Grounded theory is a widely used qualitative research method across numerous disciplines and subject areas (Bryant & Charmaz, 2010). At its core, grounded theory employs systematic, inductive, deductive and abductive[12] guidelines to collect and analyse data (Charmaz, 2000, 2010; Flick, 2018a). This is done to construct theoretical frameworks that explain the nature of the data. Of the divergent approaches towards grounded theory, constructivist grounded theory is the dominant

[12] Charmaz explains that grounded theory is an abductive method because it "relies on reasoning – making inferences – about empirical experience" (Charmaz, 2010, p. 103). Abductive reasoning entails drawing a conclusion based on data that is known.

grounded theory methodology (Bryant & Charmaz, 2010; Looker et al., 2022). Grounded theory is well suited to this research, which will be discussed in this section.

Glaser and Strauss (1967) originally described grounded theory in “The Discovery of Grounded Theory” which entailed the empirical development of theory based on a core category. These ideas were subsequently extended by Glaser in “Theoretical Sensitivity” (1978). Subsequently, Straus put forward divergent views in the 1990s (Flick, 2018a). Charmaz developed what has been described as the fourth version of grounded theory (being constructivist grounded theory) that integrated both Strauss and Glaser into a single model of grounded theory (Charmaz, 2010). Constructivist grounded theory is the most prominent version of grounded theory (Flick, 2020).

3.5.1 Constructivist Grounded Theory

The constructivist paradigm views the creation of theory as an interactive process between the researcher and the research participants, and the resulting data, as an interpretive dialogue (Bryant, 2019). This is complemented by the philosophical position of interpretivism. The ontological perspective of interpretivism is that reality is a social construct and cannot be understood independently of the participants that constitute reality (C. Urquhart, 2013f). Theory is positioned in the context of particular perspectives and experiences (Charmaz, 2010). The researcher and the study participants are conscious persons that interpret the world around them and act within networks that contain cultural meaning (Madill et al., 2000).

Behavioural finance positions the investor within society and considers the fallibility of the investor as a market participant. In turn, behavioural finance research has considered the influence of culture and society on the investor. For example, within the context of home bias, Daly and Vo (2013) consider that Australian investors over-invest in New Zealand due to a kinship felt from a cultural and language perspective. Literature indicates that cultural affinity plays a role in investors’ decisions (Anderson et al., 2011; Daly & Vo, 2013) and peers have an influence over an investor’s behaviour (Lovric et al., 2010). Thus, an interpretivist, constructivist grounded theory perspective was considered the most appropriate theoretical perspective. This methodology is consistent with the philosophical approach previously explained, in that it relies on the lived experiences of research participants. Engaging with financial

planners enables this research to be grounded in their practical experiences (Charmaz, 2010).

This theoretical view reflects that investors do not act alone and are participants in broader networks that affect the nature of their decisions, such as their peers and financial planners. Constructivists perceive data as a construction that locates data within a time, place, culture and context, while also being reflective of the researcher's thinking (Charmaz, 2001). Undertaking this research from a constructivist perspective enabled the researcher to engage with the complexities arising from the inherently social nature of the engagement between financial planners and their clients. Thus, the role of the researcher is not as a conduit through which knowledge from the world is obtained; rather, theory arises from the researcher interpreting participants' meanings and actions (Charmaz, 2010). Theorising, from an interpretive perspective, provides an understanding of direct lived experiences (Mathison, 2005). This is not a limiting factor, however, as interpretive theorising has the potential to move beyond individuals and their immediate situations (Charmaz, 2010).

Interpretive theory could also be described by contrast to positivist theory. The objectives of positivist theory are to obtain explanations and predictions about phenomena (Charmaz, 2008, 2010). Positivist knowledge seeks to verify proposed theory via hypothesis testing and can also be generative of hypothesis. In positivist theory, emphasis is placed on a wide range of empirical observations and arriving at statements of relationships among the variables that are derived from such observations. The goal of interpretivism is to provide an understanding of the direct lived experiences of participants, which is subjective in nature (Mathison, 2005).

3.5.2 Defining Theory

There are numerous opinions on the constituents of theory (Charmaz, 2010; Corley & Gioia, 2011; Gehman et al., 2018; Maxwell & Mittapalli, 2012). Hence, this section reflects on what theory means and how this relates to the objective and output of this study. The Sage Encyclopaedia of Qualitative Research Methods posits three central concepts of theory: it requires a level of abstraction, it is generalisable and it has explanatory power (Maxwell & Mittapalli, 2012). Gioia and Corley suggest that "theory is a statement of concepts and their interrelationships that show how and/or why a phenomenon exists" (2011, p. 12; Gehman et al., 2018). Eisenhardt emphasises the

relationship between two constructs to be crucial to theory (Gehman et al., 2018, p. 8), stating that “theory is a combination of constructs, relationships between constructs, and the underlying logic linking those constructs that is focused on explaining some phenomenon in a general way”. Expressed differently, theory is seen to be a set of concepts, with suggested relationships among such concepts that cumulatively amount to a model with implications for understanding or action (Maxwell & Mittapalli, 2012). A golden thread among these definitions is that there must be some type of relationship between and among the elements of concepts/codes that stem from data.

Such an emphasis on linkage between concepts or themes is consistent with the definition applied by Corbin and Strauss: “theory denotes a set of well-developed categories (themes, concepts) that are systematically interrelated through statements of relationship to form a theoretical framework that explains some phenomenon” (Corbin & Strauss, 2012b, p. 55). Within grounded theory methodology, theory is represented by a narrative, diagrams or statements that reflect hypothesis (C. Urquhart, 2013e). This study therefore expresses its theory in a manner that discusses the emergent codes from data (refer to section **3.8**) and the relationships that arise between and among such codes.

3.6 Pilot Study

This section substantiates the use of and outlines the design of the pilot study undertaken by this research.

3.6.1 Pilot Study Objectives

The key objectives of the pilot study are outlined below:

1 At a fundamental level, the pilot study allowed the researcher to become more familiar with the practical aspects of the research (Nunes et al., 2010).

2 The pilot study enabled the researcher to practically discover any problematic elements of the research design prior to commencing the main study. The identification of problems helped the researcher undertake corrective action (Persaud, 2012).

3 The pilot study afforded the researcher an opportunity to practise and develop interview skills and data analysis prior to the main study (Schreiber, 2012).

4 Importantly, the pilot study enabled the researcher to build insight into the research topic, common terms used by participants (refer to the discussion on *in vivo* coding for more detail in this regard) and enabled the researcher to build contextual sensitivity (Nunes et al., 2010) and theoretical sensitivity (Gibson & Hartman, 2014; Glaser, 1978).

5 The focus of the research question is “how” planners mitigate biases. Although literature does support that financial planners are identifying bias, the pilot provided the researcher with the chance to corroborate literature by enquiring whether:

   (a) financial planners identify biases in their clients (even if it not according to technical or academic terminology)

   (b) financial planners attempt to mitigate this bias.

Confirmation of points 5(a) and 5(b) permits the researcher to focus on the “how” within the main study.

3.6.2 Pilot Study Participants

Convenience sampling was used to elicit participants for the pilot study. Two pilot study interviews were undertaken. Both planners were independent of an organisation. One was male and the other was female (self-identified, refer to section **3.7.3** for more details). Each participant provided insights into the research area and provided industry contexts, such as explaining the different types of financial planning licences. Specific care was taken to ensure the sample population for the pilot study was a mirror of the intended target population (Persaud, 2012).

Financial planners can be divided into two categories in South Africa: independent (not linked to a financial institution such as an insurer or large bank) and tied agents (non-independent planners that work for a financial institution). Although a tied agent was unavailable for the pilot project, the pilot participants also had a history of being a tied agent and were able to reflect on those experiences accordingly.

3.6.3 Pilot Study Data Collection

The pilot study data collected was through an interview format. This was selected in anticipation of using interviews to facilitate data collection in the main study. An

interview guide was designed to facilitate the pilot study interviews to conduct semi-structured interviews.

The interviews for the pilot study were conducted virtually due to the Covid-19 pandemic and lockdown restrictions in South Africa. This is identical to how the interviews in the main study were undertaken. This also afforded the researcher the chance to test the software that recorded the video-call interviews (Google Hangouts).

The researcher also self-transcribed all the recorded interviews in the pilot study. This enabled better immersion in the data and supported building familiarity with the research context. The researcher took notes and made short memoranda on the key points emphasised in the interview immediately after each interview was completed. The practice of immediate reflection through memoranda was found to be useful and thus continued throughout the main study.

3.6.4 Pilot Study Outcomes

This subsection discusses how the pilot study shaped the methodology and direction of the study. A more detailed discussion of the codes elicited from the interview process is provided in the results chapter (**CHAPTER 4**).

The interview questions were found to be understandable by the participants. However, the style of the interviewer improved to ask a single question at a time based on participant feedback. For example, instead of asking, "*When, if at all, did you first experience your clients making an irrational financial decision? If so, what was it like? What did you think then?*", the researcher simply asked: *"Could you describe what it was like for you when you first experienced your clients making an irrational financial decision?"* before subsequently asking participants to expand on their thoughts at the time if it was not apparent in their responses. Adjustments were made to the interview guide to remove questions that yielded redundant responses.

Participants within the pilot study affirmed that they detect bias within their clients. Participants went as far as being familiar with the terminology for certain biases, such as home bias. In addition, a useful element of the pilot study was that the participants were able to explain key elements of industry terminology to the researcher. This enabled the researcher to use similar, recognisable, terms with subsequent interviewees.

For example, one of the interview questions asked the participant whether they advise at an individual stock level or focus on big picture asset class allocations. A pilot study participant then explained the different licences that exist for financial service providers (a broader term than financial advisors/planners) in South Africa: Category 1 and Category 2. Category 1 is non-discretionary in nature whereas Category 2 provides the holder with discretion and provides the power to construct portfolios for clients by analysing and selecting instruments (Financial Services Board, 2017; FSB, 2022). This context was very useful for the researcher as it not only enabled refinements to interview questions but was also foundational for subsequent contextual discussions in the main study.

3.7 Data Collection

Although a fundamental aspect of grounded theory is simultaneous data collection and analysis (Charmaz, 2010; C. Urquhart, 2013e), this methodology chapter structures data collection and analysis separately for ease of communication. Practically, data analysis commenced as soon as data was available (C. Urquhart, 2013e). Concurrently with data analysis, the researcher frequently wrote memoranda.

3.7.1 Sampling

3.7.1.1 Convenience Sampling

Convenience sampling was used to undertake the pilot study. This relied on the researcher and research supervisor's initial network of financial planners. This is consistent with the common approach to beginning grounded theory research, whereby the beginning of research is based on convenience sampling to get in touch with first cases and insights (Flick, 2018b).

3.7.1.2 Purposeful Sampling

Subsequent to convenience sampling, purposeful sampling was employed. Purposeful sampling entails selecting particular persons who are deliberately sampled based on the information they can provide (Maxwell, 2013). Specifically, qualified financial planners were sought out. Through publicly available lists of planners produced by the

FPI[13], registered, certified financial planners were approached for interviews. The FPI is a professional body for financial planners in South Africa, which is also the only institute to offer the Certified Financial Planner (CFP) designation (FPI, 2022). All study participants were, at a minimum, qualified CFPs. The purposeful sampling strategy also encompassed suitable variation. A variety of practising CFPs were sought out in this stage, including both independent CFPs and tied agent CFPs (employed by larger corporations). Both male and female perspectives were obtained.

3.7.1.3 Theoretical Sampling

Theoretical sampling has been described as an "essential" component of grounded theory (Flick, 2018c, p. 90). It was employed to saturate elements of categories that had emerged in the data and to clarify relationships among emerging categories (Charmaz, 2010, p. 104). Theoretical sampling does not pertain to decisions about specific individuals, such as the next interview candidate, but instead focuses on the saturation and development of initial categories (Flick, 2018c). Consequently, this process was only followed once data had been gathered and sufficient analysis and memoranda had been produced to develop initial categories. Interview questions were adjusted to pursue enhanced understandings of emergent categories from participants.

The sampling requirements for theory generation and theory testing[14] are different (Blaikie, 2018). As this research focuses on theory generation, sampling continued until theoretical saturation occurred. Theoretical saturation is a matter of judgement (Blaikie, 2018) that sufficient data has been gathered to account for commonalities and differences in the data and that the properties within each category have been saturated (Charmaz, 2010). Saturation within this research was reached when no new properties or insights about categories emerged from subsequent interviews (Flick, 2018c; Morse, 2007).

From a practical perspective, referrals for additional participants to implement theoretical sampling were obtained from the purposeful sampling population.

[13] The FPI is a South African recognised professional body for financial planners. Lists were available on its official website.
[14] Whereby something might be quantitatively tested, and thus requires a representative population.

Participants were invited to the study via LinkedIn messages and pointed emails on recommendation from existing participants.

3.7.2 Interview Technique and Approach

Participants were interviewed to gather data. Qualitative interviewing is inherently more aligned to a constructionist epistemology than a positivist one (Warren, 2012). This is consistent with the philosophical position explained earlier. The interview process was used to obtain an understanding of participants' experience as financial planners and their responses to their clients' behaviours. Qualitative interviewing enabled the researcher to undertake a flexible approach to emergent ideas and issues that arose during the interview process (Charmaz, 2001).

An interview guide was prepared, which contained a question bank to guide the researcher during the interview process (Charmaz, 2001). The questions asked were open-ended. The interview guide helped the interviewer maintain more control over the topic than in a fully unstructured interview, similar to a semi-structured interview (Ayres, 2008). Flexibility was maintained to explore the topics or processes that participants presented organically, on which the researcher asked questions that suited the appropriate context in the moment. Not all questions from the question bank were necessarily asked. Given the underlying philosophical position of interpretivist and constructivist, limited standardisation of interviews occurred, which provided the interviewer with a level of flexibility (Warren, 2012).

The researcher structured the guide into initial questions to provide context to the practical domain of the participant as well as understanding the level at which the client is advised. Literature in behavioural finance subsequently informed the specific questions regarding general bias and bias mitigation. The interview guide is provided in **Appendix A**.

To facilitate a focused interview and to enable participants to understand the objective of the interview, an information sheet was provided to participants ahead of the interview. This enabled the participant to understand the terminology (such as what biases conceptually are) to be used in the interview and to reflect, ahead of the interview, on whether they had seen investor bias and what examples stood out the most to them. Although no specific work was required of the participants, this

information sheet served as an elicitation technique to evoke participant memory and created a rich interview experience (Ellis et al., 2013). This afforded the interviewee an opportunity to reflect on which stories or views they felt appropriate to share with the interviewer (Ellis et al., 2013). The interview questions themselves were not presented to participants prior to the interview to enable a fluid discussion.

Immediately after the interview was completed, the researcher wrote a short memorandum on the elements of the conversation that stood out the most, the key messages and the topics the interview participant seemed to be the most passionate, or emphatic about. These memoranda were considered during the data analysis step when evaluating categories.

3.7.2.1 Virtual Interviews

As interviews were conducted during the Covid-19 pandemic and subject to strict lockdown regulations in South Africa, virtual interviews were conducted. For all interviews, the researcher-interviewer kept their video camera on. Interview participants were not mandated to keep their video cameras on; the decision remained at the participant's discretion and comfort. All participants opted to keep their cameras on throughout the interview. Conducting the interview virtually enabled the safety of the researcher and participants during the pandemic. Permission was obtained from all interviewees to record the interview. Each interview lasted between 45 minutes to an hour.

3.7.2.2 Transcription Process and Quality

For the main study, the recorded interview was submitted to a transcription service. The transcription service and the researcher had in place a binding, non-disclosure agreement to protect the participants' anonymity. The transcription service was instructed to maintain anonymity in the transcript by referring to the interviewer/interviewee instead of using names. Each transcript was received with a certificate of veracity as signed off by the transcription service. The researcher then reviewed the recording and the transcript to ensure accuracy and make corrections to the transcription when necessary. A copy of the final transcript was then sent to each participant to provide participants with the opportunity to review the transcript and let the researcher know if they wanted to clarify, correct or add any information.

3.7.3 Additional Data Gathered

As approved by the UCT Ethics Committee, the researcher gathered additional details from the participants through participant consent forms. An extract of the consent forms is provided within **Appendix B**. Data collected included gender of interviewee, age group and the location of the participant.

3.7.4 Memorandum Writing

Memorandum (memo) writing is a technique that is frequently used in grounded theory (Charmaz, 2010). Charmaz described memo writing as: “the pivotal intermediate step between data collection and writing drafts” (Charmaz, 2010, p. 72). Memo writing was applied pervasively through the data gathering and analysis stages to enable the researcher to develop ideas about the concepts that began to emerge. Memo writing was exploratory in nature about ideas that emerged from the data, and it enabled the researcher to make comparisons.

The researcher used memo writing as a free-flowing method to write down internal dialogue, to capture new ideas and to reflect on the analysis process (Charmaz, 2010). The researcher utilised metaphors and creativity in the internal memo process. The memos enabled the researcher to briefly document any considerations of evolving categories. The memos, over the duration of the study, grew increasingly abstract and analytical as the theory was developed. An extract of a memo written by the researcher about a bias mitigation strategy, the ‘Casino Strategy’, is included below.

Table 2

Memo extract – casino strategy

Memo extract	**Description**
The casino strategy	**Title of memo**
Participants [1], [7] and [6] seem to use this strategy in various permutations.	Considers how commonly this strategy is implemented
• It is collaborative • Reinforces the relationship • It enables the investor's autonomy (they can do whatever they want) • They remain committed to the core financial plan • Damage is limited – Contagion (metaphorically) • Satisfies curiosity – scratch the itch	Bullet points at the beginning of the memo helped create an executive summary for the researcher of the key points in the memo

Memo extract	Description
Planning, as has been demonstrated throughout the interview process, is social and inherently collaborative. Collaboration fosters a connection to the plan. Collaboration … and the planner encouraging the client to be emotionally connected to the plan (amongst other factors discussed in the memo on the construction of the plan,) leads to the participant remaining disciplined and committed to the plan.	This section draws on connections between an existing memo on cultivating connections between the plan and the client.
The casino strategy is a product of the collaborative, social relationship in that it is akin to negotiating with the client. Negotiation, whilst having a negative connotation, is fruitful in a sense that it gives credence to the client's curiosity with regards to products or investments outside the realm of the designed plan. It is not dismissive, and ultimately leads to a shared outcome for both parties. The planner is pleased the client is not making significant changes to the investments designed around their original, core goals. The client is pleased because they have 'scratched an itch'. When negotiations go well, the relationship between the planner and the client is strengthened.	This connects to other concepts of the theory (the collaborative approach to planning) with regards to collaboration, forming conceptual relationships amongst categories.
I call this the 'casino strategy' because it is how a single participant described it; although the negotiations described above are similar, by analogy, to the outcomes of the casino strategy. I call this a 'strategy' because it is a device used by planners to help stay the course, which could be refined for other purposes. Simply put, the casino strategy seeks to understand and limit the value of capital that the client is seeking to deploy into a novel investment beyond their existing plan.	Explains the naming of the strategy, utilising terms elicited directly from the interview participant's phraseology (an "in vivo" code).
If this is 'casino money', i.e., a small portion of capital relative to the wealth of the investor - then they are given 'permission' or the go-ahead by the planner to 'gamble' the money. The expectation of return is seen to be low; it is almost akin to a capital 'withdrawal' from the portfolio.	Explains the nature of the strategy.
Quote from Participant 5: "*[when I get questions on crypto from my clients] I think the response there […] would be, is this money casino money or is it your retirement money? If it's casino money, please go buy crypto, we encourage you, have fun and if you go to the casino and you make 64 times your money because you put it on black […], you know you've made 64 times your money and I'm very glad for you, what a great Saturday night out! But please know that that was a one in 64 chance, there was a […] chance you'd lose 100% of your money forever, instantly. If it's casino money, go have fun and on the off chance it works out you will have a casino-like return. […] We then say, can we position your casino money in the context of your portfolio? So there are clients to whom we have said, what percentage are you happy to put on 64 and hope it comes up and we would push back at anything more than one."*	Supporting the memo using data from a participant.

3.8 Data Analysis

A constructivist grounded theory was applied to code to analyse the data obtained. The coding process was not a separable stage of the research method. It was a

continuous and cyclic element of the grounded theory analysis (Holton, 2007). NVivo qualitative software, a well-known and established qualitative data analysis software, was utilised for analysis (C. Urquhart, 2013b).

3.8.1 Open Coding

Interview transcripts were coded line by line to create early labels for the data (C. Urquhart, 2013d). Line-by-line coding is a common element of coding accepted by multiple proponents of grounded theory (Charmaz, 2010; Glaser, 1978; C. Urquhart, 2013d). Engaging with the data line by line helped the researcher be free from "preconceptions" (C. Urquhart, 2013d) and remain close to the data. The line-by-line codes were the foundation of subsequent analysis as they were subsequently grouped into higher codes with the aim of building a theory. These codes were flexible and re-worded as the researcher understood the fit of the narrative through constant comparison (Charmaz, 2010). There was a focus on using gerunds instead of merely descriptive terms in this coding step, which helped the researcher identify processes and experiences that are generative of theory and not merely thematic analysis (Holton, 2007). Gerunds are verbs that function as nouns and often end in "-ing". This is exemplified in Table 3, whereby an example of open coding is provided below using an extract from a transcript (gerunds italicised and underlined where possible for emphasis). For instance, instead of coding "use of visualisation", the code "using visualisation" was used to elevate the theory from description to action.

Table 3

Example of open coding

Participant 6 transcript extract	**Open code**
I think the visual affirmation has a lot more value than just the statement. And again, it depends a lot on how long the client has been with us. If the client feels very comfortable in the relationship, and we have gone through a couple of these exercises before, then a quick answer is usually sufficient.	*Using* visualisations *Reinforcing* statements Length of relationship Strength of relationship *Recurring* conversations Quicker mitigation from stronger relationship
If we are still building the trust, then we would need to spend some more time towards explaining our reasoning behind the answer.	*Building* trust with client Advice taking time *Explaining* to the client

3.8.1.1 Constant comparatives

Constant comparatives (Charmaz, 2010; Glaser & Strauss, 1967) were made throughout the coding process. This entailed comparing statements within the interview (such as initial comments to later comments) and between interviews (such as how two planners describe common mistakes their clients make). To illustrate the constant comparative method, extracts from three interview transcripts are presented in **Table 4**.

All the participants quoted in **Table 4** discussed the nature of financial advice and what it means to them and the process they follow. Participant 9 and Participant 8 agreed more explicitly that financial advice is not about managing a portfolio at a granular level. Instead, it is about coaching the client and managing financial behaviours. The focus on the behavioural management element is clearly reiterated by Participant 11. By contrast, Participant 7 defines what advice is by considering what an advisor is not*:* i.e., a financial advisor is not a policy salesman. These instances all agree that advice is about focusing on the client's behaviours and less about the product or portfolio management. Coding was shaped by comparisons between interviews and within an interview.

Open coding yielded codes such as *"nature of advice – focusing on behaviour"*, *"coaching clients"* and *"adverse to stock-picking"* from Participant 8, which recurred in coding elements of Participant 9's transcript. Participant 7's codes pertained to what advisors are not: *"nature of advice – not a broker".* These codes are aggregated at a higher-level category of what the nature of advice is. The underlying components of the category of the nature of advice are built on a constant comparison among participants' perspectives. A comparison of these perspectives unveiled an underlying resemblance of what advice *'is'* and what advice *'is not'.* Three participants in Table 4 agree that advice is not entirely about stock picking but is more about managing the behaviours of clients and coaching them. The data demonstrating consensus supported progress towards theoretical saturation.

Table 4

Example of constant comparative

Participant 9	**Participant 7**	**Participant 8**
So, for the last […] eighteen years now, [we have been] focusing on the fact that our value add is advice. And there is a difference between advice and asset management. [financial advisors are] starting to realise […] *advice is not being able to pick and choose fund managers and portfolios and stocks*. […] we make people aware of the fact that your behaviour is so important, compared to trying to pick the right asset manager, or pick the right platform [etc.]. Your *behaviour* is going to dictate your success far more than anything. […] we tell people, we are not here to try and get you investment returns. […] we are here to help you control your behaviour. And by doing that, we can add a lot more value.	[My parents thought] "this is a savings policy for when [our] child gets to varsity" and when I finally did look into it […] unfortunately, the advisor or, I think - in my opinion- *the policy salesman* extended the term longer than what it should be. The downside of that was, aside from the high fees that had compounded within that insurance-based investment, was that - if we had accessed it earlier […] they would have had to pay a 15% penalty.	So what planners are starting to realise is that the value that they add is not from picking those funds and managing that portfolio. The *value that they add is from the financial planning aspect of it*. […] Putting clients in the appropriate space, and getting the clients *coached to good financial decisions*, as opposed to the fund, the portfolio management of it.
Participant 11		
[…] that is the general rule of thumb why an advisor says that he needs to be paid an advice fee – because he is going to help you with the asset allocation, *he is going to help you with the behavioural side, too.*		

3.8.1.2 In vivo codes

To preserve participants' inherent meanings and perspectives, *in vivo* codes were also utilised (Charmaz, 2010, p. 55). These codes captured terminology used by the participants, such as "lifestyle financial planning" and "discretionary fund management". The naming of the code was rooted in the term used by the interviewee (C. Urquhart, 2013b). The codes often linked to technical, financial phrases used by the planners and reflected insider terminology that in turn reflected their perspectives of the planning process. These codes were then subject to similar levels of analytical abstraction to search for deeper meanings, akin to the approach for other codes (Charmaz, 2010).

3.8.2 Focused Coding

Focused coding is comparable to selective coding as articulated by Glaser (1978; C. Urquhart, 2013d). This is the second stage of coding, which entailed focusing codes to synthesise the data and enhance the explanatory power of the codes over larger data segments than line by line (Charmaz, 2010). The adequacy of earlier codes was assessed in this step and only those codes that contained better analytical powers were retained. Codes that occurred more frequently and appeared more significant were retained. Appropriate codes from the initial open coding stage were elevated into focused codes; other initial codes were grouped together into newly named focused codes and codes that had thin data were not analysed further.

The constant comparative method was maintained in this step. Data was compared to data, and codes were compared to codes and data to refine the coding process. At this point, multiple categories began to emerge from the data and a level of grouping and aggregation began (C. Urquhart, 2013b, 2013d) towards theoretical abstraction. Practically, following Urquhart (2013a), open coding and focused coding happened on one text at a time before undertaking constant comparisons (the researcher did not open code all interview transcripts before doing a cycle of focused coding across all transcripts). Having a tentative set of open codes before considering the next text helped sharpen the analysis while remaining open to new ideas in the data (C. Urquhart, 2013b).

Focused coding was a highly active step in the coding process that entailed the perpetual analysis and re-analysis of codes, comparisons of codes and renaming of codes to suit the underlying data. Where there was overlap noted in this process, codes were merged. For example, the following codes were combined: “differentiation of approach per client” and “personalising the financial plan”. The coding hierarchy was also constantly challenged during the research process and remained fluid to consider alternative perspectives or analytical insights that were articulated in the researcher’s internal memos.

Ultimately, the focused coding stage was analytic in nature and entailed the selection of appropriate codes that presented significance or enabled abstraction (Charmaz, 2010). The aim of this stage was to identify a limited number of core concepts that would encompass multiple earlier codes and sub-categories that were elicited from

the data. The theorisation process, in turn, entailed relating the identified core concepts.

3.8.3 Axial Coding

Axial coding is the subsequent step recommended by Struass and Corbin, as well as Strauss's early grounded theory work (Corbin & Strauss, 2012a). In axial coding, the categories most pertinent to the research question are selected from developed codes (Flick, 2018d). The researcher considers and begins to formulate relationships among the codes. However, Charmaz (2010) provides flexibility with this step, stating that "students who prefer to work with simpler, flexible guidelines and can tolerate ambiguity […] do not need to do axial coding" (Charmaz, 2010, p. 61). Additionally, Glaser maintained a view that theoretical coding precluded the need for axial coding (1978). At this step in the coding process, the researcher considered the codes thus far and applied the principles of axial coding in order to aggregate and structure the codes around the emerging categories (Charmaz, 2010; C. Urquhart, 2013d). The principles of axial coding helped the researcher structure and develop subcategories of a category and outline its properties.

3.8.4 Theoretical Coding

At the final stage of coding, the researcher focused on relating the substantive codes (generated by prior coding efforts) to each other. This formed the basis for the ultimate theory presented. Glaser, as cited in Flick (2018d), grouped basic codes into coding families that could be used to facilitate this coding stage. Thus, this stage was informed by existing coding families (Glaser, 1978). However, the researcher was also empowered to generate own coding paradigms (C. Urquhart, 2013d) to suit the data itself. Examples of coding families include the Six C's (causes, context etc.) and the degree family (extent, level etc.). Instead of imposing Glaser's coding families onto the data, emerging ideas inherent in the data were prioritised. This stage in the method was reflective in nature. Thus, the researcher made several memos in this process to ensure the codes fitted appropriately and were not being forced or imposed onto the data.

3.8.5 Building Theory

Grounded theory seeks to explain the studied phenomena through action, not merely reconstructed participant perspectives (hence, the emphasis on using gerunds in coding) (Charmaz, 2010). From an interpretivist perspective, theory building entailed drawing on the underlying data driven by experiences of the interview participants and constructing relationships between the categories that emerged because of the data and coding process. The theory for this study thus focused on developing a model of these relationships among key categories identified in the grounded theory process. As these relationships are based on qualitative data, the relationships cannot be definitively causal (C. Urquhart, 2013e). Causality within the theory is inferred rather than quantitatively proven. Subsequent research may seek to extend the theory put forward by this research by testing the proposed causal relationships. Additionally, the theory was not constructed in a silo but was bolstered by references to existing literature that has been interwoven into the theoretical construction.

3.8.6 Prior Interests and Personal Preconceptions

Prior interests refer to intrinsic motivations the researcher brings to the research by virtue of their interests, whereas preconceptions are pre-existing concepts and ideas held by the researcher that are introduced into the research process (Gibson & Hartman, 2014). This section clarifies the researcher's prior interests and preconceptions and how they were managed in the research process. This analysis and reflection were recommended by Gibson and Hartman (2014), particularly with regards to articulating to what extent dominant preconceptions have been guarded against so as not to influence the constant comparative method and coding process.

The researcher has an interest in behavioural finance and decision-making, while acknowledging the problematic nature of some biases. Finding solutions to these biases and how they could be mitigated were thus of a personal interest to the researcher. The researcher was also personally interested in the social elements of behavioural finance, whereby people are social creatures and often make decisions after discussion with those around them.

Theoretical sensitivity can be enhanced using prior interests (Gibson & Hartman, 2014). From a personal perspective, the researcher observed how their mother was

extremely risk-averse and focused on saving through money market funds when she could have obtained better returns through, for example, longer-term equity investments; despite this, she was risk-seeking in other elements of her life such as enjoying skydiving. Additionally, the researcher's parents loved to travel internationally, yet never diversified their investments internationally. These interpersonal struggles between individual disposition and behaviour personally motivated the researcher to find mitigating factors to behavioural biases.

The researcher had limited preconceptions when engaging with financial advisors because the researcher had not personally utilised the services of a financial advisor. The researcher's family and network of close friends do not have financial advisors. These limited preconceptions helped the researcher remain open and highly curious about how the financial advice process worked. By not having been through the process of previously hiring and engaging with a financial advisor, the researcher was able to stay grounded in the data without imposing any significant *a-priori* experiences onto the financial advice process described by the interviewees. The lens the researcher personally held when interviewing participants was a solution-seeking lens, while remaining open to the process. This was, additionally, influenced by initial literature engagement that reflected how financial planners may positively help their clients. Once again, remaining close to the data through line-by-line coding helped to prevent the researcher from forcing any preconceived ideas onto the results.

The researcher historically had had neutral experiences with financial services providers, such as obtaining a mortgage or opening a bank account – but such experiences were not directly related to the current interviewees or process being investigated. Grounded theory literature indicates that it is important for a researcher to guard against preconceptions that risk forcing categories or interpretations onto the data (Gibson & Hartman, 2014; Glaser, 1978).

3.9 Research Quality and Validity

Literature contains criticism against the validity of qualitative studies. This section considers salient validity criteria that could impact this study.

3.9.1 Quality and Validity

Flick (2011), in discussing quality in qualitative research, splits considerations into design and implementation. In the design phase, three quality aspects are articulated: indication, adequacy and openness. In assessing the design of a qualitative study, it should be clear that a qualitative approach was not based on a "general sympathy or attitude" towards the approach (Flick, 2011, p. 62). This methodology chapter has motivated the suitability of its approach within earlier sections. The research design has been clearly indicated.

With regards to adequacy, Flick refers to checking whether the specific method fits the research issue (2011). It is suggested that the methods have been prepared as well as possible before entering the field and dealing with 'real' cases. To this end, this study has implemented a pilot project and made refinements to the method prior to commencing the final sample. This also allowed the researcher to prepare and improve the interview technique before dealing with the final sample. This is analogous to Flick's suggestion of undertaking specific training before entering the field as the researcher built experiential learning using the interview guide prepared (Flick, 2011). As the researcher was the interviewer in all instances, the pilot study helped the researcher feel ready to commence with the research methodology on a larger scale. Additionally, an indicator for the quality of a qualitative study is how often the researcher manages diversity (Flick, 2011). This entails how the researcher seeks out a variety of possible experiences implemented by the research design. This has been encompassed into purposive sampling, as previously explained.

There are multiple perspectives on what constitutes a valid qualitative study, with some limited consensus as to a singular definition (Onwuegbuzie & Leech, 2007). This research considers the original criteria for a valid grounded theory as articulated by Glaser and Strauss (1967). The theory constructed by this research will be validated against this criterion.

3.9.2 Addressing Grounded Theory Misconceptions

Due to the popularisation of the grounded theory method, there is literature that addresses misconceptions about the method as well as warning researchers of common errors in implementing the method (Dunne, 2011; Suddaby, 2006;

Thornberg, 2012; C. Urquhart & Fernández, 2013). This section elucidates the approach this research has taken to mitigate such errors in method application.

Grounded theory has been erroneously perceived as requiring the researcher to enter the field *a priori* without any knowledge at all about the research topic: a blank slate (Suddaby, 2006; C. Urquhart & Fernández, 2013). This has sparked an ongoing debate regarding the use of existing literature (Dunne, 2011). The original proponents of grounded theory specifically precluded engagement with prior literature before entering the field (Glaser & Strauss, 1967). The purpose of this restriction was to ensure that the theory developed was linked to the data itself and that the researcher was free from preconceived notions that would result in forced analysis. In subsequent iterations of grounded theory by Strauss and Corbin, the role of literature evolved. Indeed, it became permissible to engage with literature to formulate initial questions (Corbin & Strauss, 2012a).

The contemporary debate regarding literature engagement is not whether literature should be consulted but at which point (Dunne, 2011). Modern proponents of grounded theory acknowledge the impracticability of "abstinence" from literature (Dunne, 2011, p. 115) when undertaking a PhD whereby progress is contingent on a detailed literature review (through, for example, the research proposal (Thornberg, 2012)) prior to commencing data collection and analysis (Chiovitti & Piran, 2003; Dunne, 2011; McCallin, 2003). This research had partial engagement with literature prior to data collection and analysis for several reasons.

Literature was consulted to contextualise this study within existing research (McCallin, 2003) and understand the limitations of the existing literature (Thornberg, 2012). The researcher had to consider whether there was sufficient under-developed theory in behavioural finance to determine if there was a rationale for the potential contribution of this research and to ensure no identical study had been performed (Chiovitti & Piran, 2003; Dunne, 2011). The researcher became familiar with literature to enhance sensitivity to subtle nuances in data. This also positioned the researcher to notice recurring concepts in the data that resonated with prior literature (Corbin & Strauss, 2012a; Thornberg, 2012). Lastly, literature was engaged with prior to commencement of the study to provide the researcher with a basis for comparisons (Corbin & Strauss, 2012a) and to enable the PhD proposal process. Notably, literature was not uncritically

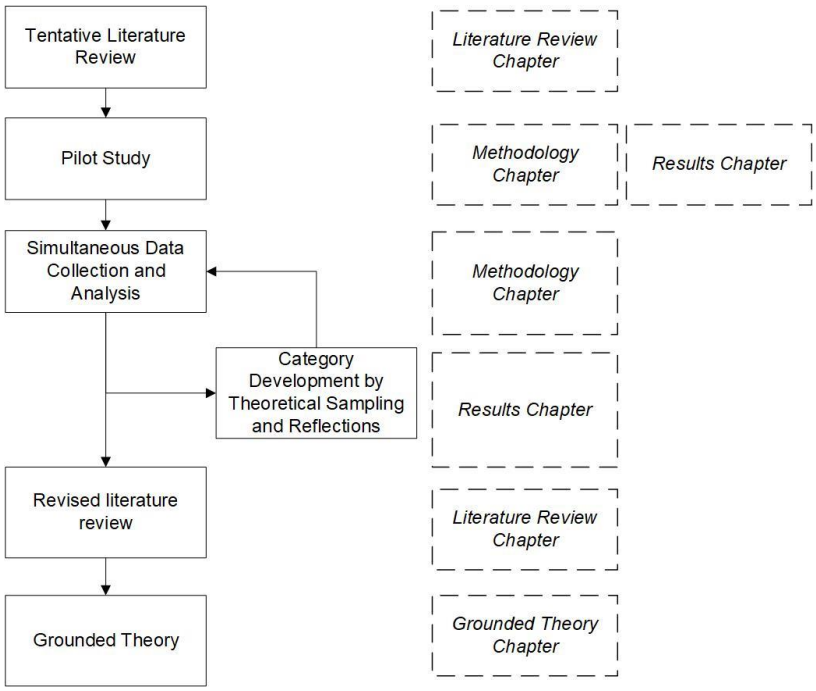
adopted, but rather considered in terms of relevance and fit to the study (Thornberg, 2012, p. 255). However, the ultimate literature review (presented as Chapter 2) was finalised subsequent to the results being concluded.

In this manner, the role of literature in this research was akin to the 'Informed Grounded Theory' model discussed by Thornberg (2012, p. 249). The research process and results are inherently grounded in the data, although informed by existing literature and conceptual frameworks. Informed grounded theory originates from constructivist grounded theory (Thornberg, 2012). As grounded theory iteratively moves between data collection and analysis simultaneously (Charmaz, 2010; Dunne, 2011), the researcher had to be equipped with an understanding of concepts within literature to make comparisons at a conceptual level with the emerging data.

Figure 2 summarises the role of the literature review of this study and provides a macro-overview of the methodology. Each step is mapped to its corresponding chapter. Note that although the literature review chapter is referred to multiple times, the figure represents iterations and revisions to the single literature review chapter presented within this dissertation.

Figure 2

The role of literature in the methodology



Source: Researcher's own

Additional pitfalls about grounded theory, which this research has avoided, include its use to test a hypothesis and using grounded theory as a rationale for not presenting a methodology discussion (Suddaby, 2006).

3.10 Research Ethics

Olson (2019) articulated key ethical issues that may arise in grounded theory research. This section discusses how the relevant concerns have been approached within this research. Interviews only commenced once approval had been obtained from the UCT Faculty of Commerce Ethics Committee.

3.10.1 Autonomy and Anonymity

The right of the research participants to choose whether they wished to participate in the research, based on given information, is described as autonomy (Olson, 2019). A consent form was provided to participants to enable them to understand the study context and ascertain whether they would be comfortable participating. Participants understood that their involvement was voluntary, and they could opt-out of the interview at any time. They demonstrated this understanding by signing the interview consent sheet.

3.10.2 Risks and Benefits

It is possible for participants to experience emotional distress during an interview. The consent form provided participants with an understanding that they may opt-out of the interview at any point. Furthermore, to ease emotional distress, sufficient information was provided to the participants about the nature of the study to enable them to share the information they felt comfortable with. No participant requested emotional support during, prior to or post-interview. Participants who wish to receive a copy of the final paper will receive both the final research thesis and a summarised version for their own reference.

3.10.3 Participants' Voices

A risk in constructivist grounded theory is that the voices of the researcher and the participants may merge or be blurred (Olson, 2019). This research stays close to the

data through line-by-line coding and through the iterative writing of memos to reflect the connection between data and theory (Olson, 2019).

3.10.4 Ethical Implications of the Research Goal

No ethical concerns were raised by the Ethics Committee in approving this research. The practical goal of this study is to construct a theory towards investor bias mitigation through using a financial advisor. This is towards the betterment of investor decision-making. No harm would be done to any of the stakeholders in the pursuit of this goal. No specific funding was awarded by third parties for this study that could have posed an ethical conflict of interest for the researcher.

3.11 Chapter Summary

Within this chapter, the research process was articulated in addition to the research's constructivism and constructionism ontological and epistemological underpinnings. The research question, which entails an exploration of how financial advisors may mitigate bias, lends itself to a qualitative approach. In pursuit of constructing theory, grounded theory techniques were selected as appropriate for this study. Qualitative interview techniques were applied to collect data.

Data analysis was undertaken through a series of coding cycles in line with grounded theory. The rest of this thesis proceeds to present the detailed findings of the research. The next chapter articulates the development of each of the sub-categories developed from the data collection and coding analysis. Subsequent chapters then proceed to bring together all the subcategories into a substantive grounded theory.

CHAPTER 4 RESULTS

4.1 Introduction

This chapter explains the results of the study, which have been divided into the pilot study and the main study results. The process of coding and sorting through emergent codes yielded a singular core category and two subcategories: (a) the financial planning journey, (b) threats to the journey, and (c) protecting the journey. These subcategories are, in turn, underpinned by several lower-level codes. This chapter articulates the codes and how they have been created from the interview data.

This chapter is arranged as follows: firstly, the participants of the study are described. The pilot study results are then discussed, and the tentative categories constructed from the pilot study data. The influence of the pilot study on the researcher and the study itself are also articulated. Subsequently, the subcategories of the main study are discussed. The results discussion commences with the core category before explaining the two subcategories. Importantly, each section describes how the categories have been derived from the data. These categories are integral to the substantive grounded theory which follows in the next chapter.

4.2 Description of Interview Participants

This section describes the participants in this research, with **Table 5** and **Table 6** providing the characteristics of the interview participants. In total, 12 financial advisors were interviewed as participants, of whom 2 were part of the pilot study.

Table 5

Participant descriptions

Gender			Location			Age			Type		
Gender	Count	Percentage	Province[15]	Count	%	Age Bracket	Count	%	Role	Count	%
Female	4	33%	Eastern Cape	1	8%	25–34	5	42%	Independent	4	33%
Male	8	67%	Gauteng	6	50%	35–44	6	50%	Tied	3	25%
			Western Cape	5	42%	45–54	1	8%	Independent with experience in tied	5	42%
Total	**12**	**100%**	**Total**	**12**	**100%**	**Total**	**12**	**100%**	**Total**	**12**	**100%**

Table 6

Detailed participant description

Participant Number	Category Licence	Experience (Years)	Independent / Tied	Gender	Age Bracket	Location
1*	1	12	Independent with experience in tied	M	25–34	Western Cape
2*	1	11	Independent with experience in tied	F	25–34	Gauteng
3	1	5	Tied	F	35–44	Gauteng
4	1	24	Tied	M	45–44	Gauteng
5	2	9	Independent	M	35–44	Gauteng
6	2	12	Independent	F	25–34	Western Cape
7	1	8	Independent with experience in tied	M	25–34	Eastern Cape
8	1	5	Tied	M	35–44	Western Cape
9	2	10	Independent	M	25–34	Western Cape
10	1	13	Independent with experience in tied	F	35–44	Gauteng
11	2	12	Independent	M	35–44	Western Cape
12	1	14	Independent with experience in tied	M	35–44	Gauteng

**Pilot study participants*

[15] South Africa, as a country, is divided into 9 provinces: Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and the Western Cape. Approximately 26% of the population of South Africa is concentrated in Gauteng (Stats SA, 2021.)

Most of the interview participants were male (67%). This ratio of male to female participants is similar to existing South African literature that surveyed financial planners (Alsemgeest & Steyn, 2021). In a survey undertaken by the FPI, approximately 65% of institute members were male (FPI & SAQA, 2017). Additional literature suggests that, within the international financial advisory community, participation by women constitutes only 20–30% (Richards et al., 2020, p. 652). The gender representation covered by the participants was thus considered sufficient and appropriate.

Three of South Africa's nine provinces were represented by the interview participants: 8% (1) from the Eastern Cape, 50% (6) from Gauteng and the remaining 42% (5) participants from the Western Cape. Gauteng is the largest provincial contributor to the economy of South Africa, while the Western Cape is South Africa's legislative capital, which houses Parliament (SA Yearbook, 2016; StatsSA, 2019). There is significant disparity in the economic contributions to GDP among the provinces in South Africa. For instance, Gauteng's GDP per capita is two times that of the Eastern Cape (being the lowest-contributing province to GDP) (StatsSA, 2019). The interview population thus encompasses extreme ends of the spectrum, including participants from the two largest contributors to the South African economy and a participant from the smallest economic contributor.

Half of the participants fell into the age bracket of 35–44 years, with 42% (5) being between the ages of 25–34 and the remaining individual was within the 45–54 bracket. Collectively, the aggregate experience of all participants amounted to approximately 135 years of experience, with an average of 11.25 years per participant. South Africa has a young population, with approximately 28% of the population being aged 0–14 and approximately 9% older than 60 (Stats SA, 2021a). Adults between the ages of 30 and 44 make up approximately 24% of the South African population. Less than 20% of South Africans fall between the ages of 45–64.

Participants clarified whether they were independent financial advisors or whether they were 'tied agents'. Tied agents refer to advisors who work for an investment firm or insurer and who transact on that investment firm's behalf to service client needs (Masthead, 2020). Tied agents or non-independent advisors might have specific commission structures or targets imposed on them. Of the total participants, 33% (4)

were independent, 25% (3) were tied (non-independent) advisors and 42% (5) were currently practising as an independent advisor but had previously experienced working as a tied agent. All participants were registered CFPs with the Financial Planning Institute of South Africa.

Participants were asked to describe the kind of client they service. Generally, participants described themselves as focusing on high-net-worth individuals and families. Other participants had a particular focus on professional clients, such as doctors, engineers or chartered accountants, while others focused on advising individuals who were nearing or preparing for retirement. Although it was common to indicate a focus on high-net-worth clients, many participants had developed a niche focus area, such as seeking to help young families. Several participants are in the process of expanding their client base to include younger individuals who are in a wealth-building phase. Participants expressed that it is often challenging to enter their industry with an immediate portfolio of wealthy clients; thus, a mixture of client wealth-levels and types are required to maintain their business. Several participants specialised through additional qualifications in supporting people going through significant life transitions, such as widows or people diagnosed with a terminal illness. Overall, there was thus a mix of client types represented by the interview population, ranging from high net worth to salaried professionals, families and young professionals.

4.3 Pilot Study Results

As previously discussed in the methodology chapter, a pilot study was undertaken before commencing with the main study. Two participants were included in the pilot study, consisting of one male and one female participant. Both participants were independent advisors but had experience working as a tied agent. This section discusses the pilot study findings, the tentative codes from the pilot study and the considerations taken forward into the main study.

An important element of the pilot study was to ascertain whether the participants were able to identify bias or systematic deviations from standard finance logic within their clients. The pilot study also considered whether the participants had attempted to correct or mitigate bias. By establishing this premise, the researcher was able to focus

on the *process* of debiasing. This is because a process might only be explored to the extent that it is evident (i.e., it might be challenging to explore a process if there is uncertainty whether the process occurs *at all*). This complemented the literature review, which suggested that financial planners might contribute to bias mitigation. The pilot study thus helped establish a foundation and functional premise on which the main study was conducted.

4.3.1 Study Design and Industry Insights

Whereas literature sometimes demonstrates the financial advisor as being integral in stock picking and thus influencing performance (Haslem, 2008; Hoechle et al., 2017), the participants in the pilot were clear that they delegate or assign the picking of the specific assets to what was referred to as a 'discretionary fund manager' (DFM). This distinction was important for the researcher to understand on entering the field as the study needed to be grounded in the realities of data and not be derived from literature.

Pilot study participants explained the categories of financial service providers, such as Category I and II, and their respective requirements and implications. Each category licence holder has different requirements for compliance with the South African Financial Services Board's Financial Advisory and Intermediary Services Act (2002). There are specifications with regards to the determination of 'fit and proper' requirements for financial service providers (Financial Services Board, 2017). Only Category II licensed participants could pick individual investments; otherwise, the task of selecting the specific investments within each asset class was assigned to a DFM. When designing the initial scaffolding of a financial plan, the participants' focus was to help design their client's broader asset allocation at a high-level. Only Category I CFPs participated in the pilot study, while the main study had a mix of categories.

P1[16] explained his perspective as follows:

> *"We do not get stock specific purely because we don't have the skills to be able to select shares…I would argue that a lot of analysts probably don't have the skills; and so we've partnered with a discretionary fund manager [Name Redacted for Confidentiality] to specifically help with the*

[16] Participant quotations are abbreviated to P[number] e.g., P12. This also anonymises participants.

implementation of our investment portfolios because the required asset allocation can be linked to your required return in order to make your financial planning work." P1

P2 indicated the following:

"The financial planner is not the person to determine diversification, your exposure to asset classes – we really sit in meetings with clients all day. We don't have time to give this the proper time, attention that is necessary." P2

Instead of advising at the individual fund or stock level, both participants worked with clients to determine their required return and risk tolerance. In turn, this influenced the questions of subsequent interviews in the main study to affirm the nature of the category licence held by the interview participant. It was not assumed that the participant was facilitating the detailed asset selection for clients.

4.3.2 Pilot Study Tentative Categories and Codes

Working solely with the pilot study data, the researcher analysed the transcripts and considered what emerging categories and codes the data yielded. **Table 7** summarises the pilot study's tentative categories and its underpinning subcategories. At this point in the research, the core category of the final theory had not yet emerged, although, on reflection, concepts within the final results had already begun to emerge from the pilot study. A comprehensive description of each of the tentative categories from the pilot study is provided in **Appendix C**.

Table 7

Summary of pilot study tentative categories

Tentative categories	Underlying Codes	Questions / Considerations for main study that emerged from the pilot study
Designing and executing the financial plan	Understanding client needs	How do participants build a relationship with their clients to facilitate information gathering? How important is trust in the financial planning process? *The main study should further explore the plan set up and the social dynamic between planner and client.*
	Building trust	
	Understanding client's current financial position	
	Influencing client decisions	
	Not stock picking	
Behavioural biases	Bandwagon effects: people are highly influenced by peers and media	Participants indicated that they, in their professional roles, identify biases and irrational decisions within their clients. *There are numerous biases in literature; what biases are planners frequently seeing?*
	Negativity bias	
	Narrow focus	
	Disbelief in South Africa	
Bias mitigation	Pre-planning responses	Participants confirmed that they do attempt to mitigate or manage bias. There seemed to be little differentiation in debiasing approaches (on a per bias basis) to mitigate poor decision making. In other words, there was an identifiable, general process to approaching bias with limited differentiation for home bias or herding. The following question was considered for focus in the main study: *What other approaches have participants applied to quell irrational decisions?*
	Understanding the money story	
	Using visual aids	
	Logic and rationality: explaining to the client	
	Empowering the client	
	Applying subtlety and patience	

P2 indicated that most of her clients approach her having previously exclusively dealt with a stockbroker. Accordingly, her clients initially only expected financial trading and execution from her as a financial planner. From this context, P2 explained that her clients sometimes underestimate the nature of the financial planning "journey" that P2 provides to her clients. The concept of the financial planning "journey" stood out to the researcher and it recurred frequently within the main study. This recurring concept ultimately formed the basis of the core category of the theory: the "financial planning journey".

Understanding the client's needs is crucial to designing the financial plan. Part of the information gathering process is understanding the client's money story. This enables the planner to understand the client's attitude and learned behaviours about money throughout their lifetime. Through exploring the client's experiences and beliefs about money, some clients realise that their attitudes to money are inherited from their parents. This realisation prompts clients to consider if they want to continue in the same manner or change. Both pilot study participants concurred that financial advisors identify bias and poor financial decisions within their clients (although they might not refer to bias by technical, academic terms such as the disposition effect). Furthermore, the pilot study participants were intentional about trying to prevent clients from detrimentally acting on their biases. Participants were confident that a financial planner has the potential to effect change in a client's financial behaviours. This potential to change client behaviour, towards debiasing, supported further exploration into the debiasing process of the main study.

4.4 Main Study Results

Table 8 summarises the coding output of the main study. It also breaks down the coding into the phases of coding articulated in the methodology chapter. Each of the categories are separately elucidated within this chapter. The results within this chapter discuss how the categories emerged from the data as well as the underlying properties per category. This chapter begins to lay the foundation for the relationships among categories, which form the basis of the grounded theory explained in **CHAPTER 5**.

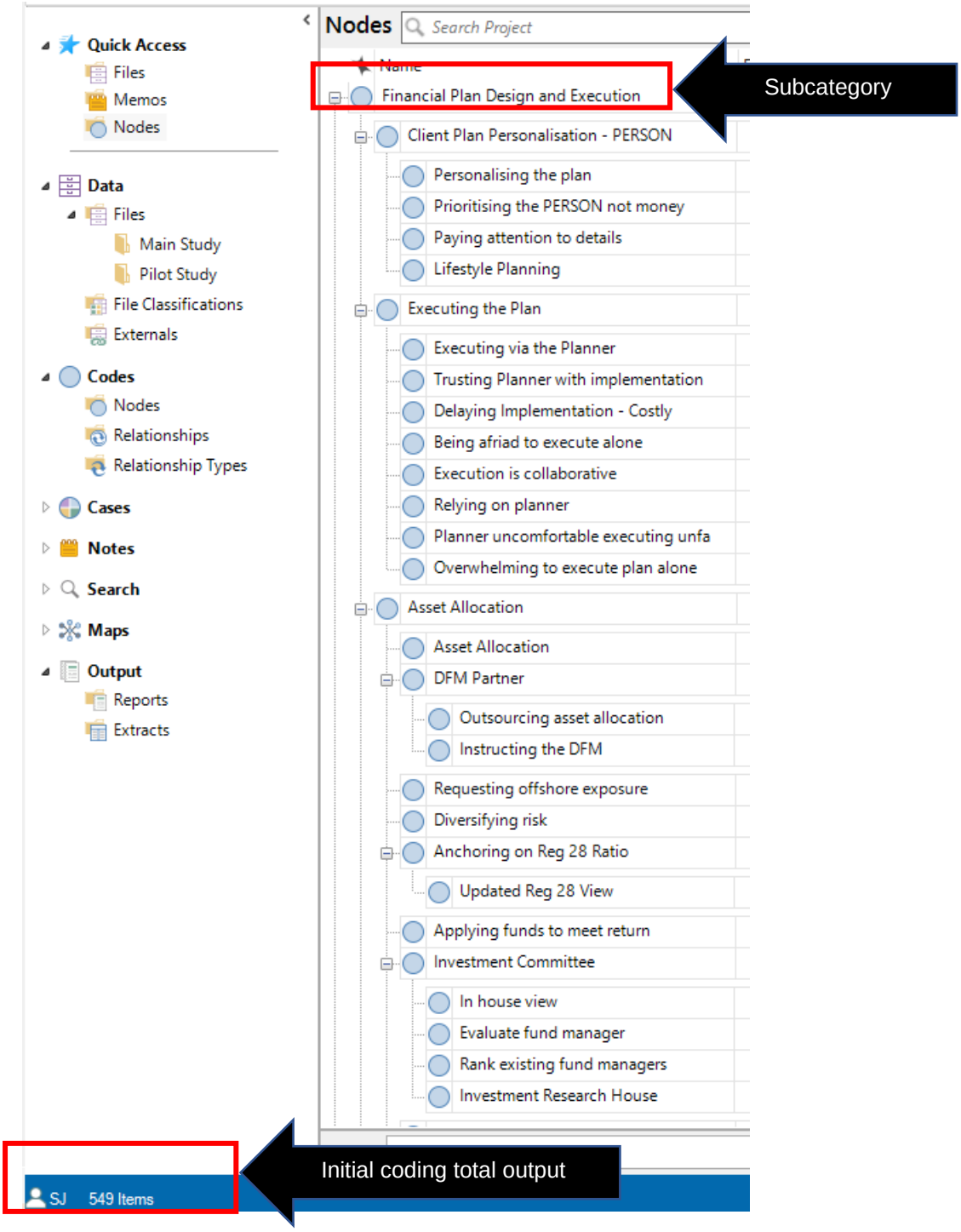
Table 8

Output of data analysis

Data analysis stage	Coding output	Methodology chapter reference
Initial coding. Open, line-by-line coding.	Initial output resulted in 610 open codes. After revisions, removal of duplicates and combinations of redundant codes, 549 codes remained. A screenshot of the NVivo analysis (software used) is provided in **Figure 3** to indicate initial coding numbers, as an example.	Section **3.8.1**
Focused coding. This scales the initial codes into a controllable number of codes.	The focused codes are presented as supporting codes for the subcategories within each table in this results chapter.	Section **3.8.2**
Constructing categories and sub-categories; determining the core category. These categories convey the main concepts of the study. The sub-categories are brought together through an overarching singular core category.	**Singular core category:** The Financial Planning Journey **Underlying sub-categories:** Threats to the Journey Protecting the Journey	Section **3.8.4–5**
Construction of a substantive theory.	The theory of bias mitigation within the Financial Planning Journey. This theory is discussed further in **CHAPTER 5**.	Section **3.8.5**

Figure 3

Screenshot of NVivo Software

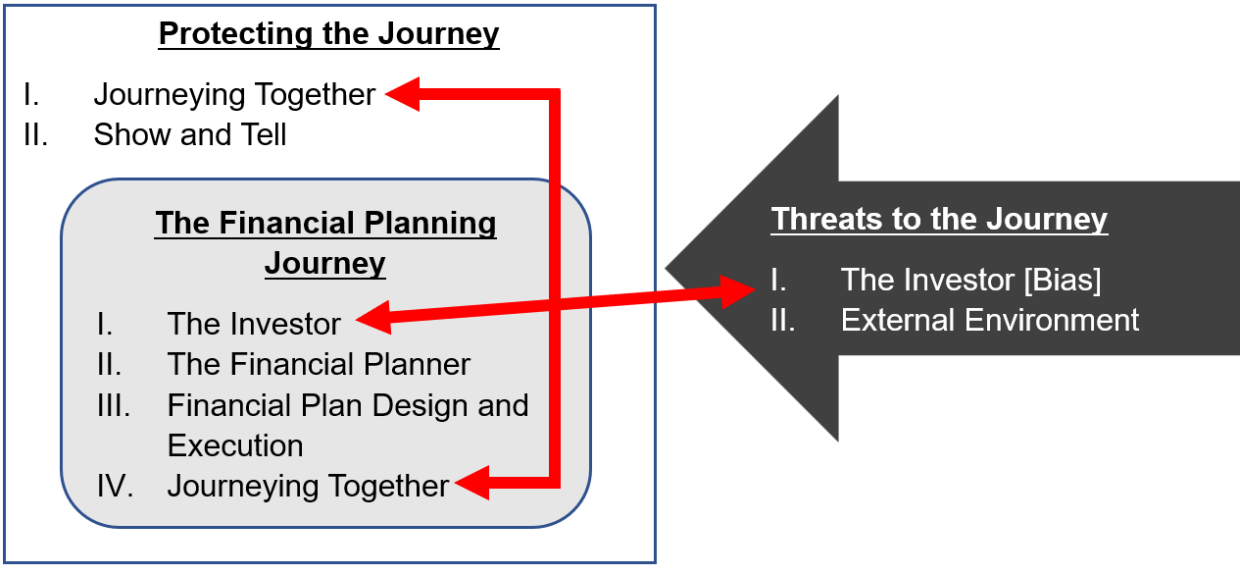


Source: Researcher's own

The categories explained in **Table 7** can be combined in the following manner, as represented by Figure 4.

Figure 4

Representation of categories



Source: Researcher's own

4.4.1 The Financial Planning Journey

Identifying a singular, core category is critical for integrating other categories into a singular grounded theory (Hallberg, 2006). Literature describes the very objective of coding to be the culmination of core categories to determine the focal concept for theoretical development (Douglas, 2003). The core category, identified from the data, is the financial planning journey. Consistent with the objectives of grounded theory methodology and philosophical parsimony, less than two core categories have been identified (Charmaz, 2010; Glaser, 1978; C. Urquhart, 2013a).

The researcher elevated this code to be the core category around which the theory is constructed based on its strong explanatory relevance and its ability to connect, link and encapsulate the story of the financial planning process (Corbin & Strauss, 2012c). The subcategories of threats to the journey and protecting the journey emerged from the data and were clearly connected to the central, core category. This is consistent

with literature, which indicates that the core category should have the potential to link all other categories together (Corbin & Strauss, 2012c).

This category's name stems from the concept of "journeying together". Many participants used the term "journey" or an analogous phrase. Thus, the category's name was derived from an *in vivo* code. Some pertinent quotes from the data are provided below:

> *"Let's unpack your concerns so it gets you [the client] along the journey with me a bit easier."* P12

> *"Clients, anyone, we don't like to be told what to do, we like to be collaborated within a journey of understanding to find out what we want."* P5

> *"We often say to people, before we invest any money in any direction, we will always need to understand where it is we are trying to go. So, it is, if you come here with money, it is a bit like jumping in your car with a full tank of petrol, and you say, 'Let's go.' Like, but where?"* P9

Corbin and Strauss, (2012, p. 105) put forward criteria for researchers to consider in determining the core category. First, a core category must be *"abstract; that is, all other major categories can be related to it and placed under it".* The researcher found that the different dimensions of codes, once aggregated into higher level subcategories, could be placed within the broader ambit of the financial planning journey. This is demonstrated by **Figure 4**.

Second, a core category *"must appear frequently in the data".* The researcher found that allusions to and metaphors for the financial planning journey occurred throughout the participants' interviews. Several salient quotes are provided above to support this perspective. Third, a core category *"must be logical and consistent with the data. There should be no forcing of data".* The researcher found a clear and intuitive link between the core category and how it stems from the data. This is supported by the fact that the core category is grounded in the data and is an *in vivo* code based on how the participants described their financial planning role.

There are four lower-level codes that support the financial planning journey. These relate to the investor, the financial planner, the financial plan design and execution

and the act of journeying together. The categories are graphically represented by **Figure 4**.

4.4.1.1 The Investor

4.4.1.1.1 Constructing this Subcategory

This subcategory aims to depict the intrinsic motivations that stem from the investor. Ultimately, the investor needs to approve and be comfortable with any financial plan designed by the financial advisor. The investor needs to collaborate with the financial advisor towards the plan by opening up about their needs and goals for the future. This would shape their capital allocation. Discussions about the investor were integral to the interview with the financial advisors because plans are designed around and for individual clients. Note that this research has been undertaken from the perspective of the financial advisor. Thus, it is primarily the voice of the financial advisor that is presented within this section, and it is not the direct voice of the client. This section is thus reflective of the perceptions of investors that the participants have, which is different from the voice of the client directly.

Initially, the researcher began building ideas around common concepts linked to the ‘identity’ of the investor, with aspects such as hopes and dreams, family and wealth creation contributing to ‘layers’ of identity. However, as data analysis progressed, the researcher’s understanding of the role of the investor evolved into a different metaphor: the investor has their own ‘world’ outside of the financial planning process. The financial planner needs to understand certain components of the investor’s world to draft an effective financial plan. The financial plan, in turn, aims to improve the quality of the investor’s ‘world’.

The quantum of information provided to the advisor pertaining to the ‘world’ of the investor is a variable in the financial planning process. What could influence this variable is the accumulation of trust and developing a strong relationship with the financial planner. This metaphor was found to be consistent with literature, which indicates that the quality of a financial plan depends on the investor truthfully communicating their own personal needs and circumstances to the planner (Alsemgeest, 2021). Trust was found to be crucial in getting the investor to speak openly and honestly (Alsemgeest, 2021).

Arguably, the financial advisor may also have their own ‘world’ beyond the financial planning process, but this element needs to be suppressed in favour of the investor. For example, the financial planner should not bring their own biases into the construction of a plan for their clients. The financial planner’s personal world needs to be understood only to the extent that it influences or impacts the core category of the financial planning journey; understanding the investor’s world, however, is crucial as it is the very basis on which the financial journey is planned. This is consistent with the discussions of Glaser (1978), which indicate that other categories and their properties must be related to the core category. The financial planning process might be thought of as the intersection of the financial planner’s and the client’s respective worlds, with a self-imposed moderation on the extent to which the financial planner shares their own world.

The underlying codes that make up the investor subcategory helped the researcher to understand the different dimensions of the investor’s world and how this could, in turn, potentially influence the behaviour of the investor. It also created context for the bias mitigation strategies discussed by participants, providing the researcher with an understanding of multiple scenarios whereby investors have sought to undertake irrational decisions.

These cases of irrational decisions and how they were averted provided the researcher with an understanding of the advisory process and how participants have practically mitigated irrational decisions that stem either from emotions, ad-hoc irrationality or systematic bias. Understanding the common mistakes made by investors in South Africa was important for the researcher to understand how these mistakes may be corrected. Note that **Figure 4** connects the “Investor” within the “Financial Planning Journey” to “Threats to the Financial Planning Journey”. This is because the investor’s common financial mistakes (behavioural biases) could represent a threat to their own financial planning journey. As these biases are intrinsic to the investor, they are presented as part of the investor subcategory and not discussed in detail separately under “Threats to the Journey” (section **4.4.2**). **Table 9** presents the underlying codes that make up the investor subcategory.

Table 9

The Investor subcategory and its underlying codes

Subcategory	Axial codes	Summary of Focused and Open codes	
The Investor	Personal sentiments guiding investments	Personal money story	Demonstrating inherited behaviours from parents
		Attitudes to South Africa	Connection to negative home bias
	Making financial mistakes (Behavioural biases)	Retirement mismanagement	Cashing out retirement savings
			Frequently switching funds
		Debt mismanagement	Backsliding into debt
			Retirement savings to pay debt
			Unfoundedly optimistic behaviour
		Being prone to extreme reactions	Withdrawing money in a panic
			Externalising all wealth (negative home bias)
			Gambling everything on speculation
			Disposition effect
		Socially influenced	Herding effect
			Trend chasing "FOMO[17]" investments
		Emotional reactions	Holding on to sentimental investments
			Paranoia: believing market crash imminent
		Information effects	Confirmation bias
			Information overload
		Acting in an unconscious manner	Locally built wealth
			Limited financial literacy / understanding
			Constrained wealth
	Being human	Client – hopes and dreams	Personal goals and ambitions
		Client autonomy	It is "their" money
		Client wellbeing	Mental, physical, financial
		Opening up to the planner	Sharing personal thoughts, feelings, information
	Receptiveness to Advice	Acting out of fear	Seeking an expert
		Acknowledging limitations	
		Ending a relationship	Rebutting advice

[17] FOMO: Fear of missing out (Gupta & Shrivastava, 2022). This describes fear or anxiety from being left out of group events (socially) or returns from investments that others are earnings (financially).

4.4.1.1.2 Personal Sentiments Guiding Investments

Investors, according to the interview participants, are driven by their personal sentiments. These sentiments may be conscious or subconscious. For example: a subconscious element that drives investor behaviour might be the emulation of financial behaviours inherited or learned from their parents (the 'money story'). The concept of investors' financial decisions being influenced by their personal feelings or sentiments is well-documented in behavioural finance literature (Bacha & Azouzi, 2019; Elvin, 2004; Lucey & Dowling, 2005). This concept arose initially to the researcher within the pilot study (**Appendix C**).

Investors were sensitive to political news about South Africa. Participants expressed that their clients often feel extremely negative about the economic and socio-political future of the country. This negative attitude is reflected in client's desires to externalise all their wealth. Some clients, guided by their negative attitude to South Africa, wish to 'protect' their money by moving as much of it offshore as possible. This seems to result in what literature has termed 'negative' home bias (A. V. Mishra, 2015). Negative home bias entails an overinvestment in foreign portfolios and an underweighting of home country assets. This concept is discussed further in 'Making Financial Mistakes' and 'Threats to the Journey'.

4.4.1.1.3 Making Financial Mistakes

Participants were invited to discuss the common financial mistakes they had observed with their clients. This provided the interviewer with an understanding of the common 'biases' or financial errors the typical South African investor demonstrated. For clarity, the nature of the method used does not enable the researcher to arrive at conjectures regarding the most frequent biases experienced in South Africa. The biases discussed are based on the experiences shared by interview participants about their clients.

According to the South African Reserve Bank (SARB), the ratio of household debt to disposable income remained relatively constant, from 75.4% at the end of 2020 to 75.3% at the start of 2021 (SARB, 2021). Debt mismanagement was highlighted frequently by participants as a particularly common financial mistake. According to participants, clients often cash out their retirement savings when given an opportunity

(such as when changing jobs[18]) and use the funds to pay-off their debt. Some clients may even use the cash for short-term consumption with no long-term benefits. South Africa's National Treasury issued a public consultation paper in 2021, discussing potential reforms to enhance retirement savings preservation (National Treasury South Africa, 2021). The experiences of participants are corroborated by this paper, which indicates that many individuals prematurely withdraw from their pension or provident fund. These withdrawals particularly occur upon resignation or retrenchment.

Participants mimicked their clients' reactions as: "*I just need to take everything out and put it in cash and pay off my bond,"* despite the damage this might do to their retirement savings. Subsequently, clients might erroneously not make additional top-up contributions to their retirement savings to compensate for their early withdrawal. Some clients might even risk backsliding further into additional debt. This is problematic as it might result in insufficient assets at retirement for the investor. P10 reflects on this experience:

> *"A lot of the times, I meet clients who are at the point where they are changing jobs. And then, at that point, they have the opportunity to either cash out their retirement funds or to transfer them to another provider. And most people's initial reaction is to take that money and squash some debt…"* P10

Individual investors tend to consider themselves able to contribute more to their savings in the future. Investors thus demonstrate optimism about their ability to contribute 'additional' amounts to their retirement savings to mitigate the damage done by premature withdrawals. Interview participants considered this optimism often to be unfounded, as there are limited cases where investors have sufficiently made additional contributions to catch up on their retirement savings. Coaching, nudges, and conversational reminders about top-up contributions are thus required from the financial planner to steer their client back on track. The financial planner may explore

[18] This leakage typically happens in occupational group retirement funds. A retirement annuity product restricts withdrawals; however, provident or pension funds permit withdrawals when resigning from a job (Momentum Investments, 2021; National Treasury South Africa, 2021).

options with their client regarding discretionary and retirement savings to help the client fulfil their financial goals.

The concept of consuming retirement savings for immediate needs, such as servicing debt, might be consistent with the phenomenon of hyperbolic discounting in behavioural finance literature. Hyperbolic discounting, technically, pertains to an inverse relationship between a discount rate and time until a payoff event; however, it has since been expanded to encompass impatience for a payoff today as time horizons reduce (Eisenhauer & Ventura, 2006). Consumers prefer immediate gratification and are thus biased towards the present; therefore “present bias” is another term for hyperbolic discounting (Eisenhauer & Ventura, 2006; Xiao & Porto, 2019; Zauberman et al., 2009). Financial planners may be able to identify present bias in clients and implement nudges or de-biasing mechanisms to help mitigate the effects of such bias (Xiao & Porto, 2019).

Participants also observed returns-chasing behaviour in their clients’ retirement savings funds through frequent switching. P8 described how he had a client that would check their retirement returns annually and then switch the fund that their retirement was invested in to the one with the highest return. The client did this without considering the cost of the transaction and the potential value destruction that frequent switching attracts. High volumes of trades or frequent turnover has often been associated with lower returns (Hoffmann & Shefrin, 2014).

Investors are also prone to extreme financial decisions, sometimes relying on their financial advisor to moderate their reactions. Extreme reactions include being unable to handle uncertainty and cashing in their portfolio during the Covid-19 pandemic or being overwhelmed by negative feelings about South Africa and wanting to fully externalise their wealth. These feelings can last for long periods of time. P4 discussed a client who lost value in a market crash 2 years ago who then insisted on going fully into cash and has yet to re-enter the market out of prolonged fear. Speculation might also occur, as commonly discussed by participants, in the form of Bitcoin. Participants described clients wanting to risk their portfolios by going ‘all in’ on Bitcoin without understanding cryptocurrency or the nature of the instrument they are keen to invest in (L. Kaiser & Stöckl, 2020).

These experiences, as captured by the data, are echoed in behavioural finance literature. Investors demonstrate stronger overactions when sentiment is low rather than high (Piccoli & Chaudhury, 2018). The concept of low sentiment can be described as investor pessimism. When asked if their clients demonstrated any form of 'reluctance' to invest offshore or to incorporate offshore exposure into their portfolio (relating to home bias (Gaar et al., 2020)), none of the participants recalled any experiences of conscious reluctance.

South African investors operated on a spectrum: either they were despondent about the country and wanted to externalise their wealth or they were unconscious about diversification and tended to be concentrated in South African assets. Investors tended to feel negative about South Africa and wished to react in an extreme manner by trying to externalise as much wealth as possible. This amounts to negative home bias.

For clients who were unaware of diversification, once the financial advisor discussed the concept of diversification (whether internationally or among asset classes) their clients tended to be highly receptive and willing to proceed. There was thus limited evidence of a conscious bias towards local stock. This could also be driven by the educational elements within the financial planning process. Lastly, the disposition effect, a phenomenon examined extensively by literature (da Costa et al., 2013; Shefrin & Statman, 1985) was also described by participants as occurring frequently.

As anticipated by the pilot study, investors are socially influenced by their friends, family and peers. Participants expressed how, in their experience, investors are likely to mimic the investments of those around them by comparing products and benchmarks. This bandwagon effect or herd behaviour (Fei & Liu, 2021; L. Kaiser & Stöckl, 2020; Scharfstein & Stein, 1990) has been documented in behavioural finance. For individual investors, communication about stocks can occur through a variety of forms, such as in person or through social media. People purchase the stock without understanding the nature of the investment. P7 cited a recent example of GameStop[19] as an example of where his clients wanted to invest in something because they had heard about it online:

[19] GameStop was subject to a highly publicised short squeeze by retail investors that took advantage of the short positions of institutional investors (Lyócsa et al., 2022). Retail investors were mobilised through the use of Reddit, which is a social media platform.

> *"There [was the trend of] of GameStop and like all these 'meme type' of stocks as well so … I think in general a big trend I see that is probably one of the biggest mistakes currently (and has happened before) is people buying into investments, but they haven't really done their research or know what it consists of."* P7

A 'meme' is an idea, image or video that spreads rapidly on the internet (Cambridge Dictionary, 2022a). P7 referred to 'meme stocks', which is a colloquial term referring to retail investor trading activity that has been garnered through coordinated social media action (Costola et al., 2021). A meme stock is a share that has an inflated price due to coordinated activities of retail investors on social media platforms such as Twitter and Reddit. P7 bemoaned the cumulative effect of herd behaviour coupled with the social media hype generated by investors creating and consuming meme stock information. This resulted in his clients wanting to invest in meme stocks purely due to being caught up in the hype without considering whether the returns are long-term in nature or suitable for their wider portfolio.

Participants often discussed the effect of what they described as "FOMO Investments" on their clients. FOMO investments entail clients reading about strong stock performance on Twitter or talking to their peers. Investors then feel disheartened at missing out on those returns and will often seek to mimic or buy the investment subject to discussion. This behaviour echoes the herding effect and has also been the subject of contemporary behavioural research (Gupta & Shrivastava, 2022). The fear of missing out on returns that are a topic of conversation will drive investors to purchase the underlying investment subject matter.

> *"This whole FOMO thing is definitely coming into investments so strongly. Even if people do not feel like they understand something, they are still worried that they might miss out if they do not use it. That is a new whole new phenomenon that we are having to deal with as well."* P6

Investors also demonstrate a sense of sentimentality, for example, by not wanting to sell investments that have deep personal meaning. A notable example of sentimental behaviour was shared by P5, who had a client who needed to sell their holiday home to fund a capital deficit in his retirement. The client resisted on the grounds that the holiday home was where he "brings the family together", indicating that he has a

strong, sentimental attachment to the property. The property was more than just an asset: it represented memories with his family. The holiday home was part of a legacy that he wished to leave behind to his children. He was thus reluctant to sell it. Emotional reactions could also relate to fear and paranoia of imminent market crashes with limited basis.

Information can also impact investors, such as through confirmation bias. Investors might also be overcome with feelings of being overwhelmed when confronted with too much information. Investors might experience “analysis paralysis”, as explained by P6. This paralysis pertains to the investor being unable to conclude on a decision due to the overwhelming amount of information. Financial advisors tend to help their clients deal with information overload by streamlining their decision-making, as well as suggesting specific products or investment strategies through the DFM. This concept is echoed in the literature regarding choice architecture.

Choice architecture is a term that describes how an alteration of the choices presented to a consumer can influence their behaviour, without altering the incentives or consumer knowledge about each option (Mrkva et al., 2021). Choice architecture includes reducing the number of options, changing the default option or even sorting the options in a different order (Mrkva et al., 2021).

Acting in an unconscious manner has been considered by participants as a potential antecedent for behavioural bias within clients. For example, when considering the under diversification of clients (potential home bias), participants considered this was merely because of building wealth locally and not an intentional decision to not diversify assets internationally. When asked if their clients demonstrated any form of ‘reluctance’ to invest offshore or to incorporate offshore exposure into their portfolio, none of the participants recalled any experiences of conscious reluctance. Expressed differently, some biases (such as home bias) were an *unconscious* result of local wealth accumulation or lack of knowledge about how to diversify.

Financial literacy rates vary significantly between emerging countries, with South Africa having a financial literacy rate of approximately 42% (Klapper & Lusardi, 2020). Literature has utilised surveys to determine financial literacy rates. Included within these survey questions were questions on compound interest and risk diversification. This component of the survey could be seen as relevant to bias, such as hyperbolic

discounting and home bias. Globally, risk diversification was the least understood concept from the survey, with only 35% of adults globally understanding this concept (Klapper & Lusardi, 2020). Less than 30% of adults in emerging economies understood the concept of risk diversification. This corroborates participants' views that perhaps a lack of financial literacy resulted in unconscious or unintended behavioural bias within their clients.

According to the SARB, South African households are typically inundated with financial debt (SARB, 2021). This provides further context to bias because typical households are over-indebted, so there are limited funds to invest in discretionary savings outside of the retirement vehicle. Funds may be invested according to a certain manner to comply with retirement regulations (National Treasury, 2011; Willows et al., 2018) which could result in concentrated investments that are not consistent with standard finance principles. If this data was analysed without regard to the broader context of South Africa, it could be suggestive of home bias. However, within context, the investment concentration is not necessarily a bias, but rather the product of limited discretionary income and regulations.

4.4.1.1.4 Being Human

The researcher understood from the financial plan design discussion that a lot of personal information is required from the client. This subcategory thus encompasses a facet of the investor that is acting as a 'human'. The investor is an individual with hopes and dreams, autonomy and aspects of health and wellbeing. Financial advisors have been described as 'Well-Being' advisors within literature (Statman, 2019b).

Investors need to open up to their advisor about their personal goals to connect those goals to the financial plan. This information ranges in nature; it includes aspirational goals as well as personal health needs (such as funding medical bills due to cancer). P10 spoke passionately about getting to know her clients beyond their financial information:

> *"When we get to know our clients, for the most part, we are not talking numbers, we are talking about them and what it is that they are trying to do… their dreams, their aspirations and who the important people in their lives are. That is actually what we are actually doing, trying to effect a*

> *change for all the important things in their lives. And it has got very little to do with the numbers, but more what that number can do for… – or enable, in their lives."* P10

P11 also spoke about understanding the investor's mental state. A client might be recovering from the loss of their spouse or reeling from the shock of a market crash. Being sensitive to their client's emotions and mental state while still helping them achieve their goals is important in the financial planning process. For instance, planners must exercise tact while a widow is grieving but the planner must also support the client through the mechanics of the life insurance claims process. The planner needs to take heed of client's mental and physical condition.

Planners seek to protect a client's autonomy. Participants often reminded the researcher during the interview process that it was their "client's" money. The client always has the right to make the final decision with regards to their choices. Protection of the client's autonomy is thus an important aspect of the financial planning process, as it precludes the investor from abdicating themselves from the journey. The concept also protects the financial planner to an extent because it requires the client to take ultimate responsibility for decisions made. The individual bearing ultimate responsibility for their own finances is a concept that remains topical in policy design and financial literature (Keizer et al., 2019).

The sharing of this information is personal and can be challenging for both parties, as it necessitates a large degree of "openness" (P10) from the perspective of the investor. Recent literature has described how initially sharing personal information with the financial planner could elicit feelings of embarrassment and potentially prevent the client being truthful about their financial situation (Alsemgeest, 2021). There is a connection apparent in the data (supported by literature (Alsemgeest, 2021; Roy et al., 2020)) between sharing personal information and trust.

4.4.1.1.5 Receptiveness to Advice

Participants reflected on how often clients reach out to them instead of the planner seeking out clients. The experience of participants has thus been that their clients are receptive to advice and tend to follow the advice they receive. Participants attribute this experience to their clients' fears of losing money should they act alone. Fear could

compel them to seek out an expert. An additional perspective is that clients, at the point whereby they approach the advisor, have acknowledged their limitations, and thus seek help. Multiple participants mentioned that once their clients' portfolios had reached a certain size, they seek professional advice on the 'next steps'.

Investors who are overconfident do not seek financial advice and undertake their own investment decisions (Hsu, 2022). Participants appear to have largely not had engagements with overconfident individuals who would contest the advice obtained. Where receptiveness to advice falls and there is often conflict; participants shared how they have *"not been afraid"* [P9] to turn clients away or end the relationship.

This connects strongly with a sense of protecting the client's autonomy and not 'forcing' or dictating the financial strategy. Clients that are persistently unreceptive to advice will not cooperate with the planner, precluding the collaborative approach regarding the financial plan design and execution. Participants have encountered disagreements and robust discussions with clients. P4 particularly encourages his clients to challenge his perspective and recommendations. In P4's view, this enables his clients to learn and take ownership of their financial journey. However, a significant majority of clients tend to remain agreeable and receptive to advice. Research suggests that the act of following advice is neurologically rewarding and conducive to learning (Biele et al., 2011). The resulting grounded theory from this data would be reflective of investors who are receptive to advice and do not actively resist advice.

4.4.1.2 The Financial Planner

4.4.1.2.1 Constructing this Subcategory

The financial planner's self-perception, abilities and role in the process of financial advice is crucial. The researcher observed that Participants often used analogies to explain their role in relation to other existing professions such as doctors, pharmacists and personal trainers. The most prevalent analogy was that of a doctor (which is not dissimilar to the literature which refers to these individuals as 'Money Doctors' (Gennaioli et al., 2015)).

Understanding the role of the advisor was important for the researcher to understand what constitutes financial advice and how participants handle their clients. Indeed, this is supported by research in psychology regarding how the attitudes of individuals can

guide their behaviours (Fazio, 1986). Participant attitudes and self-perceptions thus transcend thought and, conceptually, can influence how they act. This could then provide insight into how they manage their own clients' biases. Table 10 summarises the codes that support the subcategory of the financial planner.

Table 10

The financial planner subcategory and its underlying codes

Subcategory	Axial code	Summary of Focused and Open codes	
Financial Planner	Nature of advice	Behavioural coaching	Focusing on fundamental principles
			Improving client decision making
		Focusing on needs of client	Recommendations underpinned by logic
			Identifying what is most beneficial for client
		Suppressing own bias	Requiring conscious effort / self-awareness
	Planner self-perception	Expressing identity through analogy	Tied agent
			Independent
			Coach
			Doctor
			Financial partner
			Personal trainer
			Pharmacist
			Sounding board
	What planner does	Developing the client	Educate client
			Planner nudge client reflection
			Shift client focus – strategic level
			Simplification
			Dealing with noise
			Building client confidence
		Developing the industry	Correcting perceptions of planners

4.4.1.2.2 Nature of Advice

Participants emphasised that there is a difference between asset management and financial advice. P9 shared his view as follows:

> *"There is a difference between advice and asset management. And realising that the two sides to that coin is that we can do what we do really well, and the discretionary managers can do what they do really well. […] I think the guys are starting to realise now that advice is not being able to pick and choose fund managers and portfolios and stocks. That is not what it is about."* P9

P9 further emphasised the role financial planners play in the emotional management of clients. This is corroborated by literature. Helping investors stay in control of their emotions was found to be the most valuable attribute a financial planner can have (Murphy & Lamas, 2019). Additionally, participants did not perceive financial advice to be picking the stocks or components of a client's portfolio. In a world of increasing financial complexity, P8 stated that he does not foresee many planners continuing to pick funds and manage clients' portfolios. Instead, P8 phrased the role and nature of financial advice as follows:

> *"What planners are starting to realise is that the value that they add is not from picking those funds and managing that portfolio. The value that they add is from the financial planning aspect of it. Putting clients in the appropriate product. Putting clients in the appropriate space; and getting the clients coached to good financial decisions – as opposed to the fund, the portfolio management of it. Because it is extremely difficult for companies that do portfolio construction all the time, to get it right. It is even more difficult for a planner, on his own, to do that."* P8

P8's perspective is reiterated in professional literature. In 2019, Morningstar published a report that indicated the value of financial advice is no longer about merely beating an investment benchmark; instead, the value of advice is weighted towards behavioural coaching. Behavioural coaching entails helping clients mitigate behavioural biases that can impact their finances (Murphy & Lamas, 2019). P5 provided the researcher with a practical example of a conversation that he might have with a client:

> *"You [the client] said that this must all be in equity, which is long term growth… – and we've now had a conversation that you might be buying a house, or having a divorce, or you might be having a new child! I wonder if*

we should take some of your long-term growth and put it in short term cash because your circumstances have changed. Those are the conversations we might have." P5

Consistent with previous descriptions, the asset-selection is a background process that is not undertaken by the financial advisor. The nature of financial advice, as explained by participants, is to coach their clients towards healthy financial behaviours and help them connect their current life circumstances (such as a divorce or new child) to their financial decisions. Financial behavioural coaching has been described in literature as "the single most impactful thing an advisor can do" (Murphy & Lamas, 2019). Participants also indicated that in their role, the emphasis is on improving the financial decision-making of their clients. This is enabled by focusing on the true needs of the client as they evolve, as well as reverting to fundamental financial principles. P5 demonstrated a perceived need for his client's liquidity due to a potential impending life event that would require cash in the short-term. Thus, P5 proposed a shift in the portfolio of his client from predominantly equity to having a larger cash-component.

At the same time, to meet the needs of their clients, financial advisors need to consciously suppress their own biases. P4 made this warning clear when he said:

"If you are risk averse as an advisor, be very careful that you do not relay that in your advice to your client – because it might not be applicable. So, it is actually a bias that one needs to look at from an advisor as well as a client's point of view."

Therefore, an advisor that may, for example, have a low risk tolerance should not project this view and sentiment onto clients. The plan must focus on the client's actual needs and risk appetite. When it comes to international diversification, P9 provided a similar sentiment:

"… to not actually let our own biases come into the room with us when we sit with a client. That is a big challenge. So, it is a case of whether you are a very passionate, patriotic South African, and now you have got somebody coming here talking about: 'I hate this place, I want all my money abroad,' the point is not to get into an argument about your differing philosophies

around the world and politics, and that sort of thing. It is to try and have a rational conversation around their finances." P9

When questioned about the way participants suppress their own biases, P9 offered helpful suggestions. P9 indicated awareness of bias was important, which might necessitate additional education and conscious efforts where necessary. Moreover, P9's client focus and humility helped him manage his own biases. He explained this as follows:

"Over time and experience, you realise that the clients already have all the answers. Your job is to just to try and help them realise it and get them to tell you what it is. If you ask the right questions and you genuinely listen to what they have to say, they will tend to solve their own problems. So, it is switching tact, in terms of going in there to tell people what to do, and rather going in there, asking them what you should be doing." P9

This concept links to subsequent discussions on the collaborative nature of the financial planning process. If the process is collaboratively undertaken and centred on the needs of the client, it would be challenging to dictate a plan that is reflective of an advisor's own bias. For example, when a client is set on emigrating from South Africa (i.e., needs to begin to externalise their wealth outside of South Africa), it is irrational for the advisor to impose home bias (i.e., concentrate assets within South Africa) on the designed asset allocation. Simultaneously, financial advisors need to focus on what their clients need and what is most beneficial for them, such that if a client wished to undertake a decision that is detrimental to their wealth, a financial advisor should be able to rebut this decision and explain to their client why it is not appropriate. This reflects personalisation (Alsemgeest, 2021) of financial advice, which is impactful within the financial planning process (Murphy & Lamas, 2019).

In a manner similar to P9, other participants emphasised awareness of one's own bias as an important step towards limiting their impact on the financial planning process. Many participants indicated they enjoy and are interested in the 'behavioural finance' side of their role, which suggests that the participant group had a baseline of knowledge of financial behavioural biases. P4 reiterated that maintaining fundamental investment principles and logic helps him ensure that he limits the influence of bias on his own decisions and advice administered. Recommendations to clients, when

discussed by participants, were always reinforced with logic and basic financial principles. The ability to clearly communicate this logic to the client is then valuable when explaining these recommendations.

4.4.1.2.3 Planner Self-perception[20]

Participants frequently used analogies to explain their role. The researcher determined that analogies were important as they were reflective of how participants approached their clients and the nature and extent of their role. The researcher found that the way participants described themselves useful in understanding participant behaviours (Fazio, 1986) because attitude and perception may influence how an individual behaves (Ajzen, 2020; Fazio, 1986; Holland et al., 2002).

In describing themselves, participants tended to emphasise whether they were independent or a 'tied agents' (advisors that work for an investment firm or insurer (Masthead, 2020)). As previously mentioned, the split between independent and non-independent participants was as follows: 50% (6) were independent, 25% (3) were tied (non-independent) advisors and 25% (3) were currently practising as an independent advisor with a background of being a tied agent. Despite the distinction between tied agent and independent advisors, participants used similar analogies to describe their role.

Seven participants used an analogy to a doctor when describing what they do. This analogy was also employed when questioned about the participant's approach when clients do not agree with their recommendations or who are adamant about taking action that is not aligned with the participant's professional recommendations. P12 explained the doctor analogy as follows:

> *"…we need to be the doctors, not the pharmacists. You go and see your doctor, he says, 'This is what is wrong with you here is a script.'*
>
> *When you leave his door he does not know what you do or do not do or which pharmacy you go to. His duty has now come to an end. And that I*

[20] From a psychology and communication studies perspective, self-concept refers to the idea of who an individual thinks they are (University of Minnesota, 2016). Self-perception comprises self-concept and self-esteem; but an analysis at this nuanced level is not within the scope of this research. This is because the research is primarily guided through a finance lens as opposed to a pure psychology or communication studies view.

related to, a great deal. I say, here is my best knowledge, best advice, and recommendations based on what you have told me. If you like it, let us work with it. If you do not, let us tweak it within reason. If it is completely rubbish, maybe we are not the right fit." P12

P9 reiterated how the relationship between the financial planner and the client requires trust in a manner like that of a general medical practitioner (GP):

"I often use the analogy of when people are ill and they go and see their GP, and the GP says, look, go and take these meds, three times a day for four days. […] That is what they go and do because there is inherent trust that is the correct diagnosis." P9

The analogy implies several messages. First, the role of the financial planner has boundaries. In their role, the participants can make recommendations or suggestions, and indicate what the client should do. However, there is a point when their duty ends (such as when the client leaves the door of the doctor; although some participants do discuss availing themselves for clients outside of typical working hours – see section **4.4.1.4.6**). Second, there tends to be inherent trust between the participants and their clients. This trust suggests that clients have a propensity to action any advice or recommendations provided, in a similar manner to how a patient complies with a doctor's recommendations.

This furthermore suggests limited ongoing conflict scenarios where a client wishes to undertake action contrary to advice. To the extent that the client perceives the advisor's recommendations to be "rubbish", then the relationship might potentially terminate (as suggested by P12). A potential antecedent to scenarios of conflict includes limited trust. This is consistent with the previous discussion on receptiveness to advice. The doctor analogy, additionally, overlaps with the extent of education that participants provide to their clients. P5 sustains this analogy, with a different focus:

"I have a bad knee and a bad shoulder, but I want to row very, very hard and I want to do the Otter Trail[21]! Do I need my physio to tell me… how the scapula connects to the reverse upside-down muscle in this place, in this

[21] A famous overnight hike in the Eastern Cape province of South Africa.

Latin name? I don't care! It doesn't help me! Do I need them to say: 'Do these exercises every day, avoid this and see me in a week?' Yes! […] Have they taught me anything kind of the deep technical matter of muscles? No. Have they dramatically affected my outcome? Yes!" P5

The implications of this are that consumer financial education is like patient education in a medical scenario. Clients do not necessarily need to understand the technical nuances of the product or services but should be empowered to understand their own financial position and choices. P9 indicated that the educational element helped to manage client expectations. Managing expectations could consequently have an impact on financial behaviours:

"We do not need people to understand what a PE[22] ratio is on the stock and a this and a that and any of the technical stuff. But I think, from a high level of how markets work, and what you should expect in bad times and in good times, just to lessen the surprise.

So, the good test was in our Covid situation – two years ago – that was a very large and a very quick pull-back in markets worldwide. And I think, for us, if we look around at the business, we see probably the biggest pat on the back was the fact that we had maybe not even a handful of clients that were phoning in and enquiring and saying, 'What are we going to do?'

Because for the most part, the vast majority of the clients that we have engaged for a number of years knew, just from discussions, that the best thing they can do is just sit tight." P9

The extent to which a financial planner educates a client, conceptually, is interconnected to what a planner perceives they do. In addition to being a doctor, participants also perceived themselves as coaches and personal trainers. The coaching role focuses less on prescribing actions and instead focuses on nudging behaviours towards decisions in the client's best interests.

[22] Referring to the Price/Equity ratio.

"It is a massive coaching process that I take clients through to show them that it is not, for the most part, it is not in their best interest to actually take, or to access that money." P7

"It's more from a coaching advisory role. I do a lot of education and coaching and explain how it works and then, how it fits in with regards to what type of goal they're trying to achieve and the investment timeline and then I'm like okay, now you make your choice. 'Are you happy to go ahead? Do you feel comfortable?'" P10

In the above quotes, client autonomy is prioritised. The participant is providing the client with knowledge and nudges for the client to consciously make a decision that is in their own best interests. As previously mentioned in discussions on the pilot study, the researcher became intrigued by this concept and in subsequent interviews pursued participants' perspectives as to *why* their clients translate these nudges into action. In other words, literature suggests that merely knowing the right thing to do does not always result in the most rational outcome (Meusburger et al., 2017). What incremental values or persuasive power does the financial planner possess to result in positive outcomes?

P6 shared a particularly insightful perspective by explaining the value of also being involved in implementing her clients' financial plans. P6 uses the analogy of a personal trainer to capture the essence of her relationship with clients:

"We are in the fortunate position of typically being involved in the implementation. So, not just handing off a plan and hoping the client will do it. It is almost like a personal trainer in that sense. This is not just a one-page, and I hope you are going to do the exercises. I am actually going to see you until we see improvements because we implemented the exercise.

We provide the client with the allocation recommendation. We then assist with the documentation, the actual implementation, and monitoring it. I think that really does help, is to, from start to finish, making sure that the client invests effectively, in the way that we discussed and recommended to be the most suited for them." P6

This personal trainer analogy explains the active role the financial advisor plays in their client's actions. As financial planners facilitate the execution of the financial plan, they are well positioned to support their clients implementing the appropriate advice. This is like a personal trainer watching and motivating their client's physical fitness at the gym together. Thus, the knowledge, advice and nudges provided to clients by the planner are potentially coupled with appropriate action due to the planner playing an active role in executing the decision. The knowledge is not left with the client to execute entirely alone.

Participants also indicated that they perceive themselves to be "sounding boards" when required.

> *"It is about helping people make better decisions at the end of the day. And to help them... Be a sounding board for them. And that part I think is becoming more and more crucial at this point."* P4

P7 considers a sounding board to be particularly useful when investors are comfortable with transacting and investing by themselves, particularly when their portfolio reaches a sizeable value. P7 explained this point as follows:

> *"With a lot of them [clients that began investing unadvised] that have come to me eventually – their biggest concern was that their portfolio grew. They were contributing a large amount of money and now they needed someone to be a sounding board, to provide them with rational thinking because it's so easy to be biased and make the wrong moves… like where you're selling out when you shouldn't be and then also… I think to have that person there … to tell you if your idea's good or it's bad as well and why do you say that."* P7

Describing themselves as a sounding board sustains the concept of client autonomy. The client approaches the planner with ideas or concepts and the planner responds with feedback on those specific ideas and concepts. The term 'sounding board' is often used in the context of coaching. Coaches can provide clients with a sounding board to discuss client's possible choices for action and their respective consequences (Abrahams, 2022). Individuals can feel more assured of their decisions and actions after discussing these with their coach (Abrahams, 2022). A collaborative decision is then reached based on this process. A financial

advisor acting as a coach/mentor was found to be a highly valued attribute by investors when seeking a financial planner (Murphy & Lamas, 2019).

4.4.1.2.4 What a Planner Does

Participant's discussions of what they practically do in connection with bias mitigation could be considered in two components: development of the client and broader development of the financial advisory industry. Developing the client is the most pertinent set of codes that connects to bias mitigation. Educating clients about personal finance was a common discussion point that occurred in most interviews. The extent to which an advisor would educate a client is potentially linked to their self-perception, as explained previously. This perception, however, does not always remain static throughout the planner's career.

P5 explained that, initially, he considered educating the client to be one of the most important things that he did. He also considered that some of the partners in his practice would equally consider the importance of educating clients to be "huge". However, he has since refined what is important in his process:

> *"I think helping the client see the things they need to see and remember them and know them is the important part. Now that might be education about how equity markets work but it might just be comfort that they earn enough money, it might be comfort that they're investing enough money, it might be comfort that they are well balanced… So, it is education – but it's not necessarily how much information can you impart and how technical it is.*
>
> *How can you educate your client or help your client see the stuff that's important to them? I've got a client who's incredibly affluent and I don't think to this day he knows how we run portfolios. He cares that we help him see that going to his grandkids' stuff is important and that he works too hard and there are various other elements of his life…I don't think he has taken in what we do with the portfolios [laughter] – and that's okay."* P5

A deep understanding of the client is obtained, which potentially interacts with the role financial planners see themselves playing (which could be fluid). Financial planners, as demonstrated by P5, customise the extent to which they focus on education on a

per client basis. The extent of education, as a consensus among participants, is not to be highly technical but to focus on basic concepts that would be most impactful on their clients' financial circumstances.

Foreshadowing the concept of collaboration in the financial plan design, P12 discussed how education is merely his way of helping facilitate the client's decision-making process. P12 explained that "a big focus" of his role was the education and empowerment of his clients. This was to help his clients make their own decisions. As a result, according to P12, "I am not dictating the outcome. I help facilitate."

In this manner, P12's extent of education aligns to the self-perception of a coach discussed previously. The client's autonomy is protected because they have the power to make the financial decision. However, the financial planner helps facilitate that decision through education and empowerment of their clients. Education, in turn, overlaps with another task commonly discussed by participants: encouraging their clients' own reflections on financial decisions. P6, similarly, said: "My ideal is to be able to empower you to understand your own investments, well enough, that you feel empowered to be able to do it yourself." When clients reflect on their own decisions, they are empowered to take ownership of their financial plans and choices. P10 remarked how this process can be slow but it aligns to her approach of never "telling" her clients what to do.

Literature has considered whether financial advice is a substitute for financial literacy (Barthel & Lei, 2021; Collins, 2012). Financial advice was suggested as a substitute for financial literacy (Barthel & Lei, 2021). Consumers might invest in financial advice as an alternative to further investing in their own financial literacy. In addition, literature suggested that investment in financial literacy would help consumers understand the increasing complexity of financial markets. This understanding could potentially support consumers seeking out expert financial advice (Barthel & Lei, 2021). People with better education levels are more likely to seek professional financial advice.

By contrast, Kramer (2016) finds that there is no relation between an objective measure of financial literacy and an individual's propensity to seek advice. However, when individuals have a higher level of self-confidence in their financial literacy knowledge, they are less likely to seek financial advice (Kramer, 2016). Ergo, Kramer (2016) suggests caution before positioning financial advice as a solution to the

negative consequences of poor financial literacy. This might not benefit people who are inherently overconfident. Stolper and Walter (2017) find that the literature is not conclusive on the value of financial advice as a substitute for financial literacy but find this avenue to be promising, provided that any conflicts of interest are mitigated.

Financial advisors also provide perspective to their clients. Participants provided examples of conversations with clients where the client was focused on highly short-term needs or decisions without seeing the 'bigger picture' or without considering their long-term financial strategy. In engaging with their clients, participants spoke about how they have sometimes had to shift their client's focus from the purchase of a specific financial product to considering whether the product would fit into their overall financial plan and strategy. Financial advisors help investors move from a transactional to a strategic level when considering their financial plan.

In addition to educating their clients, participants also focused on simplifying knowledge and processes to support their clients. Simplification could be administrative, for example, P6 believed that a part of her job was *"making people's lives easier*", which included helping her client pre-complete documentation or streamlining financial processes to a few clicks of a button. Simplification could also be conceptual, for example, participants discussed how they take complex financial concepts and try to simplify them for their clients' understanding. P11 described his process of discussing the financial plan with his client as follows:

> *"If you can explain your financial plan to your gran[dmother] then I think that is a good start. Not necessarily dumb it down; but present the plan so that it meets what the client can understand and honestly make sure that they can understand it. So, you ask them questions, just making sure that you are presenting it, that it is clean and open and that they can see everything […] it is really trying to make it as simple as possible, show them the road map, and then say these are the foundations we need to do to get there."* P11

Simplifying concepts ensures that clients understand the financial plan and it helps foster feelings of trust. This principle was reiterated by participants emphasising that utilising jargon and complex technical terminology results in clients being "lost" and consequently not trusting the advisor. Financial planners also help their clients deal

with feelings of “anxiety” and “being overwhelmed” when faced with multiple choices in an increasingly complex financial landscape. P6 illustrated this point as follows:

> *“Clients are exposed to so much information. They have got access to everything; they can do it themselves. […] It is so good that information is publicly available, but it is overwhelming the choice. It is like when you are standing in the shopping mall, or in a grocery store and you have got ten tomatoes, bottles, sauces to choose from. Like, I just want the one that I always take. There is definitely some form of overwhelming feeling.”* P6

In dealing with scenarios like this, P12 helps his clients by streamlining the “information overload” his clients may experience. He provides information and guidance that is relevant to each of his clients. In so doing, he helps simplify the number of choices his clients are exposed to.

Modern finance and advances in technology present an increasing volume of information available to investors (Pernagallo & Torrisi, 2022). However, investors have a finite attention span and can be overwhelmed by too much information (Hirshleifer et al., 2009). The way information is framed can influence individuals’ choices (Tversky & Kahneman, 1981). Intentionally designing the way options are provided to individuals (also referred to as a decision architecture intervention) has the potential to help debias investors (Newall & Parker, 2019). Similarly, as found in the data, participants help streamline the number of options and the manner in which information is provided to their clients. This connects to the previously discussed concept of choice architecture (Mrkva et al., 2021).

The code “Dealing with noise” related to the concept discussed by Sunstein et al.’s (2021) book “Noise: A flaw in human judgement”. The book discusses unwarranted and inappropriate inconsistencies in judgements. Unwarranted inconsistencies among different agents or clients are referred to as system noise; whereas inconsistent judgements by the same person on differing occasions is referred to as occasion noise (Gilhooly & Sleeman, 2022; Sunstein et al., 2021). In reducing the volume of noise, dividing complex judgements into numerous simpler judgements could be useful (Gilhooly & Sleeman, 2022; Sunstein et al., 2021). In a similar manner, financial advisors help their clients deal with potential decision inconsistencies by simplifying

the decision-making process and providing external perspectives to the decision-making process.

Throughout the financial planning process, which encompasses client empowerment, reflection and education, participants said they want to build their clients' confidence. P3 emphasised that building their clients' confidence is important in helping each client feel self-assured and comfortable with the decisions that have been made. This concept had already begun to emerge within the pilot study from the perspective of P1. The term "comfort" was used commonly to accompany "confidence" by participants. Clients need to feel comfortable with their financial decisions, with the financial advisor helping to work to get rid of any discomfort through, for example, education.

Participants also shared their perspectives on developing the financial advisory industry as a whole. Participants reflected on clients previously seeing financial advisors as merely brokers or product-pushers. Participants felt a conscious need to correct their clients' impressions and consider what they could do differently to correct this impression of their industry as a whole. P3 and P8 felt strongly about the industry and uplifting consumers to understand the different types of financial planning and advisory services that exist beyond the mere impression of insurance policy purchases (which are often aggregated with the impression of financial advice). This sentiment connects with the impression that people might have of financial advisors as 'policy salesmen' simply looking to sell insurance to their clients and not offer genuine financial advice. These are negative connotations that laypeople may have towards financial advice when confronted with planners. This negative impression is potentially induced due to commissions or sales incentives that tied agents might be subject to.

P8 was of the view that most people would have had limited exposure to "proper" financial planning because their experiences would be limited to brokers selling insurance policies and not, for instance, investment planning and management. P3 explained her concern as follows:

> *"Customers need to be empowered to be able to have that kind of a conversation, because they're not necessarily exposed to financial advisors who will have the holistic financial planning kind of a conversation with*

them, or a certain level type of investment conversation that they need to be having." P3

Consequently, through education and discussion with clients and people they encounter, some participants are seeking to correct impressions held about the industry and its services.

4.4.1.3 Financial Plan Design and Execution

4.4.1.3.1 Constructing this Subcategory

The process of designing and executing a financial plan was foundational to the interview process. It was important for participants to explain to the interviewer what their approach to designing a financial plan was, for the interviewer to comprehend how the financial planner is able to help support their client's financial decision-making process.

A potential reason for the relative ease in reaching saturation in respect of the process of the financial plan design and execution is because of how regulated the process of financial planning in South Africa. The social dynamics underpinning the financial planning process and how this connected to the formation of relationships were important to the researcher in this process. Furthermore, the bias mitigation approaches that form the object of this study are situated within a wider process which, in the researcher's view, must be understood to appropriately contextualise bias mitigation. Therefore, although this subcategory seems procedural in nature, it provided the researcher with important context. Table 11 summarises the codes that support the subcategory of financial plan design and execution.

Table 11

The financial plan design and execution subcategory and its underlying codes

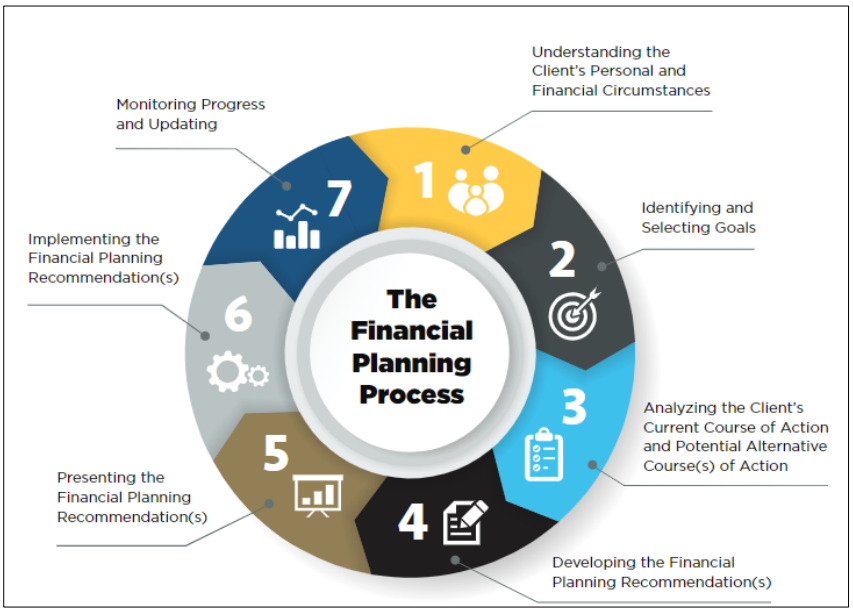
Subcategory	Axial codes	Summary of Focused and Open codes	
Financial plan design and execution	Benefits of a planner	Improved pricing	Access to better pricing
		Monitoring / oversight	Big picture oversight
			Monitor changes in fund managers
		Portfolio reflective of better information	Planner – private information
	Client plan personalisation	Prioritising the person not money	Personalising the plan Lifestyle planning
		Paying attention to details	
	Client connecting with the plan and planner	Challenge each other	Challenging clients for their own good
			Challenging planner
		Collaboration towards the plan	Seeing client's perspective
			Working together towards solutions
			Never dictating the plan
		Emotionally connecting with the plan	Relationship, collaborative in nature
		Ensure client understands the plan	Information transparency
	Defining objectives	Benchmarking	Benchmarking – bank returns
			Benchmarking returns to peers
		Client required return	Pushing client out of comfort zone
			Establishing return needs of client
			Helping client understand their own needs
		Re-assessing objectives	Life transition
		Long-term focus	Making money last
			Retirement savings
		Defining the purpose of the plan	Shared understanding
	Gathering inputs	Data collection & centralisation	Identifying assets available for investment
		Client opening up	Needing client input for plan
		Risk and return	Calibrating risk for client
			Risk assessment and beyond
			Understanding risk appetite
	Determining asset allocation	Selecting assets	DFM
			In-house approach

Subcategory	Axial codes	Summary of Focused and Open codes	
		Connecting needs and goals to assets	Tailoring plan
	Executing the plan	Executing via the planner	Execution is collaborative
			Relying on planner
			Trusting planner with implementation
			Overcoming barriers to self-execution
		Overwhelming to execute plan alone	Being afraid to execute alone
			Delaying implementation – costly
	Fees	Different types of fees	Advice only-fee; structuring fees Commission
		Fee discussions	Fee sensitive clients
		Paying for plan leads to execution	
		Valuing service relative to wealth	Acknowledging fees are high
			Justifying fees earned

Note that Table 11 does not report codes in the sequence of the financial planning process. The financial planning process itself is akin to the 7-Step Financial Planning Process articulated by the CFP Board (2022) shown in **Figure 5**.

Figure 5

The 7-Step Financial Planning Process



Source: CFP Board (2022)

4.4.1.3.2 Benefits of a Financial Planner

Participants mentioned the benefits of engaging with a financial advisor. Some of the motivations included access to better pricing and product structures that are inaccessible to individual investors in their personal capacity. As described by P11, a portfolio for an individual might be structured with advantageous institutional pricing when done through a financial advisor, although there is the risk that the fee advantage is subsequently eroded through the advisor's own charge.

P6 discussed how she often takes up the mantle for her clients' interests, particularly those who are fee sensitive:

> *"We are also very cost sensitive. If a cheaper fee class of an investment fund is available, we try to access that for our clients. And oftentimes we have to really push with the fund managers and the investment administration platforms to be able to get those cheaper fund classes available for our clients."* P6

Participants also remarked on how their clients might sometimes take a short-sighted view or not see the "bigger picture" when considering financial decisions. Having a supportive financial planner helps provide investors with a holistic perspective of their financial affairs, instead of thinking in a siloed manner. Financial advisors are also often well connected to fund managers who can provide them with incremental information that might not be accessible to the retail investor or layperson. Some advisors monitor fund manager staff changes, which could lead to changes in fund performance as key management changes. This information has the potential to be substantive in nature, thus representing an advantage to the client. P6 explained:

> *"It is not a long-distance, public information-sourcing exercise. If we go through it, we can actually chat to the managers directly and make sure are their goals still aligned with what we are trying to achieve for our clients?"* P6

This monitoring is ongoing in nature, and forms part of the benefits of having ongoing financial advice and a financial planner. Where clients may not have the time to monitor their portfolio alone, using the services of a planner may help in this regard;

for example, keeping track of changes in the managers of funds[23] or performance of funds and types of investments relative to the client's needs.

4.4.1.3.3 Client Plan Personalisation

The financial plan is personalised for each client's facts and circumstances, both personal and financial. Participants emphasised how they get to know their clients on a personal level. P4 explained this as follows: "[It is about] focusing on the person, and realising it is not the money that is the client, it is actually the person. So, let us get to know and understand them better." The data gathered from participants, for this set of codes, aligns closely to the first step in the 7-Step Financial Planning Process (CFP Board, 2022). The initial step entails obtaining an understanding of the client's personal circumstances.

P4's sentiments were reiterated in several forms throughout the interview process. P6 phrased this as: "You really have to be interested in who they are as a person. The money is just a small component of that, and what they are trying to achieve" and P7 stated: "[in the initial meeting] we don't go into anything technical, or financial related. We just want to know the client as a person, and your experience of finances and your past history…"

This connects with the idea of personalisation discussed in the pilot study, where getting to know the client's individual hopes, dreams and their personal situation is crucial to determining the financial plan. Frequently, each interviewee emphasised how each client is different and what is appropriate for one client might not be appropriate for another. P10 shared her perspective as follows: "It should be personalised and individualised because people are not the same, and their financial situations are not the same." Investors need to feel understood by their planner. Having an advisor who understands their unique needs was an important, valuable trait investors looked for when seeking a financial planner (Murphy & Lamas, 2019).

Obtaining a personal understanding of the client enables the advisor to design plans that are appropriate to each client, to achieve each client's financial goals and ensure

[23] Some participants believed that fund performance was strongly linked to the individuals managing the funds. Thus, if fund management changed, the planner would consider whether the client might need to change investments.

their financial well-being is maintained. Goals do not exist in a vacuum, however, and what might be seen as a 'financial goal' could have emotional or other connotations attached to it. For example, P10 created a plan around a personal desire of her client to buy a property in Spain:

> *"And it has got very little to do with the number, but more what that number can do for, or enable in their lives. […] when I put a plan together and we are saving towards a particular goal […] it is for the house that you want to buy at the lake, in twenty years' time.*
>
> *I mean, I have got a client who wants to retire, she wants to buy a property in Spain and we did a whole scenario about what that would cost, and what that would look like, but it is for a property in Spain, it is not just my retirement and buying a property, it is for my property in Spain."* P10

The property might represent the achievement of an aspirational goal for P10's client or confer a certain status on the client. The value of the property and its purchase could represent more to the client than just the asset being acquired; it could suggest deontic powers or connotations.

P9 uses an approach called "lifestyle planning". In his view, he cannot dictate how clients must live their lives. P9, as the financial planner, needs to understand what his clients are trying to achieve and do with their lives and then help construct a financial plan together with his client. P9 indicated that it is important for him to understand what motivates clients and what they want to achieve in their own lives. This is aligned with obtaining qualitative information from clients, which a CFP must do to obtain an understanding of their clients (CFP Board, 2022). Other examples of qualitative information discussed by participants and echoed in literature include understanding their family circumstances (such as the number of children, whether they are widowed/divorced), their needs, priorities and health circumstances (CFP Board, 2022).

In obtaining a personal understanding of the client, given the negative investor sentiments about South Africa, participants often brought up understanding whether their clients are planning to emigrate. Thus, when confronted with panicked decisions to externalise wealth outside of South Africa, advisors often want to obtain an

understanding of whether a client would like to leave South Africa. The decision to emigrate would then provide support for a modification of the financial plan to externalise significantly more of an individual's assets than, by comparison, the amount of foreign exposure needed for someone planning to retire in South Africa. In this manner, the advisor can help tailor the plan and curb a potential emotional bias or overreaction.

This customisation also has a business rationale, for the advisor, as explained by P3: "Your proposition as an advisor to your customer, needs to be one that makes the customer feel like you're the best suitable advisor for them personally." To achieve personalisation, however, clients need to connect with the plan and the financial planner and open up about their personal circumstances. This is sometimes a slow process, which connects to and depends on subsequent subcategories identified that pertain to relationship development and maintenance.

4.4.1.3.4 Client Connecting with the Plan and Planner

One could infer that the creation of the financial plan is collaborative in nature based on the need for personalisation and understanding of the client. The concept of the client connecting with the plan and the planner solidifies this concept. Approximately 60% of the interview participants used the term "collaborative" while others used synonyms to explain the process of financial plan design. In this manner, the plans that all participants design are not dictated to their clients. Several short quotes are provided below to illustrate this message.

P9: *"We try and co-create your financial plan."*

P5: *"Clients, anyone, we don't like to be told what to do, we like to be collaborated with…"*

P7: *"I never approach it from a point of 'You need to implement this investment,' and forcing, it's like – you as a client must be confident and informed enough that 'Yes, what I'm going to implement now, I [understand]…'"*

P12: *"They come to me with a problem that they want a solution to. And I believe in a collaborative approach, and I always work in that way with my clients."*

The researcher used the term "connecting" because there are different forms of engagement within the financial plan design process beyond collaboration. For instance, there are also aspects of challenging each other (the planner and the client). Some participants mentioned that when their clients are too conservative and want to target an unfeasibly low rate of return, they challenge their clients to aim for a better return (within reasonable boundaries of risk tolerance). P7's perspective was that, he thinks, some clients do not want a "yes-person" that agrees with everything. Instead, P7 considered that some of his clients want to be challenged in their financial decision-making process because it "encourages a sphere of growth". P4 particularly welcomes challenges from his clients because, from his perspective, it represents a trait of active engagement with the plan.

Participants were also of the view that their clients should emotionally connect to the plan. In this manner, clients then have more conviction to follow the plan. Emotional connections are forged with the plan through, for example, the use of emotional attachments to each goal and step in the plan. A specific example is P8's phrasing of savings, where he discusses with his client the importance of a particular savings product because it is for his client's daughter's education (he uses the name of the specific child, too, to create an emotional connection).

4.4.1.3.5 Defining Objectives

The process of defining the objectives for the plan aligns to Step 2 in the 7-Step Financial Planning Process, which is "Identifying and selecting goals" (CFP Board, 2022). This code is closely linked to the plan personalisation and the connection of the client/planner to the plan itself. This step entails establishing the purpose of the plan and the return needs of the client. This step is not in isolation but would encompass elements of personalisation and other qualitative goals and inputs obtained from earlier information gathering.

The return needs per client differ significantly, as explained by P8: "A retired person would have very different needs from a 20 something year old that just started

working." This process is not linear, however, and P4 and 9 explained how they must take their clients through a budgeting process and help them distinguish between needs and wants to arrive at a reasonable estimate of what their return requirements are. Sometimes clients still struggle with this process, particularly when thinking about the value of income they require as retirees, so the knowledge that the advisor has of their other retired clients and their quality of life enables them to start with a reasonable estimate that is then adjusted.

Benchmarks, however, can be problematic when clients compare their returns to their peers or to the bank. P4 indicated that "Clients want to beat the bank. So as soon as they do worse than what they could have gotten in the bank, they go: 'I could have done better in the bank and would not have lost anything.' When it is doing well, they do not go: 'Oh, I did better than the bank. That is fantastic.'" This connects to literature which suggests investors emotionally experience losses more severely than positive returns (Cruciani, 2017; Tversky & Kahneman, 1992).

When comparing returns to peers, clients do not necessarily consider that the period, nature and goals of their peers might differ to their own; they merely consider the differential returns, as explained by P3. Therefore, some advisors, such as P12, tend to steer regular conversations away from day-to-day or short-term returns. Instead, P12 focuses on the steps in the plan to get to the client to their goals or long-term outcomes.

P7 particularly likes to understand the purpose of his client's financial plans and goals. This understanding helps drive the client to connect and commit to the plan. He explains his thinking as follows:

> *"What is the intent or purpose behind why you are investing?*
>
> *I just find if [..] if a client tells you, 'I want to get a million rand[24], or build up a portfolio of a million rand.'*
>
> *Then the next question I would ask them okay so if I could give a million rand today, 'What would that do to your life?' [...] So that as planners, we can dig deeper into, 'Why is it so important to build wealth?' and it's not only*

[24] The currency of South Africa is the rand (ZAR, sometimes indicated as 'R', e.g., R100.).

to find a true intent or like purpose behind why a client wants to invest, but I would say also it plays such a huge role in whether that client's going to stay committed to the investment plan you know." P7

While financial plans accommodate short-, medium- and long-term objectives, planning at or for retirement often remained at the forefront of the plans discussed by participants. Objectives are not necessarily static but can fluctuate depending on significant changes to a client's life, such as divorce or premature deaths in a family.

4.4.1.3.6 Gathering Inputs

Participants discussed several tools and approaches to obtain the required data to draft appropriate plans. This entailed assessing what assets a client currently has available, what their liabilities are and what changes are required to enable the client to reach their financial goals. Consideration is also given to the domicile of the assets and liabilities of the client, such as whether their fixed assets are in South Africa or abroad. Participants agreed that, when considering a client's asset base prior to the implementation of a financial plan, their clients' assets (across all classes) were predominantly South African.

Additionally, an understanding of the client's risk personality is obtained through, for example, a risk-assessment questionnaire administered by the participants because the financial plan should be calibrated for the client's risk appetite and goals. Where there is misalignment, it is corrected or further explored, as explained by P3:

"Sometimes we have conversations with clients where we need to say that, 'Here, based on how you answered your Q & A, here's the particular questions that make me think perhaps you're not ready to invest too much on like equity exposure'…and, sometimes you may find that conversation helps you realise, 'Oh actually, your current investment setup is on equities. Should it really be there?'" P3

Sometimes, with education, a client's risk characteristics may change once they understand that risk is required to achieve their goals. P7 discussed an observation whereby some of his clients were invested too conservatively. Consequently, these clients were at risk of eroding their capital. The clients were willing to change their portfolio once P7 explained the consequences of their conservative behaviour.

Explanation of why something could be detrimental, within the context of trust and the relationship with the advisor, can be a tool for bias mitigation.

Literature indicates that the initial process of getting sensitive information from clients and requesting them to “open up” could result in clients feeling embarrassed (Alsemgeest, 2021). These feelings could deter clients from providing truthful disclosures. However, there is a sentiment among advisors that, over time, a relationship of trust would be built that would be conducive to more open and honest conversations (Alsemgeest, 2021). The data from the interview process yielded similar messages to Alsemgeest (2021).

4.4.1.3.7 Determining Asset Allocation

The process of defining the objectives for the plan is similar to Step 4 in the 7-Step Financial Planning Process, which is “developing the financial planning recommendations” (CFP Board, 2022). In a manner dissimilar to some literature, none of the interview participants focused on picking stocks at an individual level. Instead, participants primarily focused on the asset class level and ensuring there was appropriate diversification at a higher level of account than individual stocks. Subsequently, it was then ensured that different portfolios were built within each asset class depending on the client’s needs.

Most participants partnered with a DFM. In this manner, the selection of the detailed constituents of the asset class designed by the planner would be outsourced. As a metaphor, the financial advisor would design the financial plan’s sketch by structuring the asset classes, and the discretionary fund manager would colour it in by selecting the specific assets to be held within each asset class. The objective of this step is to ensure that the client’s funds are appropriately allocated to asset classes and investments to meet their return requirements according to their goals/objectives. Participants explained their use of discretionary fund managers in the following manner:

> *“...in the back end, the DMF then does the individual fund management. So, they will go and invest in the individual funds, both locally and offshore.”* P10

> *"We would hand over the responsibility to the fund manager, to decide what the individual shares were, and the style. If it is going to be value-orientated, or growth-orientated, depending on how they manage the portfolio."* P6

This separation of diagnosis (asset class design) and implementation (handing over to the DFM) could be analogous to a solution for credence goods. As discussed by Balafoutas and Kerschbamer (2020), a separation between the diagnosis and remedy stage of addressing a problem might help remedy the problematic aspects of informational asymmetry or fraud risks within a credence market (such as financial advice).

Participants who held a category 2 licence were able to select the funds or underlying components per asset class. However, that selection was never unilateral: it was always performed within protocols established by an investment committee that would consider appropriate funds for use. Often, outsourcing the asset selection naturally led to the participants discussing the nature and role of a financial advisor. This role extends beyond the impression of being a 'broker'. The focus of a financial advisor has been turned towards the management of their client's financial behaviours, rather than picking stocks or investments.

Consequently, some participants expressed that their clients do not necessarily care how the solution to their financial plan is designed. P9, 10 and 5 each indicated that their clients did not care what they were invested in, specifically. Instead, their clients were focused on their goals, the outcomes and what the money would enable them to do. To the extent that clients did care, more of a concerted effort was required on the advisor's behalf to manage behaviours that were alluded to as 'nit-picky' or particular in nature and failing to see the holistic picture of the financial plan.

4.4.1.3.8 Plan Execution

Execution of the financial plan, like its design, is collaborative in nature. Clients seldom implement financial advice alone, although most participants provided their clients with the specific opportunities to implement their plan without the involvement of the advisor. Participants conjectured that their clients felt overwhelmed or ill-equipped to implement their financial plans alone and as a result, felt more comfortable handing over the plan to be executed by the advisor.

P4 described his perception of how clients feel when considering executing the plan alone: “It is like they [are] so afraid of making a mistake, or doing something wrong, or now where do I go? Where do I start, what needs to be filled in, what does all this jargon mean?” Delaying implementation of the financial plan unnecessarily could be at the expense of the client foregoing returns. Execution, in the researcher’s view, came across as procedural in nature.

Literature regarding the type of individual that seeks and follows advice varies. One study suggests that investors who are sophisticated (proxied by the complexity of their job) would be less likely to follow any financial advice received (Reiter-Gavish et al., 2021). Kramer (2016) indicated that investors with higher confidence in their own financial literacy are less likely to seek financial advice. Calcagno and Monticone (2015), however, posit that investors with low levels of financial literacy are less likely to consult an advisor. This is complemented by the notion that anxiety regarding seeking advice could prevent individuals who need advice from seeking it (Gerrans & Hershey, 2017).

The clients that participants have experienced and discussed during the interviews are advice-seeking individuals. In other words, overconfidence and other barriers have not precluded these clients from seeking out the advisor and generally implementing the advisor’s advice. Thus, the experiences of clients executing the financial plan as discussed by the participants cannot necessarily be extrapolated to individuals who are averse to advice.

4.4.1.3.9 Fees

The financial advisory industry has different fee structures. Some planners, typically independent, may charge a once-off fee for the financial plan and earn a commission on products invested. Other financial planners might charge upfront fees independent of the nature of investments or plans (i.e., a singular fixed fee). Alternatively, financial plans might be ‘free’, but the planner would benefit from regular commissions on the products sold to the client or earn a fee based on the total percentage of assets under management.

The researcher deliberated the hierarchy of codes pertaining to fees: Should fees be combined into the subcategory of financial plan design and execution or should fees

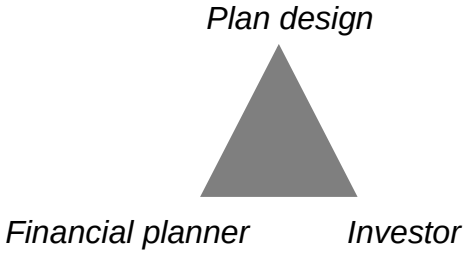
stand alone? In deliberating this, the researcher considered the following points: first, fees represent a form of catalyst for the financial advice process. Second, fees are multifaceted in nature as they represent an important source of income for the interview participants and they represent an entitlement to a product or service for investors/clients. The researcher recorded the views on the codes related to fees in a memorandum, an extract of which is provided below.

Extract: Researcher memorandum

Memo title: Fees – subcategory or code?

Fees were initially captured under the financial plan design/execution as well as under the planner. I elevated it because I considered it an important catalyst: without fees, the planners would not continue their business.

Fees are a golden thread that connect the: plan design → financial planner → investor(client)



Thus, given its implicit importance, I elevated it to a subcategory to support the higher-order subcategory of Financial Plan Design and Execution.

I also recall, in interviews with participants, when I asked them what makes their clients really listen to them – some participants responded (somewhat incredulously) that their clients pay them for advice. Thus, the payment for professional advice, in their view, resulted in a propensity to action and comply with their advice and recommendations. This signifies the importance of fees and could represent a differential between whether or not free financial advice (by contrast) is followed or not. Although it is important, the fees cannot exist independently of the plan's design and implementation process. Thus, I think that I should present a discussion on fees as part of financial plan design and execution.

Fees are an important part of the financial plan design process. Participants discussed the different types of fees that accompany the services they offer. For example, some participants offer their clients a once-off structuring fee, which entails the design of a financial plan for their clients and nothing more. P12 demonstrated flexibility with his fee structure, specifically allowing people to implement their financial plan by themselves. Clients might opt to obtain a plan from P12 and then hand the execution of the plan over to, for example, a family member working at financial service provider who could provide them with a discount on products. Participants also, implicitly, brought up points to justify the nature of their fees earned relative to the assets of potential clients and the nature of services provided to clients.

P10 reflected that, when initially starting her practice, her clients typically walked away once they had obtained a plan from her free of charge. Subsequently, when she began to charge a structuring fee for the design of the plan, there was a higher retention of clients paying for both the plan's design and then trusting her to help them execute the plan. The introduction of the fee helped P10 retain more clients through from the design of the plan to its execution.

4.4.1.4 Journeying Together

4.4.1.4.1 Constructing this Subcategory

The researcher noticed that the participants frequently referred to the financial planning process as a "journey" or utilised metaphors akin to a journey. The concept of "journeying" thus became an *in vivo* code that was utilised during the coding process. This links the elements of the investor, the financial planner and the financial plan itself. As previously mentioned, P11 used the metaphor of a "road map" when explaining the financial plan to the client. In addition, recall that P9 explained the journey as follows:

> *"If you come here with money, it is a bit like jumping in your car with a full tank of petrol, and you say, 'Let's go.' Like, but where? Where are we trying to go? Otherwise, we just drive around in circles and we will have no idea whether we are making progress or not, because we have no idea of where we are trying to get to."*

This subcategory thus encompasses codes and concepts that entail the planner and client working together, building trust, and the development of their relationship and maintenance thereof. Table 12 summarises the subcategory and its underlying codes.

Table 12

The Journeying together subcategory and its underlying codes

Subcategory	Axial codes	Summary of Focused and Open codes
Journeying together	Growth and development	Developing the investor
		Empowering customer to make decisions
		Prompt investor self-reflection
		Education takes a long time
	Ongoing plan maintenance	Life planning
		Reviewing the plan
	Ongoing relationship maintenance and development	Building mutual understanding of each other
		Keeping investor accountable
		Providing comfort to the client
		Mutual respect
		Acknowledging emotion of client
		Empathising with client
	Building trust	Clear communication: ensuring understandability (no jargon)
		Treating clients with patience
		Keeping promises
		References
	Communicating	Multiple meetings before solutions
		Customising communication
		Open communication lines
		Actively listening to client

4.4.1.4.2 Growth and Development

Consistent with the previously discussed concept of client autonomy, interview participants emphasised how they would like their clients to make empowered decisions. This is an outcome of the financial planner helping clients build their own knowledge and awareness of financial matters. P3 shared the following:

> *"[Some] advisors really invest in ensuring that the customers that they deal with are very aware; that they are making informed decisions based on the conversation between advisor and customer."* P3

P12 complemented the above quote with the following:

> *"And a big focus of what I do is education and empowerment so that they ultimately make the decision. I am not dictating the outcome. I help facilitate."* P12

Participants explained how they encourage investors to come to their "own" conclusions without relying on a perspective dictated by the financial planner. For instance, participants employed social nudges and insightful questions. A process of personal development for the investor can occur during the financial planning journey. Investors have an opportunity, through engagement with the planner, to improve their financial literacy and knowledge. This process, however, is not quick and easy. Participants emphasised that it takes a long time to educate clients and help them change their behaviour. Communication in this regard is critical, as P12 emphasised:

> *"I tell them that this process will not be rushed with me. I am not giving you a report that I send you on Tuesday – and on Friday we are good to go. It will not happen! We are going to have two to four sessions. We are going to unpack it. We are going to talk about it. We are going to tinker with it. We are going to run new models…"* P12

Literature on the interaction between financial literacy and financial advice provides mixed outcomes. Literature has considered whether financial advice could be a substitute for financial literacy (Collins, 2012). Individuals with higher financial literacy are more likely to reach out for financial advice and use it in complementary ways with their existing knowledge (Collins, 2012). Research that analysed the type of investor seeking financial advice in India found impressive levels of financial literacy based on an assessment (Agarwal et al., 2015). This connects to earlier discussions regarding "what the planner does", whereby they might consider education an important element of the financial planning process. Investor development might occur in other, less intentional ways, such as providing the investor with experiential or observational learning (Yoon et al., 2021).

Not every financial planner necessarily has the time to educate their clients. Participants discussed that not all financial planners in South Africa focus on client education and development, with some continuing to be “typical salespeople”. This description tended to be ‘externalised’ from the participants. In other words, the interview participants’ self-perception was never described as akin to a salesperson, but participants were aware of the existing perception that third parties may have. P3 shared an example of previously disadvantaged[25] or economically not well-off financial planners who are under pressure to earn an income. This results in poorer planners prioritising their own self-interest and focusing on earning a commission instead of building a long-term advisory relationship with their client. Conflicts of interest might thus be significantly heightened when the financial advisor has pressure to “put food on the table”.

4.4.1.4.3 Ongoing Plan Maintenance

The financial plan design is not static in nature. The plan is regularly reviewed and then revised to the extent required, based on (for example) changes in the investor needs or changes in the investors’ stage of life. As P6 said, “You have to repeat the whole exercise continuously…”

This necessitates constantly ensuring that the relationship with the client is strong and maintained, such that the plan adapts to the client’s changing needs. It also entails sufficient communication with the client. Clients should be able to tell their planner when a life-changing event occurs, such as unemployment or terminal illness, for the plan to be tailored. The revision to the plan could be seen as the outcome of maintenance of the client relationship, trust and communication.

4.4.1.4.4 Ongoing Relationship Maintenance and Development

From a social perspective, the relationship between the planner and the client needs to be developed and maintained. Codes that arose from the data were tied to fortifying and developing a relationship with a client. A mutual understanding, client and planner, is built at inception of the financial planning process. Although the relationship might skew to the financial planner knowing more about the client than the client personally

[25] This is a general term for racial groups that were disadvantaged during South Africa’s apartheid regime (Hammond et al., 2009).

knowing their planner, a mutual understanding is constructed at the outset of the process. Time is specifically invested in the relationship and getting to understand the client. This message from the data is complemented by literature, which indicates that financial advisors in South Africa are partial to building a long-term relationship with their clients (Alsemgeest, 2021).

P4 said the following about the length of time he invests in getting to know his client:

> *"It is that level of detail that we sort of went into, but you have the discussion and to understand...so the time we took to understand. […] it was not a rushed thing. Some of these things were three, four meetings, before even getting to okay, now we will put a plan together.*
>
> *And even if you see where things are moving towards in terms of financial planning, it is moving away from getting just 'let us implement', to more focusing on the person, and realising it is not the money that is the client, it is actually the person. So, let us get to know and understand them better."*

Through this process, once the relationship has been built, accountability is created. P12 emphasised that one of the benefits of having a financial planner is keeping yourself accountable for your investment strategy. P6 complemented the idea of accountability by explaining that her clients do not change their portfolios or investment strategy without first having a conversation with her. Through the conversation, she ascertains whether a change is truly required to the financial plan. Literature strengthens this concept by suggesting that individuals who consult with a financial planner are more likely to "stick to" the plan (Willows, 2020, p. 263).

In getting to know and understand the client, planners can understand what gives a client comfort. Providing comfort[26] to the client, ensuring they "feel" comfortable was discussed by participants as an important part of the advisory process and relationship. P5 described comfort as having different aspects: it could be providing clients with comfort that they are contributing enough to their savings or comfort that their portfolio is well-balanced etc.

[26] The term "comfort" comes from participants' own words and is thus another example of an in vivo code.

The researcher considered participants' use of the term "comfort" to be interesting, as it intersects with the concept in medical research of providing patients with comfort (Kolcaba & Kolcaba, 1991; Morse, 2000). This, in turn, resonates with the financial planner's self-perception of being a doctor or medical professional (see section **4.4.1.2.4**). Comfort has been seen to alleviate suffering (Morse, 2000). Once the patient's distress is assessed, a nurse identifies the appropriate comforting strategy, such as providing a patient with a blanket (Morse, 2000). This relates to the perspectives of financial planners needing to understand their clients' concerns before responding in a way appropriate to the specific concern and client. Planners provide their clients with comfort, in different forms, throughout the financial planning journey.

From a social and professional relationship perspective, most people wish to be liked and respected by others (Baumeister, 1982; Ng, 2016). Immanuel Kant upheld that respect is owed to all persons, irrespective of their social position or personal merits (Hudson, 1980). Beyond respecting a client's autonomy, participants also shared the perspective that clients need to respect them too. When interviewing P9, he shared a view that financial planners also need to maintain a level of self-respect. To the extent that clients rebut his advice, or frequently conflict with him, he considers whether the engagement should go on in the future. Relationships without respect are not fruitful and can be frustrating for both parties.

These remarks were in response to the interviewer asking about his approach when clients insist on doing something "irrational" or systematically deviating from his recommendations. P9's view was that planners should not be "doormats". This strengthens the concept of engagement discussed earlier, whereby P7 indicated that the planner needs to be able to challenge their clients' ideas when such ideas are not conducive. However, there is a limit to which the relationship can be sustained if subject to constant conflict. The financial advisory process is thus one of mutual respect, in the views of participants.

Acknowledging and dealing with client emotions also forms part of the relationship management of clients. In getting to know their clients, financial planners frequently deal with volatile and extreme emotions. P10 explained how she always addresses emotions and acknowledges her clients' emotions to address their financial problems.

P10 reflected on how she had saved her client from making an inappropriate investment decision while unemployed:

> *"They have just lost their job, they have got unlimited costs that they are having to deal with, with no income. And so when they are presented with something that seems like a lifeline to them, the initial reaction is obviously to take it, because it seems like it makes sense. So, the first thing that we have to do, is to address the emotions to acknowledge that yes, you are in a serious bind, and we completely acknowledge that."* P10

P9 extends this view, saying that he primarily sees his role as managing the emotions of his clients. P9 tries to help his clients *"realise and acknowledge [when] they are making emotional decisions."* Identifying, expressing, understanding and regulating emotions are associated with better social relationship (Nelis et al., 2011).

The acknowledgement of emotions or providing emotional validation is important for people to feel understood in relationships. Emotional validation has been described as the accurate and non-judgemental communicative reference to another's emotions (Lambie et al., 2020, p. 628). Individuals who feel emotionally validated can manage their emotions more effectively. Emotional validation is communicative and active in nature, which differs from the more passive nature of empathy (Lambie et al., 2020). The role of the financial planner in potentially improving their clients' emotional competence could be an avenue for future research, as increased emotional competence has been associated with better physical wellness and social relationships (Nelis et al., 2011). Participants did not differentiate between empathy and emotional validation but spoke about requiring both in how they communicate with their clients. P10 spoke about acknowledging her client's emotions in the above quote.

In her example, P10 acknowledges and draws attention to her client's emotions and verbally expresses that she can understand why the client feels the way they do. P10 went on to explain how she repeats back what the client has spoken to her about. In this manner, P10 described a process that is akin to specific conditions towards the satisfaction of emotional validation (Lambie et al., 2020).

4.4.1.4.5 Building Trust

Trust was a concept that initially featured in the pilot study which the researcher sought to develop further in the main study. All participants in the main study described trust as being crucial to their relationship with clients. The belief that trust is highly important was reiterated in several forms across all interviews. The word "trust" appeared approximately 89 times in the total interview transcript data. There is an abundance of literature analysing trust as a concept across multiple disciplines, although there is yet to be a consensus on how trust is defined (King, 2021). Economists tend to define trust regarding "costs and benefits", whereas psychologists focus on "consistent and benevolent behaviour" when defining trust (Doney et al., 1998).

There is a consensus that trust entails a belief or expectation, yet there is limited consensus regarding the particular nature of these beliefs (Doney et al., 1998; King, 2021). In their paper considering multiple perspectives of trust, Doney et al. (1998) posit that trust is "a willingness to rely on another party and to take action in circumstances where such actions make one vulnerable to the other party" (Doney et al., 1998, p. 604). More recent literature considers trust to be a "mechanism that links the trustor and the trustee in an exchange relationship" (King, 2021, p. 22). This definition is extended by considering trust as a catalyst for successful exchange between individuals (King, 2021). Within the context of the financial advisory process, clients make themselves vulnerable to the planner by sharing personal information (Alsemgeest, 2021). Trust is the foundation for establishing relationships at a personal and professional level and is an important element of client service quality (Tyler & Stanley, 2007). Contextually, these definitions in literature are echoed within the participants' experience, which necessitates the receipt of clients' personal information to successfully craft a financial plan that is sufficiently personalised for the client's needs.

Furthermore, literature has identified trust as the "paradigm through which an advisor may fulfil his mandate at his best" (Cruciani, 2017, p. viii). Eloquently, P5 remarked:

> *"One of my business partners keeps saying we sell trust; it's the only thing we sell [in inverted commas – hand gesture]. It's key, it's key!"* P5

The process of building trust entails convincing an individual that the other person is genuine and understanding of the needs and goals of the other party (King, 2021, p. 18). Research into customer relationship management has indicated that trust influences the usage of services and cross-buying (Aurier & N'Goala, 2010). Trust is thus commercially beneficial to the financial advisor. Given the importance of trust, the researcher also aimed to understand how trust is best constructed, based on the experiences of the study's participants.

The use of jargon was described as inhibiting the development of trust. When clients do not understand their advisors, they do not trust them. Trust thus intersects with the strength of the advisor's communication activities. According to participants, communicating clearly and ensuring the client understands the messages of the financial plan and planner are conducive to building trust. P10 also suggested that planners should not be condescending in how they communicate with clients:

> *"I think there is also a way to deliver the information so that people do not feel like you are talking down to them. And I think once you have achieved that, which is why I said to you, then the trust factor increases, and people buy into the process a lot more and they tend to stick to the plan a lot longer."* P10

In addition, patience was discussed as being important in building trust.

> *"… just being patient and taking your time with a client, I think that in itself builds a lot of trust, because you are not pushing, you are not rushing off to the next client, you are really spending time with him. And if you have built that trust, that makes everything else so much easier."* P4

Patience is consistent with the concept of the financial planning process being slow in nature. Journeying with the client at a pace that brings the client comfort can help to create trust in a relationship, to the extent there is limited initial trust, as illustrated by P9:

> *"Sometimes you can only tell over time. And it is just a case of getting people on board and, you know what, for example, if they have got*

> *R1 million[27] to invest, maybe they only allocate the first R100,000 that they want to put in, but you see over time. And all of a sudden, it just starts to gather pace, because they realise, hang on, they were not talking absolute nonsense, and okay, these things do move that way. Their trust and belief start to build over time. But that I would say, [does not occur often]. Many tend to be quite keen and aware of the fact that they are coming here for advice, and they are quite keen to engage."* P9

P7 and 6 both used the example of building a track-record with the client as conducive to growing trust. Over time, the client sees the financial planner's competence and logic and grows to trust them. Time also affords the financial planner an opportunity to demonstrate their skills and technical competence, which helps support trust in a relationship. P3 puts herself in her clients' shoes and explained how she tries to consider whether her client would trust her, based on the quality of her explanations.

However, as P9 mentioned, trust can also occur quickly in a relationship. Contemporary finance research continues to explore how trust can exist in the absence of extended periods of time (McGarvey, 2022). In the financial advisory industry, trust is sometimes required to be established rapidly because of how early the data gathering step occurs within the financial planning process (refer to **Figure 5** presented earlier). Indeed, P11's experience with trust is like P9's in terms of speed:

> *"It does take a while to build that relationship and build the trust, but I think if you do come up with a good, thorough plan and something that they can understand, your trust comes through very quickly…"* P11

Preconceptions of a financial advisor, for example, as a broker or being untrustworthy can represent significant obstacles to building trust with clients. Thus, the work financial planners do in correcting their clients' perceptions intersects with building trust. Participants also discussed how they ensure they keep their promises to their clients, as letting them down could damage the trust within a relationship. These promises could be as simple as promising to provide feedback by the end of the day

[27] The currency of South Africa is the rand (ZAR or R).

and ensuring that one gets in touch with the client by the end of the day (as articulated by P6).

The channel through which the client approaches the financial planner could influence the degree and timeliness of trust. For example, with word-of-mouth referrals, P10 finds that trust comes at a faster pace:

> *"Some clients come through social media, they come through various platforms, and they do not know us, which is why sometimes that process takes a little bit of time. But with clients that I have come to know through other clients, because there is a trust element with the people that have referred them to us, it happens a lot quicker, I have found."* P10

P10's experiences are reiterated in the literature, which describes social word of mouth and social recommendation to be conducive to trust-building (Hajli et al., 2014). Trust is complex and nuanced in the financial advisory and financial intermediary sphere of analysis (Roy et al., 2020). Literature suggests that the extent to which consumers trust their financial planner could influence the extent to which financial decisions are delegated to the planner (Roy et al., 2020). However, this approach conflicts with the collaborative nature of financial plan development and design discussed by participants.

4.4.1.4.6 Communication Activities

Participants invest a lot of time in meeting and getting to know their clients. Communication activities thus underpin the relationship between planner and client and can have a pervasive impact on the nature of the plan (ensuring it is updated for changes in client circumstances), the quality of the relationship and trust. Being easy to get hold of is a highly valued trait by investors seeking planners (Murphy & Lamas, 2019). Participants discussed how they try to make themselves available for their clients through the communication channels that are preferred by each of their clients.

> *"If there is additional information or things that they need from me, I always say, I am a WhatsApp[28] away, I am an email away, or phone call away, ask me the questions."* P10

> *"…being available for clients, and I have got clients who contact me on WhatsApp because that is what they prefer, I have clients who will phone me because that is what they prefer. I have clients who still prefer email correspondence. And you have to be able to adjust to what they need."* P6

Open communication, participants found, helps deter or prevent mistakes in a timely manner. Participants encourage their clients to come to them to discuss "FOMO" investments before taking steps to act on the investment. P10 was particularly concerned with the volume of misinformation that exists on social media, and specifically makes herself available for her clients to discuss what they might have read on social media with respect to investment advice prior to taking any action.

Actively listening to the client was also important to participants, from a communication perspective. P5 phrased this as follows:

> *"What else helps communication? Shut up and listen [laughter]! Ask non-binary questions. All the coaching stuff, ask non-binary questions, reflect back on what you've heard. Ask permission; say may I please unpack this with you."* P5

4.4.1.5 Summary

The financial planning journey is a unique process that involves both investor and financial planner. The uniqueness of each journey is a function of the investor's disposition and financial goals. Despite the unique nature of each journey, however, a few common components were identified through the coding process in the grounded theory method. For all journeys, the relationship between planner and client is central. The financial planning journey core category developed from participants discussing how they engage with their clients and encourage their clients' personal growth and development. The financial plan is maintained, adopted and customised on an ongoing basis based on information gained from communication with the client. The

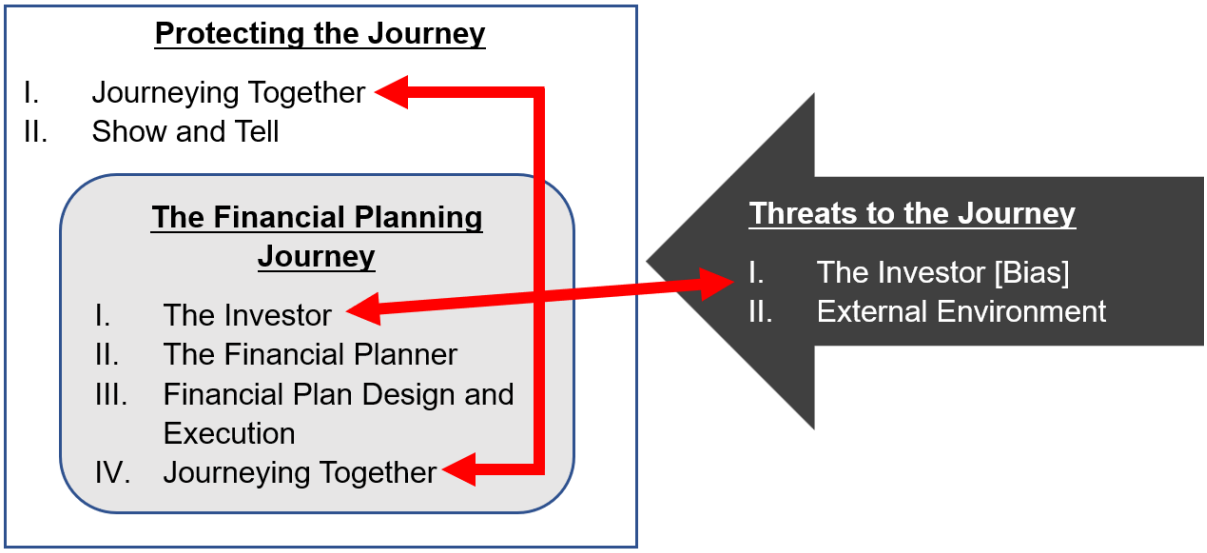
[28] An instant messaging platform, commonly used in South Africa.

relationship between the planner and the client is multifaceted, encompassing elements of respect, trust and accountability. However, not all journeys occur smoothly. The coding process identified several threats to the financial planning journey. These threats form the basis of the "Threats to the journey" category that is discussed subsequently.

4.4.2 Threats to the Journey

Figure 4

Representation of categories



Source: Researcher's own

Figure 4, repeated above, provides a reminder of how the categories may be graphically represented. In the previous explanation of the financial planning journey core category, one could understand the role of the planner and the investor. However, each journey runs differently: one could get into a car accident, take a wrong turn or run out of fuel. Behavioural biases and other influences may impede the investor's ability to undertake decisions rationally (Statman, 2019a). These biases could, consequently, potentially jeopardise or derail the financial planning journey. This subcategory is underpinned by bias (in connection with the research question's objectives) and the influences of the external environment. Each of these concepts is expanded below.

4.4.2.1 Behavioural bias

4.4.2.1.1 Constructing this subcategory

The objective of this study was to consider bias mitigation. In exploring bias with participants, interviewees offered numerous cases of bias and systematic deviations from rationality. Discussing bias provided the researcher with data grounded in the lived experiences of individuals, which was then considered alongside existing literature on bias. When coding and analysing the data, the researcher considered that the nature of behavioural biases was intrinsic to the investor. In other words, they cannot be separated from the investor. Consequently, the behavioural biases that arose in interview discussions are presented as part of the "financial mistakes" discussion under the Investor subcategory. This also demonstrates the connection between the investor (financial planning journey) and their biases (threats to the journey), which is elaborated further within the grounded theory that this research has produced. This is reflected in **Figure 4** by the arrow that connects the investor within the financial planning journey to the threats to the journey, specifically the investor's own biases which pose a threat to their financial planning journey.

4.4.2.2 The external environment

During the interview process, participants often discussed the influence of the environment on the investor's decision-making and portfolio. The discussion is summarised in this section.

4.4.2.2.1 Constructing this subcategory

The external environment is a subcategory of "Threats to the financial planning journey". This category relates to pervasive influences on an investor beyond their intrinsic self (such as their personal money journey, their personal wealth accumulation and concepts discussed under the "Investor" sub-category). Participants discussed instances of their clients' introducing aspects of the external environment into the financial planning relationship as they open-up to their advisor. Investors sometimes want to take financial action based on the influence of the external environment, which results in a discussion with the financial planner.

These influences emerged from participants discussing their clients' comparison of their personal portfolios to those of friends or colleagues after a 'braai[29]', or their clients' reactions to comments they have seen on Twitter. Considering the nature of these codes, holistically, the researcher considered this to be a myriad of topics or concepts that the investor gathers from engaging in their respective environments, which are then flagged for discussion or engagement with their planner. Questions arise as to whether to change their financial plan, based on the information obtained because of engagement with the external environment. Thus, the researcher organised these common influences into the 'external environment' subcategory.

It was conceptually challenging to organise the codes into external and intrinsic influences. For example, how clear is the line between inherited investor behaviour (money story) and the influence of peers on investor choices? Judgement regarding the ultimate distinction between the two elements is however mitigated by the fact that collectively both are part of the same subcategory. This category often forms a basis for engagement with the financial planner on an ongoing basis. Table 13 summarises the subcategory and its underlying codes.

Table 13

The external environment subcategory and its underlying codes

Subcategory	Axial codes	Summary of Focused and Open codes[30]
The external environment	Information	Accessing financial information. Acting on such information unadvised.
	Laws and regulations	The laws and regulations of the jurisdiction the investor is domiciled within.
	Traditional and social media	Traditional media: television, the radio and other social media: Facebook, Twitter, YouTube and TikTok.
	Social effects	Conversations with peers in real-life social situations.
	South Africa	Political and economic considerations.
		Worry, fear and doubt about the future of South Africa.
		Emigration considerations.
		Comparisons between South Africa and Zimbabwe.
	World events	Covid-19 pandemic
		Conflict between Russia and Ukraine.

[29] A South African term that is akin to that of a barbeque or outdoor grill event. This is a common type of social event in South Africa.
[30] Focused codes were similar to the open codes, thus there is no extra column presented.

4.4.2.2.2 Information and media

The ability of investors to rapidly access information was discussed in both a positive and a negative light by participants. The positive general educational effects were remarked on, such as P7 indicating that because of smart-phone access and the internet, “most clients do have some idea of what an investment is and what a stock is”. Mobile cellular phone subscriptions in South Africa are highly prevalent. According to data from The World Bank, in 2020, there were 162 mobile cellular subscriptions per 100 people in South Africa (World Bank, 2020).

By contrast, P3 was concerned about the interpretation of that information and the potential for overconfidence it might inspire in investors: “People think they know enough, just based on the fact that they've got quick access to information”. Several participants shared this concern, discussing cases where clients have been misled due to inappropriate interpretation and acting on information on an unadvised basis. P8 stated the following in lamenting people taking inappropriate action, unadvised, based on easy access to financial information:

> *“I have actually seen far too many clients go down the road [...] where they have actually lost considerable amounts of money, and a lot of that is because of the accessibility to this information”.* P8

When asked about the impact of the information on investor decision-making, P7 remained hopeful that, generally, modern investors should theoretically have the power to make more rational decisions due to easier access to information. However, information overload effects tend to cloud investor judgement. P8 articulated this information overload as follows:

> *“If I was thinking about going offshore, I would get ten different views at any given time. So, I actually do not know which one should be the one I should listen to, or which one I should take seriously. Because there is so much there.”* P8

In turn, helping investors deal with the information overload has become an important skill for financial advisors. This connects to earlier discussions on the role of financial advisors and the nature of the relationship maintained between the advisor and the client. P10, who invites her clients to engage with her on WhatsApp or her cell phone

at any time, often tells her clients that before they act on information they have come across (whether on social media or the general internet) they should send the information to her so she can help them interpret what the contents say and help them avoid any sudden, inappropriate decisions. Her approach is as follows:

> *"When I meet clients for the first time, one of the first things I say to them is, when you read something that sounds a bit crazy on social media, before you act, send it to me and then we will decipher it together."* P10

When the interviewer asked about how this increased her workload, P10 indicated:

> *"I think that is a lot of work, I find, because I do find clients who will constantly send me these things. But I think it is important because that is how we stop clients from firstly, being anxious, and then secondly, acting on that anxiety and that misinformation."* P10

Media (both traditional media and social media) was also a prominent source of discussion between the planner and the client. Advisors, such as P10, often lamented the role of misinformation on social media, which was frequently consumed by clients. The difference in media consumption and scepticism was also segmented by older and younger investors. P6 indicated that she found younger investors distrust traditional media and would rather believe news through a social media platform which they like and follow. She speculated that younger investors are more interested in and inclined to follow financial advice on Tik-Tok because the videos are "interesting and quick [and] because everything nowadays, it is very fast-paced, and your standard investment may have to go through your due diligence, you have got a lot of paperwork…" Older investors, in the participants' views, preferred traditional media sources, such as television or the radio for news and information.

The concept of 'big data' or highly ubiquitous financial information has been discussed in finance literature. Pernagallo and Torrisi (2022) discuss how, within the contemporary internet era, the quantity of financial information has grown exponentially. Individuals are now confronted with "massive" amounts of data (Pernagallo & Torrisi, 2022, p. 223). However, as the proponents of behavioural biases and heuristics have discussed, individuals possess a limited cognitive capacity to process this information (Kahneman & Tversky, 1979; Simon, 1955; Tversky &

Kahneman, 1974). The behaviour, described by participants, of their clients sending them information to be deciphered could represent coping mechanisms by investors who are overwhelmed by the plethora of financial data.

To summarise, the essence of this code is that investors have an abundant access to information, including financial information, in an easy manner. Investors are influenced by both traditional and social media. Although the increased access to information could bring benefits to financial decision-making, such as through education, participants have often seen people make poor, unadvised decisions based on a propensity to action misinformation. The role of the financial advisor has evolved to encompass helping investors to filter out misinformation to protect investors from consequential poor decision-making.

4.4.2.2.3 South Africa

South Africa as a concept was initially structured as its own subcategory because of the richness of data. However, the researcher included South Africa within the "External environment" subcategory because the country is an important contributor to the investor's environment and has a pervasive impact in this regard.

News about South Africa, reported through the media, permeates into the investor's financial decision-making realm. The concept of media influencing the investor began to emerge in the pilot study (described in **Appendix C**). This view was reiterated by P8, who considered the negative news about South Africa as highly influential on investor sentiment: "...it play[s] a lot on existing negative emotions that people have. Because people were bombarded with the reality of the corruption in our country, the reality of unemployment, the realities of our economic issues…"

When investors hear news about corruption in South Africa, for example, through the recent Zondo Commission[31] or negative financial news, such as a downgrade of sovereign credit to junk status[32], they often seek to disinvest in South Africa. Through feelings of anxiety and a propensity for extreme reactions, many investors are inclined

[31] An investigation into allegations of severe corruption by the former president of South Africa, Jacob Zuma (E. James, 2022).
[32] In April 2020, Standard and Poor (S&P Global Ratings) downgraded South Africa's sovereign credit rating to below investment grade (Goncalves, 2020).

to take as much money as they can offshore. P9 phrased these feelings as "despondent" in nature.

Investors also commonly compared South Africa to Zimbabwe, as explained by P9's clients asking him if South Africa is going to *"do a Zimbabwe"*. Zimbabwe is a country that borders South Africa. Zimbabwe has experienced significant economic decline over the past decade, as indicated by its hyperinflationary economy (Munangagwa, 2009). Zimbabwe's land reform programmes were the subject of much controversy within the media, where it was described as tumultuous and largely ineffective (Jakaza, 2019). Clients' constant comparisons to Zimbabwe (that arose in the data) represent a contrast to literature about home bias being prevalent and illustrates an idiosyncrasy of investors, as explained by P9 in the following quote:

> *"…the biggest irony probably is the guys that come in here and say, look, I want to get my money offshore, I am worried about South Africa, this, that and the next thing. And yet they sit with three or four properties, like investment properties here. And we say, well, you are sitting with these big illiquid assets that are going to be worth practically nothing if we 'do a Zimbabwe', as everybody seems to use as the terminology. Do you see the irony of holding these things? And then have that conversation, and then all of a sudden it goes in a different direction."*

The role of the financial planner in analysing, discussing and connecting the news and investors' South African sentiments to their portfolios is illustrated in the above quote. The investor consumed media that concerned him about the future of South Africa, which was then brought to the attention of the financial advisor. Once the advisor had pointed out the structure of the investor's portfolio and discussed the concept of the investor holding several properties that are inherently illiquid, the investor seemed to back-track from the extreme reaction.

Most of the interview participants encountered a profoundly negative investor sentiment in their clients. However, these negative feelings do not necessarily translate into diversification, as P5 illustrates in his paraphrasing of how his clients approach him:

> *"'I hate South Africa, the country is going to the dogs, I want all my money offshore, but I can't give you all my money because I'm going to buy three new properties in South Africa' … – that's irrational."* P5

P6 reflected that investors feel positive about aligning their negative views on South Africa, emotionally, with where they place their money. However, the investor may not always fully understand the implications of what offshore investing entails:

> *"Oftentimes people might want to invest offshore, but they are a super conservative investor; and if you start explaining offshore interest rates compared to local interest rates, it is almost like it is another lightbulb moment for them to start to understand what it really means, offshore investing and the different asset classes, compared to locally and different asset classes."* P6

Emigration from South Africa because of negative sentiment was, additionally, a frequently discussed topic. Participants have indicated they bring this up in response to extreme reactions from clients who wish to externalise all their wealth outside of South Africa. This is because, if a client with local debt wants to move all funds offshore, complexity will arise with regards to matching of the underlying currency (i.e., South African rand denominated debt compared to assets in a foreign currency). Sometimes, however, emigration is met with reluctance when investors consider the type of lifestyle they can afford locally compared to in another country. This is an example of a bias mitigation strategy, which is expanded on in a subsequent section.

To summarise, there is a generally negative and despondent sentiment towards South Africa from a social, political and financial perspective. Investors' attitudes to South Africa affect where they wish to place their money, with attitudes ranging from being open to diversification to wanting to externalise all or most of their wealth. However, when faced with the thought of leaving South Africa, not everyone wishes to emigrate. There is thus a tension among the attitudes towards portfolio diversification, fear of South Africa's decline and a willingness to remain in South Africa.

These attitudes, in turn, impact the magnitude of diversification within a portfolio and an investor's desire for offshore exposure. The financial advisor becomes a sense-

check and plays an important role in considering the validity and appropriateness of any extreme reactions that clients may have.

4.4.2.2.4 Social effects

Behavioural finance literature discusses the concept of peer effects, including peer-group anchoring. Early literature suggests that investment managers merely duplicate the investment decisions of their peers with limited regard for substantive private information they might have (Scharfstein & Stein, 1990). Data from interview participants suggests that social effects continue to persist in individual investors' decisions.

Interview participants brought up scenarios where their clients wanted portfolio restructures shortly after they had had social gatherings at which investments were discussed. These restructurings were to copy or align with those of their peers or friends. P6 shared her observations as follows:

> *"There is definitely a sense of hearing about something, either on the radio or on TV or from someone at a braai, and just wanting to know, making sure that they are not missing out on something that could have been valuable to them."* P6

This perspective was reiterated by P11's experiences:

> *"… when everyone has come back from Christmas holidays and someone around the braai has told them that they have made a hell of lot of money on a tech ETF[33] – and then, now your clients want to invest in that."* P11

Additionally, it was observed that there were limited differences in investors wanting to duplicate others' portfolios when considering strangers on Twitter, compared to people whom the investor might personally know. There is therefore an overlap between the social media influential effects and in-person social effects. P12 discussed the perceived credibility of anonymous accounts as follows:

> *"Many get caught up in the hype […] And because everyone has an opinion, too many people believe an anonymous account's opinion."* P12

[33] Exchange Traded Fund (ETF).

Interview participants have thus designed approaches to moderate the influence of social effects on their clients' portfolios to prevent inappropriate changes to their clients' portfolios. Baseless duplication of other's assets and demonstrating returns-chasing behaviours when investments have passed their peak could result in clients' portfolios being compromised. The strategies financial advisors have implemented to protect their clients' portfolios from these peer effects are discussed subsequently in this section and in the ultimate grounded theory.

4.4.2.2.5 Laws and regulations

The "Laws and regulations" code is also connected to South Africa. However, this researcher exercised judgement to split this code to allow it to exist independently from South Africa because an investor could have assets outside the South African legal jurisdiction. The most discussed laws, from interviews with participants, was regulation regarding retirement fund allocations offshore.

Regulation 28 (in the South African context) limits the exposure of foreign investments in the context of South African pension, provident and retirement annuity funds (National Treasury, 2011; Willows et al., 2018). This limit was increased in 2022 from 30% to 45%. Investments and financial decisions in South Africa have to comply with the laws of the land. P11 discussed that, in his view, when people get a chance to save money, they emphasise their retirement product significantly without considering discretionary savings. Through discretionary savings, P11 can introduce additional foreign exposure for his clients, to the extent appropriate, while ensuring that his clients' retirement savings comply with local laws and regulations.

Regulations could also represent an unconscious "anchor" used in portfolio design, even when savings are discretionary. However, recent revisions have resulted in an increase in the offshore component for retirement savings, which could result in a re-evaluation of this perspective, as discussed by P6:

> *"I think we actually, probably, we typically stay within the Regulation 28 guidelines when we make most of our client recommendations. So, for me, it is going to be interesting now, our investment team is in the process of going through an exercise, because the limits have increased…to see what is our ideal view for different clients."* P6

An additional barrier that participants discussed, which could moderate the nature and extent of direct foreign offshore investment, was the complexities in tax laws and estate planning for foreign assets. This may require specialist knowledge in estate and tax planning, which individuals may not necessarily have access to. An alternative perspective on laws and regulations, in a more positive light, suggests that regulations contain protective mechanisms to inhibit bias or significant investment mistakes (such as early retirement fund withdrawals).

4.4.2.2.6 World events

Participants discussed two world events: the Covid-19 pandemic and the conflict between Russia and Ukraine, which was ongoing at the time of the interview process. South Africa is not isolated from the effects of these events, which necessitated involvement from financial advisors. Investors conveyed sentiments of anxiety, fear and uncertainty to their planners. The responsibility to support clients during shock-events is well documented in literature (Fox & Bartholomae, 2020). Shock events encompass global financial crises, such as the great recession, or household shocks such as divorce. Participants brought up the topic of Covid-19 as a natural part of their responses to the interviewer.

The pandemic resulted in significant personal events for investors, with some people losing their jobs. This resulted in requests to withdraw retirement savings and to exit the market due to fear. Interview participants coupled these instances with their approach to managing their clients' fears. Two participants were exceptionally proud of themselves and their clients for not giving in to panic-driven withdrawals. P9 said:

> *"In our Covid situation, 2 years ago, that was a very large and a very quick pull-back in markets worldwide. And I think, for us, if we look around at the business, we see probably the biggest pat on the back was the fact that we had maybe not even a handful of clients that were phoning in and enquiring and saying, what are we going to do, what are we going to do?"* P9

Similarly, P10 indicated:

> *"I can say with hand on my heart, that I have not had clients call me in a flat panic about their investments, because we have gone through the process*

of explaining what we are trying to do and right at the beginning, I let clients know." P10

Both participants attributed their success to coaching and upfront communication. These communication techniques and approaches to times of crisis could be distilled into fundamental processes that can be extrapolated towards bias mitigation. The approach to clients being confronted with market turmoil appeared similar (at its fundamental level) to the approach undertaken when clients panic when confronted with poor news about South Africa. Participants' views on preparing their clients for shock events through a financial plan are consistent with literature (Fox & Bartholomae, 2020). Financial planners often venture to engage and prepare their clients for the effects of financial shocks through determining a financial plan.

Managing clients' financial decisions during times of crisis presented an important test of endurance and tenacity for financial advisors. Communication with the advisor in times of volatility is important. Literature suggests that investors would sell out during turbulent market conditions (such as Covid-19) when they have no options available to contact an advisor, despite knowing they should remain invested (Brooks & Williams, 2022). Research into how financial planning practices have changed as a consequence of Covid-19 indicates a rapid uptake in virtual communication tools, whereby in-person meetings have shifted to virtual engagement (Fox & Bartholomae, 2020), although flexibility remains required for clients who prefer in person meetings.

Literature has indicated that risk attitude questionnaires might not actually provide strong predictive evidence regarding how an individual investor might behave during market volatility (Brooks & Williams, 2022). Instead, better predictors include prior behaviours, personal characteristics and financial self-efficacy (Brooks & Williams, 2022). It is possible that, when the financial planner gets to know a client, they might build a better understanding of their behaviour over time and come to understand their client's emotional profile. There is a need to capture better aspects of investors' characters and personalities beyond their attitude to risk in order to understand their behaviour during volatile markets (Brooks & Williams, 2022). Thus, while Brooks and Williams, (2022) call for financial advisors to obtain an understanding of their clients' personality scales to tailor their advice and communications, it is likely that this has

already been implemented in practice for longer term client relationships. Such information might be useful when obtaining a new client.

4.4.2.3 Summary

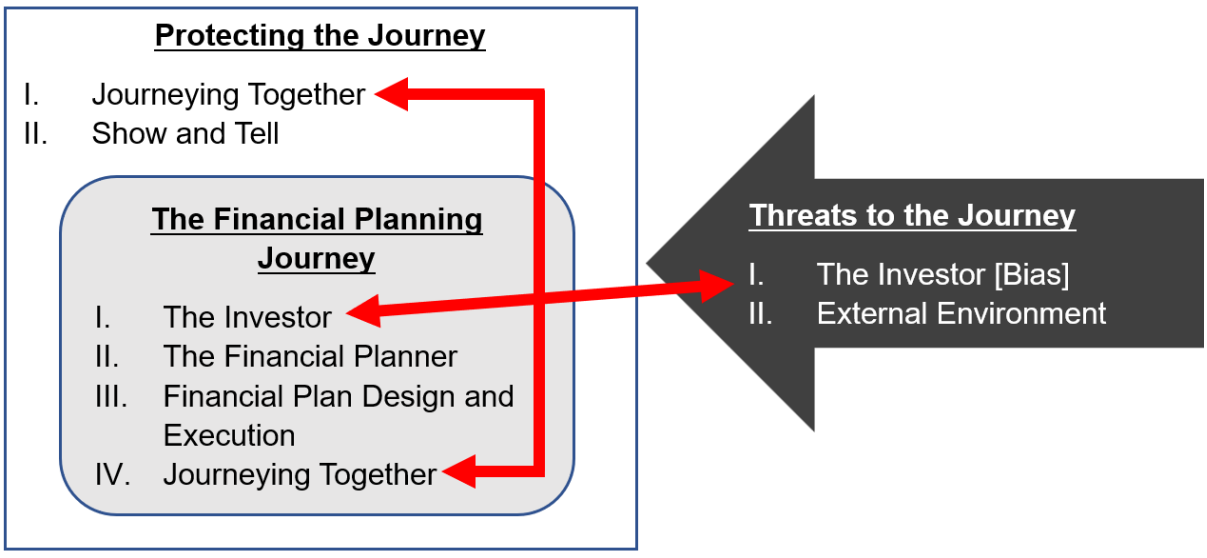
Behavioural finance is rich in literature explaining the biases to which individuals are subject. These biases can lead to suboptimal decisions that could prejudice clients' ability to achieve their financial planning goals. Additionally, the investor does not exist in isolation. Instead, clients are susceptible to external influences such as media, social media, discussion with peers and compliance with the laws of their local jurisdictions. These influences can pervade their financial decisions and financial plans.

The financial advisor can help moderate this influence, such that only salient changes are made to the plan as opposed to panicked or emotional decisions when investors feel particularly despondent about the state of their country. The ability of the financial advisor to moderate the influence of biases and the external environment on the financial planning journey is discussed in the next section.

4.4.3 Protecting the Journey

Figure 4

Representation of categories



Source: Researcher's own

Figure 4, repeated here, provides a reminder of the manner in which the categories may be represented. The previous categories discussed the inception of the financial planning journey and threats to the journey. Within a journey, several measures could be taken to ensure arriving at one's destination safely, such as putting on seatbelts, using a real-time GPS system and putting the car lights on.

The subcategory "Protecting the journey" has multiple approaches, which effectively help limit the "threats" posed to the financial journey by the codes discussed in section **4.4.2**. There is an overlap, conceptually, with journeying together (see section **4.4.1.4**), whereby the act of journeying alongside a financial planner by itself could help ensure a safe journey. There is thus an arrow between the subcategory of journeying together and protecting the journey to reflect this overlap in **Figure 4**. For this reason, the discussion on journeying together is not duplicated within this section. This overlap is specifically expanded upon in the grounded theory chapter.

Recall that the research question, previously discussed in section **3.3**, asks what strategies financial advisors implement to manage the effect of behavioural bias on their clients. This subcategory addresses the sub-research question by outlining the primary, foundational approaches to bias management and then the tailored approaches to bias management. These strategies are then further contextualised within the grounded theory discussed in **CHAPTER 5**. Chapter 5 is thus a response to the central research question that is supported by the discussions within **CHAPTER 4**.

4.4.3.1 Constructing this Subcategory

"Show and tell" is an alternative name to the "Protecting the journey" subcategory of the main category (which relates to the financial planning journey). "Show and tell" is a term the researcher considered assigning to this subcategory after reflecting on the nature of effective responses to clients' irrational behaviours or biases. Participants described either *showing* their clients visual aids or presentations, or talking (i.e., *tell*) to their clients about the bias (a combination of these approaches is also possible), hence the name "*Show and tell*".

Initially, the researcher considered whether "tell" had connotations of dictating the plan or action to the investor. Dictating the plan would be contradictory to the collaborative

approach explained by participants. However, the *Oxford Thesaurus of Current English* (Spooner, 2003, p. 433) considers “acquaint with” and “advise” synonymous with the term “tell”. Thus, the researcher elected to retain the subcategory term, with explanations of the nature of communications being provided subsequently.

Show and tell can be divided into two components. **Table 14** splits these bias management approaches into (a) pervasive approaches (ones a participant will always use as a starting point) and then (b) types of more precise and adaptable bias management plans used within the financial planner’s toolkit. The pervasive approaches will inform the precise approaches, for example, questions asked under the pervasive approach will inform the planner of underlying issues which might need to be addressed through persuasive explanations. Part of the pervasive approaches connects to the protection and preservation of the relationship with the client, which links to the subcategory of “Journeying together”, as these bias management approaches do not exist in a silo outside of the financial planning journey. The relationship among the journey, show and tell and the other subcategories is expanded in the subsequent chapter that explains the grounded theory of this study. The rest of this section explains the codes that make up the “Protecting the journey” subcategory.

Table 14

The Show and tell subcategory and its underlying codes

Subcategory	Axial codes	Summary of Focused and Open codes	
Protecting the journey	Pervasive bias management approaches	Protecting the relationship	Blending logic and emotion
			Ascertaining if venting or serious
			Preventing investor feeling shameful
			Not blaming the investor or labelling the bias
			Not laughing at the investor and not dismissing the bias
		Encouraging client's own realisations	Client must come to own conclusions
		Asking questions	Seek to understand
	Precise, adaptable bias management approaches	Personalisation of responses	Utilising personal facts of client
			Reminding clients of their personal plan
		Predefining the approach	Client understands a protocol
		Providing persuasive explanations	Explaining to client (e.g., investment rationale, tax effects)
			Using logic and facts
			Educating the client through explanations
		Demonstrating scenario analysis	Demonstrating consequences of changes to plan
			Demonstrate options available
		Slowing down the decision	Change portfolio slowly
			Slow the pace of the decision
		Casino money strategy	Apportionment of portfolio for experimentation
			Negotiate with client
		Educating client	Redirecting to first principles
			Repetition
		Using anecdotes	Storytelling about other clients
			Stories removing pressure from individual
		Using visual representation	Data tables
			Data visualisation

4.4.3.2 Pervasive Management Approaches

4.4.3.2.1 Protecting the Relationship

Participants described several approaches underpinning the behavioural management of their clients. These approaches were akin to the overall protection of the relationship with the client and included basic etiquette suggestions such as not being rude to the client. Responses to clients were hardly ever driven solely by logic or emotion; instead, a blend was required depending on the nature of the bias or problem. P10 described needing to consider both logic and emotions, seeking a 'delicate balance between the two'. Similarly, once financial planners get to know a client, they establish whether the client simply needs to vent or whether tangible action needs to be undertaken. Listening and empathising when confronted with a venting client would be a more likely resolution.

Participants were also conscious that their approach to irrational behaviour or bias should not induce feelings of shame in their client. Participants warned the interviewer as follows:

> *"I think a big reason why people try and avoid speaking about their money, is because they feel ashamed that they feel they know they are making bad decisions. They know they are making those same decisions over and over again, and they do not want it pointed out to them."* P4

Inducing feelings of shame in the client could damage the relationship and communications. In order to avoid the client feeling threatened or emotionally hurt, participants discussed how they exercised tact in their communication. P5 shared his approach as follows:

> *"You ask permission to give them alternative data because now you're discussing the idea, you're not arguing who's wrong and who's right. You're not attacking the individual. You're saying, 'May I have your permission to give you some alternative data?'"* P5

Exploring alternatives and considering other courses of action were found to contribute to moderating the influence of bias in decision-making (Almashat et al., 2008; Hirt et al., 2004; Roese & Vohs, 2012).

4.4.3.2.2 Encouraging the Client's Own Realisations

Participants posited that a client is less likely to undertake a detrimental course of action if they understand the rationale for the decision being poor. Therefore, this pervasive approach connects to the earlier discussions regarding ongoing growth and development (see section **4.4.1.4.4**) previously discussed within the "Journeying" subcategory. Participants thus ensured that clients came to their 'own' realisations about why a suggested course of action by themselves may not be in their best interests. Furthermore, this is consistent with the earlier discussions on protecting the client's autonomy.

4.4.3.2.3 Asking Questions

All participants focused on asking probing questions when confronted with a client's bias. P9 explained his thinking on asking questions as follows:

> *"We have also learned, just to ask people questions, sometimes, when they get a little bit otherwise about where they want to hold their funds."* P9

When probed about the nature of the questions and the goal for these questions, P9 expanded, using an example of a client who wanted to externalise an extreme proportion of wealth:

> *"It is more open-ended, it is more just, sort of, asking to understand. And I think, more asking, because I find if you ask them questions, because they have got this idea in their head, I want to be offshore. If you, kind of just sit there, and say, 'Okay, but why? Help me understand, what are you trying to achieve, why do you think it is better offshore?' And as soon as you start asking those questions, the first answer is emotional."* P9

P9 then expanded on how he helped the client realise the emotional decision was not in their best interest (which overlaps with previous discussions on emotional acknowledgement and validation). Asking questions also helps the planner understand the client's desired outcomes.

A bias or irrational decision, according to the experiences of the interview participants, tended to be accompanied by an overarching goal or need. The planner then considers whether there is a gap between the goal the client is trying to achieve, their

bias and what the 'optimal' outcome might be. P5 explained the power of asking questions when it comes to diversification[34]:

> *"[…] Step one is you find out what is this decision about for the client because it's probably not about the fundamentals, it's probably about their emotion, their history, their perception.*
>
> *Once you know what it's about for them – then you ask: 'Mr or Miss Client, you want this outcome. What if we can satisfy the thing this is about for you … and have this outcome ?' […]*
>
> *There are different ways to do that but ultimately, you've got to bridge what this is about for the client with what they want. If you can't bridge that, you won't succeed. You need to try bridge that; and you would probably do that by asking them a series of questions around potential choices…"* P5

P5 then provided an example of how he asks practical questions to achieve diversification.

> *"Step one is to understand what the client's on about, so if you're saying to the client 'Sell dad's and grandad's share portfolio to buy offshore equity', words like this are about better diversification, more optionality, less risk, you can't just reiterate that!*
>
> *You need to [ask], 'What is your connection to grandad's share portfolio? How logical is that? How does that serve the outcomes you wanted? You said to me you want less risk, more diversification, less SA-centric risk. How does being attached to this thing help these things that you wanted?' and the client must bridge that and go 'Hmm, no, well it doesn't, I need to sell some shares"*
>
> *Then you go okay, so "How many shares would we sell as a start? How comfortable are you moving on this, how quickly do you want to move on this?'"* P5

[34] Emphasis has been added by underlining words that mirror the participant's verbal emphasis. This helps the reader understand the quotation.

In this manner, P5 has leveraged asking questions as a communication device to encourage the client's own realisation. Additionally, P5 demonstrated emotional awareness by understanding that there is a relationship with the client's emotional attachment to an inherited share portfolio. Asking the client questions to understand the reason for the bias or inclined course of action was unanimously considered important by all study participants. The concept of seeking elaboration from a client is akin to a debiasing technique (Cheng et al., 2014). Asking customers to elaborate on their decisions has been useful in debiasing the effects of framing bias (Cheng et al., 2014).

4.4.3.3 Bias Management Approaches

4.4.3.3.1 Personalisation of Responses

Individuals enjoy disclosing information about themselves and their experiences (Tamir & Mitchell, 2012). P9 complemented academic research by saying the following: "It is human nature. We are never more interested in anybody in the world, except ourselves. So, if it is going to apply to me, quite directly, that is going to be quite interesting." Research indicates that personalisation of advice and behavioural coaching has the potential to be the most valuable aspect of professional financial advice (Murphy & Lamas, 2019).

It follows that planners customise their responses to individuals' biases in a manner that suits the nature and needs of the individual. Benchmarking to peers' portfolios and returns was a common phenomenon experienced by participants that tended to induce herding bias. P3 manages herding behaviour by reminding her clients about their personal circumstances. In doing this, P3 reminds clients of their unique, personal financial journey.

> *"[a common mistake is] expecting returns that other people have made, and they [the client] are not aware of the process that goes behind that. [I will then respond and say,] 'But your investment appetite doesn't suit this, based on the questionnaire we've completed, based on where you are at, based on the fact that your capital is not that much, or based on the fact that you actually want your money sooner. Or based on the fact, that you've*

got other things that will require your money, based on some of the conversations we've had.'" P3

Clients were highly responsive to bias management approaches that were personalised to their own facts and circumstances. Making any response to bias as relevant and as personable to the client as possible was found to be the most effective approach, according to P10. This aspect of bias managements is connected to the strength of the relationship between the client and the planner. Planners must understand the client's personal circumstances well enough to tailor their responses. P5 provides an additional example of managing diversification bias by connecting a client's personal goals to a solution:

"I've said, 'What are you doing? What's the family doing?'

'Okay, you said you wanted to go on that trip overseas, when is that? Ah, okay. Let's do dollar-cash for that, because you might need it in 2 years but you don't want to have rand, yes.'

If you just give the client what they want, which is a plan for every single goal, then we're done." P5

P8 extended the concept of personalisation by creating a specific connection in his clients' minds between the respective underlying financial products and their personal circumstances.

"I think we can get into a better space, if you can start to get the conversation to come from the client's side, and for the client to start linking the relational aspects of their brain to the investment side, rather than the transactional aspects.

I'll just give you an example, like having the conversation about… 'This investment is for your daughter's education in a…I do not know what a really good school is but…let's say Crawford[35]….' and having that as the conversation on why we are investing it for this period of time, and why we're using this kind of risk profile.

[35] The Crawford collection of schools is the largest single private school organisation in South Africa.

But taking away the hard, sharp aspects of it, so that the client can relate to it more on an emotional level – then he is more likely to make better decisions, and not make any big, large errors like selling out at the incorrect time." P8

The concept of personally connecting the investor to the plan serves two purposes: it helps ensure the investor commits to the plan and it can help deter the investor from making common errors like realising stocks at an incorrect time in the market (Shefrin & Statman, 1985) due to a panicked reaction or a bias. Morningstar research has concluded that personalised advice can help prevent economic hardship in retirement by encouraging savings (Murphy & Lamas, 2019; Wendel, 2018). Personalised advice is more impactful than non-personalised advice in encouraging retirement savings (Wendel, 2018).

4.4.3.3.2 Predefining the Approach

Some participants indicated they forewarn their clients at the outset of the financial planning process about common mistakes during turbulent markets. These planners pre-empt detrimental behaviour and set up established behavioural protocols, which they have found to be successful. P10 shares this 'strategy':

"It is a strategy that I learned from another advisor who, upfront, lets his clients know that you are going to experience a lot of turbulence. And it is important for clients to buy into that, right at the beginning, that returns are not linear. It is not going to be a straight line upwards.

Yes, in the long run it looks like it is a straight line upwards, but in the interim, you are going to experience a lot of uncomfortable movements in the market. But just as long as you understand that in the end, you should come out as expected. And I think because of that I never, I think I can count on one hand the number of clients who have asked me about the performance of their investments, during these turbulent times. But for the most part, they sit tight, because they buy into the process. And I think that is important." P10

A few other participants followed a similar approach to similar success. Establishing a behavioural protocol upfront through clear communication seems to aid behaviour

during turbulence. This is similar to strategies that exist in finance literature. By predetermining the decision-making process, Otuteye and Siddiquee (2015) posit that the decision itself will adhere to logic and rationality. Emphasis is placed on data and reasoning and, as such, the process of the investment decision is prioritised over the outcome. In turn, cognitive bias exposure is limited (provided the investor adheres to the process in a disciplined manner). Additionally, having predetermined rules to invest by is similar, by analogy, to an investor setting up a stop-loss (Kaminski & Lo, 2014).

In addition, the researcher noted that P10 spoke about the client buying into the "process" and not merely being convinced by the bias management strategy. This helped the researcher think broadly about the resulting theory that is constructed by the codes and subcategories: the process of financial advice is integral to realising success from the bias management approaches. The importance of the financial advice process is thus elevated in the resulting grounded theory. Bias management resides within the context of the wider financial planning journey.

4.4.3.3.3 Persuasive Explanations

Participants discussed how they utilise facts and logic to mitigate or manage bias in their clients. Clients have tended to be receptive to the advice they receive from their planners, particularly when the planner provides them with logical arguments. Investors consider planners who are able to communicate and explain financial concepts well to be valuable (Murphy & Lamas, 2019).

P11 indicated he thought that clients are receptive when provided with facts. However, planners must ensure they "package" the facts correctly. He emphasised documentation and visual diagrams as important in conveying logical facts to his clients. P11 always equips himself with facts and is prepared to show his client any required supporting evidence or calculations to, for example, encourage diversification or mitigate the disposition effect.

> *"[Looking at a client's portfolio] You are sitting heavily overweighted in [this market] and because this has run, maybe it is a good idea for us to lock that profit in. And when you can show them the numbers and show them the view they normally go ahead."* P11

P11 emphasised that trust and the quality of service are integral to ensuring his clients take his advice and act on his logic. When asked if he considered bias management to be a cumulative effect of logic, the relationship and trust, P11 strongly agreed and added the following: “If you drop the quality of your service and you miss one or two of those quarterly reviews [with your client], then it [quality] is lost.”

Obtaining an understanding of the client’s perspective, through probing questions, allows the planner to undertake independent research, if required, to connect with a client. P7 discussed a specific case where his client wanted to invest a significant portion of his portfolio in hydrogen. The client had exposure to hydrogen powered technology as part of his occupation and thus had become anchored on gaining financial exposure to that fuel type. P7 obtained an understanding of his client’s motivation (pervasive management approach) before doing his own research about the nature of hydrogen. His own research equipped him with pertinent facts and enabled a more persuasive conversation. Subsequently, P7 shared specific facts he had found about how the particular technology his client spoke about was not widely commercialised or proven to be viable. P7 then extended the conversation to diversification and used it as an opportunity to explain the following:

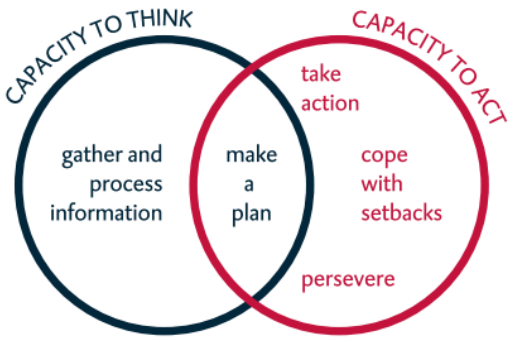
> *“I said [to my client], ‘You’re putting all your eggs in one basket and what happens if that idea [hydrogen powered cars] doesn’t materialise or go to market? […]*
>
> *After explaining that to him, he saw the clarity in it and ‘Okay, that makes sense,’ because he didn’t realise that he could lose 10 years’ worth of opportunity costs, so we came to an agreement where a majority of his money will be invested through diversified portfolios.”* P7

A plethora of literature explores the concept that “knowledge alone is not sufficient”. This concept has been considered in multiple fields: for example, from a behavioural, and policy-shaping perspective (Keizer et al., 2019) and even a medical perspective (Schüler et al., 2019). Knowledge, such as academic knowledge, has sometimes poorly translated into practice (Van de Ven & Johnson, 2006). This concept is well articulated by Archuleta et al., (2021, p. 550) “When it comes to money, clients often know what they should do, but they do not always do it”.

In maintaining the medical analogy of participants, consider the following example: evidence indicates that patients with multiple sclerosis benefit from physical exercise (Schüler et al., 2019), however patients have self-control problems that impede their participation in exercise. Similarly, simply knowing the right course of action may not result in an individual undertaking that action. Individuals have limitations on their ability to assess information provided to them and make rational decisions (Kahneman & Tversky, 1984; Schüler et al., 2019; Simon, 1955). Research in psychology differentiates between "intention formation" and "intention realisation" (Schüler et al., 2019). There can, however, be an overlap in an individual's capacity to think and their capacity to act, as exemplified by Figure 6.

Figure 6

Distinguishing between thinking and acting



Source: Keizer et al. (2019, p. 5)

Behavioural research largely suggests that individuals may experience challenges in being mentally independent or "self-reliant" (Keizer et al., 2019). This view is driven by individuals' differing potential for cognition and the susceptibility of such mental capacity to stressful conditions e.g., death or loss of a job. It therefore follows that financial planners provide support to their clients so that their clients do not necessarily need to be entirely "self-reliant" when considering their finances.

Similarly, participants discussed how their clients have a propensity to action or realise their advice based on logic and fact. Clients' propensity to action when faced with facts are, according to participants, attributable to the fact that financial planners do not only provide support to their clients' capacity to think but also support their clients' capacity

to act. Recall that planners perceive themselves as “personal trainers”, watching and ensuring their clients actually do the exercises required. Implementation happens, in most cases, via the financial planner. Thus, knowledge imparted to clients does not seem to stagnate.

Participants reported that a client is less likely to act on a bias once provided with the facts. This could be because the financial planner acts as a gatekeeper, effectively impeding the “capacity to act” on bias, while simultaneously bolstering the client’s “capacity to think” by providing clients with explanations based on logic and fact. The use of explanations was discussed in interviews by the participants as being a simple way that they manage and mitigate their clients’ biases. However, the researcher considered this strategy to be largely effective by virtue of the wider context and role the participant plays in the client’s financial journey. This concept is explored further in the grounded theory chapter.

4.4.3.3.4 Educating the Client

Participants perceived that educating the client was a long-term approach to managing bias. P4 expressed the importance of education as follows:

> *“It is helping them to learn along the way too, so that enables them to make better decisions, and enables them to have better conversations, and ask you better equations, and challenge you on your advice because that is what you want.”* P4

Education has been extensively discussed in this chapter. According to participants, the process of providing clients with the factual basis for recommendations helps develop their long-term financial knowledge. This, in turn, has been helpful in addressing potential bias. P10 reflected on how she educates her clients about diversification and risk:

> *“So, we are first explaining, the difference between saving and investing. That is point number one. And then, point number two, while you are investing, what do you need to be doing. So, you need to diversify, you need to spread your assets across various regions, asset classes, instruments and things like that.*

Then, the concern [from the client] is always from the perspective that the investments are not guaranteed. So, that is a massive hurdle that we need to get people over in that the fluctuations are going to be frequent, particularly in the short term.

And once they get over that hurdle, we then explain to them how we get them to the positive place, and that is through diversification, and how do we diversify. And it is locally, it is offshore, it is asset classes, instruments and then the penny drops. And then people are a lot more comfortable. So, for me, it is always from the perspective of the financial literacy gap, more than anything else." P10

Educating the client is a long, slow process and participants were aware that behaviour takes a long time to change. However, educating the client, utilising logic, facts and simply explaining their perspectives to clients remain a key part of a financial planner's bias management toolkit.

4.4.3.3.5 Scenario Analysis

Participants were focused on outcomes and maintained a long-term perspective. By contrast, many of the biases that participants experienced in their clients, such as responding to the market in a panic, suggest that clients tend to think in the immediate or short term. Through scenario analysis, participants demonstrate to their clients the long-term implications of their actions. Once clients understand the long-term consequences of implementing their own (biased) proposed changes to the financial plan, participants reported that their clients become disinclined to action. P11 provided a useful example of a case where he deterred a client who wanted to make an early draw down on retirement capital:

"We will show them the full financial needs pre and financial needs post-taking the money out. This is so that they know that they [currently] have a set amount of money now that can last them to the age of a hundred that is giving them this kind of income growing inflation every year. If you take that out, this is what it does to your earnings power…" P11

Scenario analysis may be complemented by persuasive explanations and visual aids.

4.4.3.3.6 Slowing Down the Decision

The interview data, particularly a case described by P12, was similar to “procedural rationality” explained in literature (Pavićević & Keil, 2021). P12 described a scenario where a new widower wanted to utilise the full proceeds from life insurance to start a catering business. The widower had no experience in cooking or operating a business. P12 then asked the client to hold the cash in a money market fund for 3 months. Once the cooldown period had elapsed, P12 revisited the idea with his client. The client then remarked that he had since realised that he hated cooking and was not keen on starting a catering business. The truth was that he missed the cooking of his wife, who had passed away within the last year. The business idea was an impulsive and emotional decision. Finance literature has shown that slowing the pace of a decision could mitigate overconfidence bias, particularly within the realms of mergers and acquisitions. Undertaking the acquisition process at a slower pace led to mitigating the effect of CEO overconfidence on acquisition premiums paid (Pavićević & Keil, 2021).

4.4.3.3.7 Casino Money Strategy

When a client proposes a FOMO investment, bitcoin or a potentially reckless investment, some financial planners adopt what the researcher has named the “casino money” strategy. This term, originating from the description provided by P5, entails providing the client with an immaterial portion of their discretionary capital to invest the funds as they please. When P5 was asked about how he mitigates the potential damage of FOMO investments, he explained:

> *“I think the response there would be, is this money casino money or is it your retirement money? If it’s casino money, please go buy crypto, we encourage you, have fun!”* P5

This strategy is collaborative in nature, as it is discussed between the planner and the client and relies on both parties agreeing to a limited amount. This enables the investor’s autonomy by letting investors undertake the investment they are curious about, while limiting the extent of potential damage to the broader financial plan. The client has a large margin of safety because the bulk of investments remain committed to the original financial plan. In addition, the core retirement assets remain intact. An insignificant portion of cash is then extracted from the plan or contributed from the

investor's out-of-plan assets for the investor to "scratch the itch" [P5]. The relationship between the planner and the client seems to remain positive because the planner has not dismissed the client's idea and had enabled the client's curiosity to invest.

The casino strategy is akin to negotiating amicably with the client. The negotiation process is fruitful as it gives credence to the client's curiosity about products or investments outside the realm of the designed plan. It is not dismissive and ultimately leads to a shared outcome for both parties. The planner is pleased the client is not making significant changes to the investments designed around their original, core goals. Effectively, the clients have not lost enough core capital to put them into financial distress, the relationship is maintained (or strengthened) by the open communicative culture and investors feel they have "scratched an itch" and tried something instead of feeling "FOMO".

> *"This at least gives them a taste of it, instead of just kind of completely ignoring or shutting out the idea."* P7

The casino strategy is complemented by open communication channels. A common occurrence in discussions with planners is never to laugh off a client's ideas or things they are curious about (as previously mentioned). Several participants indicated they would rather the client come to them with the content they find on social media and have a conversation about the idea than seeing the client unilaterally act on such FOMO investments. As P5 stated:

> *"You've made it collaborative; you've positioned it for them. They're going to come to talk to you about the crypto. If it works, they're going to tell you it worked, if it fails, they're probably sheepishly going to tell you that it failed. But – you've collaborated, you've engaged, and you've given it a place and you've limited the damage because if you said no, they will withdraw 4 or 5 percent [or more]."* P5

This strategy is similar to 'mental accounting' or pigeon-holing one's money. Mental accounting can be seen as a detrimental bias (Thaler, 1985). Participants have, however, found a way to pivot this bias to protect the 99% capital deployed by the investor by letting them "enjoy" a fling investment with 1%. Importantly, it should be noted that participants seemed to only employ this strategy with higher-net worth

individuals who would remain secure should the portion allocated to the ‘casino’ be lost.

4.4.3.3.8 Anecdotes

Analysis of the interview data indicated that participants used anecdotes to nudge their clients in the right direction. Literature corroborates this data by suggesting that stories and anecdotes are useful to help students understand complex scientific, legal and ethical concepts (Menkel-Meadow, 2000; Mutonyi, 2016). From a medical perspective, anecdotes can represent “cautionary tales” and are prevalent in the training of general practitioners (Alderson & Bateman, 2002, p. 655).

The use of stories or anecdotes to manage bias complements the pervasive bias management approach of protecting the relationship. It takes the focus off the investor by directing focus instead to the subject of the story. P4 explains:

> *“It is like, I saw this with this client, and I saw this with that client, and this is what happened here, and it is somebody similar to you. And also, what that does is it takes it away from... If I were to tell you not to do something, you can take it very personally. But if I make that same story, about someone else that we dealt with, suddenly there is no pressure on you.*
>
> *It is just the moment that you can learn something, or that you can just think about something, and it is not you it was someone else. So, I do think that the more of those kinds of stories you have, the easier it makes that kind of discussion.”* P4

Using stories can thus provide a tool to protect the relationship between the client and the planner, while supplementing the planner’s efforts to educate the client. P10 complemented this idea by affirming that she finds stories to be “very powerful” in helping her clients come to their own realisations when they venture to act on a bias. In other words, hearing about the mistakes of others deters investors from actioning their own bias.

4.4.3.3.9 Visual Representation

Visualisation, similar to anecdotes, was also described as “powerful” by participants in conveying financial concepts to their clients. All participants demonstrated a

consensus in the importance of using visual aids and images in communicating with the client.

These visual aids are also used to manage bias. For example, P6 uses a diagram of stock prices in explaining why the timing of a client wanting to buy into a specific stock (as a consequence of FOMO or herding) might not be appropriate. P11 is of the view that a client may understand a picture instead of complex financial concepts, so he always includes pictures in quarterly reviews with his clients. P11 added to this, in a manner similar to P6, by saying:

> *"Someone around the braai has told them [the client] that they have made a hell of lot of money on a tech ETF and then now your clients want to invest in that. Then you have to show them [visually] valuations, you have to show them where the valuations have gone [how the valuation of the investment has changed], that side of things. They have missed out. It is maybe not the best time to be getting it now."* P6

In response to clients considering early withdrawals, P10 explained that she uses graphs to show the impact of breaking the compound growth of her client's funds.

> *"It is quite a powerful graph that you can demonstrate to a client. And then, when you demonstrate the break in that compound growth process and the effects of that, long term, and I think that is where we normally see a shift in a client's decision-making process."* P10

Visual aids thus act as a complementary effort in managing client's bias. Visual aids can be used to complement explanations to ensure a shared understanding between the client and the planner. Visual aids can, in and of themselves, be used to mitigate bias by showing clients the impact that, for example, not diversifying may have on their portfolios. The data is complemented by existing literature. Graphs and leveraging other multimedia capabilities of computer information systems could potentially influence investor decision-making by mitigating the representativeness bias (Bhandari & Hassanein, 2012). Literature has considered that the presentation of information on a scale wider than just images could support debiasing. For example,

presenting information in a hard-to-read font can help curb causality bias[36] (Diaz-Lago & Matute, 2019).

4.5 Chapter Summary

This chapter discussed the results of the data analysis of the interview transcripts. In communicating the results, this chapter explained how the codes were derived from the data gathered by employing quotes from participants. All codes are constructed from the data obtained. To the extent pertinent, data has been compared to literature to strengthen the discussion.

In addition, this chapter discussed the various subcategories constructed from the data. The core category of the results is the financial planning journey. The client and the financial planner work together to create the financial plan. Participants tended to be tasked with execution of the plan, so execution has been combined with the plan's design for discussive purposes. Throughout this process, clients embark on a financial planning "journey" with their planners. The financial planning journey is the core category on which the grounded theory in the subsequent chapter is based on. The journey encompasses the forging of a relationship between the client and the planner. This relationship is underpinned by trust, adapting to meet the client's needs and salient communication activities.

Behavioural biases and the influence of the external environment can impede or threaten the journey. By analogy, this could be a storm or poor weather impeding a road trip, where the storm is a poor market and a panicked selling out of stock. According to participants, South African retail investors are largely focused on their retirement savings with limited discretionary savings. As retirement savings are subject to limitations on foreign investment (National Treasury, 2011; Willows et al., 2018), the regulatory environment could be a significant contributor to the types of bias being present, such as home bias. Additional reasons, as postulated by participants, for bias in South Africa included poor levels of financial literacy and lack of understanding.

[36] A bias that describes a tendency to overestimate a causal relationship between two events.

Strategic approaches to bias adopted by planners are what protects the financial planning journey from these threats. These approaches, at a baseline, protect the client from shame and embarrassment and seek to ensure that the relationship with the client is maintained. In addition, typical approaches to bias management include explaining the logical sentiment to the client, using scenario analysis to demonstrate the detrimental consequences of bias, and slowing the pace of the decision and negotiating with the client. Anecdotes and visual representation support these strategic initiatives.

CHAPTER 5 GROUNDED THEORY: THE FINANCIAL PLANNING JOURNEY

5.1 Introduction

This chapter presents the theoretical output of this research. This chapter reflects the output of theoretical coding that pertains to the process of relating the categories identified in the results chapter (C. Urquhart, 2013a). Whereas the former results chapter articulated the process of deriving the underlying codes from the data and grouping the codes into their respective hierarchies, this chapter focuses on how the identified categories relate to each other (Shoemaker et al., 2012; C. Urquhart, 2013a). As discussed by Urquhart (2013), the researcher developed theoretical codes. Once established organically by the researcher or where the researcher needed inspiration, the existing coding families from Glaser (1978) were consulted.

The research question asked: *How are the behavioural biases of individual investors managed by financial planners in South Africa?* The implementation of the grounded theory method resulted in the researcher being able to construct a theory regarding bias management. Thus, the answer to the research question is expressed through the theory discussed in this chapter.

A more specific, sub-research question was specified as: *What strategies are implemented by financial advisors to manage the effect of bias on their clients?* The strategies envisioned by this research question are at a more nuanced level than the overarching theory and included approaches such as the casino strategy. Reflecting on the data gathered and the theory constructed, the researcher perceives these strategies to be items within a broader toolkit utilised by the financial planners in response to biases. This falls within the ambit of the sub-process explained within section **5.2.3**. **CHAPTER 4** contained more detail on the nuances of the bias mitigation strategies employed by financial planners.

This chapter is set out as follows: first, the theory of the financial planning journey is discussed. This theory explains how the core category and the subcategories may relate to each other to form a substantive grounded theory of bias mitigation. Second, the theory in its entirety is contextualised against existing literature and theories within finance. Bias mitigation is explained within the context of the efficient and the adaptive

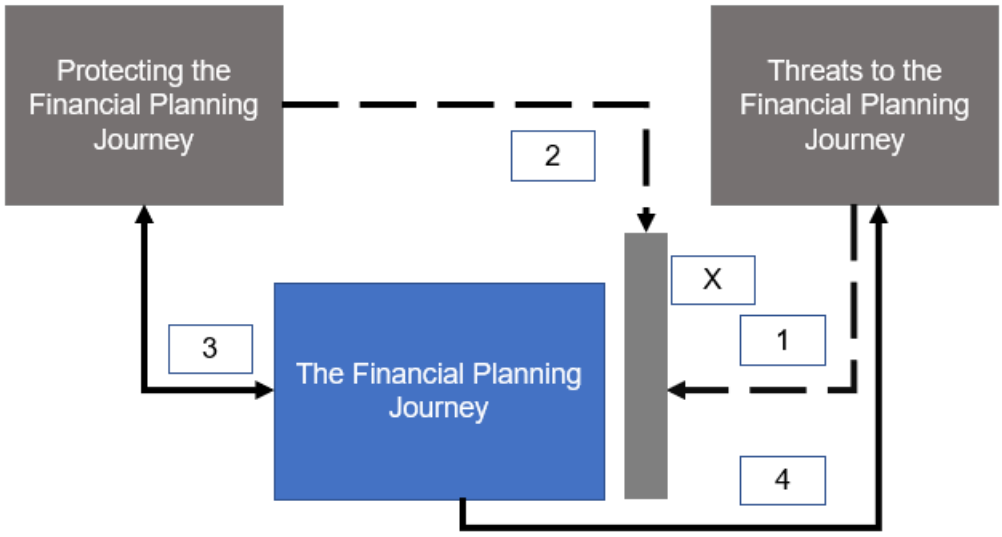
markets hypothesis within finance. Agency theory and broader elements of constructivism are considered within the context of bias mitigation to situate the grounded theory within literature. Lastly, quality considerations are assessed and the limitations of the research are explained.

5.2 Theoretical Discussion

CHAPTER 4 discussed the development of the core category, being the financial planning journey. The previous chapter also explained the development of two subcategories: threats to the journey and protecting the journey. This chapter explains the relationships among these categories and how they converge to create a substantive grounded theory of bias mitigation within the financial planning journey. **Figure 7** represents an enhanced version of **Figure 4** (previously presented in **CHAPTER 4**). The categories and concepts remain the same, but the depiction below is more conducive to explaining theory.

Figure 7

The financial planning journey



Source: Researcher's own

A road trip is an analogy for the Financial Planning Journey (FPJ): the journey begins, and protective mechanisms are undertaken, such as fastening a seatbelt. The quality of the vehicle's safety features plays a role in how safe the journey is. Precautionary

measures may be taken, such as having a designated driver and a co-pilot to help the driver remain alert and focused. Threats, such as inclement weather or numerous potholes on the road might threaten the journey and could result in detours or stops.

Threats to the FPJ, such as biases, could derail, deter or damage the financial planning journey. This is represented by (1) in **Figure 7**. A dotted arrow is used to indicate that the effect of these threats may be moderated or mitigated by the barrier created by the protective mechanisms in place. This barrier is represented by the grey rectangle (X) that prevents arrow 1 from directly impacting the FPJ. The strength of the protective mechanisms applied can augment or weaken the strength of the barrier (X), as explained by arrow 2 in the diagram. The quality of the FPJ can enhance or weaken the protective factors and threats, as explained by arrows 3 and 4. Arrow 3 has arrows on both ends to demonstrate the idea that the FPJ can influence the protection subcategories and vice-versa. Arrow 3's dual points are reminiscent of the connection between the FPJ and *Protecting the journey* as previously depicted in **Figure 4** (the overlap of *Journeying together*). Note that Arrow 4 is a single direction between the FPJ and the *Threats* because any potential feedback to influence the journey is depicted through Arrow 1 and barrier (X).

For example, if a client and planner have a good relationship with each other and trust each other, their journey might be fruitful and communicative. This strong relationship leads to the client being open about potential biases and discussing impulses with the planner ("I want to have the same portfolio as my neighbour, Mr Jones[37]"). This bandwagon bias creates a threat to the established financial plan (arrow 1). Financial planners consider their toolboxes of bias mitigation techniques and undertake a personalised response to the bandwagon bias (arrow 2).

If the protective barrier (X) is sufficiently strong, the client no longer wants to duplicate Mr Jones's portfolio and continues to follow the plan. In this manner, the FPJ remains unchanged because barrier (X) prevented the threat's influence. Depending on how the planner has approached this scenario, the relationship with the client could improve or decline (arrow 3). If improves, the strength of the barrier (arrow 2) could increase. If the relationship is hurt or trust is eroded, then the strength of the barrier

[37] A reference to the English idiom *"Keeping up with the Joneses",* which refers to the comparison of oneself to one's neighbour to compete or be better than them (Cambridge Dictionary, 2022b).

might be eroded (arrow 2 via arrow 3) and it might be more challenging to mitigate future threats. If the FPJ is not proceeding smoothly (such as there being tension, distrust or lack of understanding between parties) then the magnitude of threats to the journey may increase (arrow 4).

If the FPJ relationship is not strong, then clients will resist advice and ignore it. This is well represented by P8's experience. P8 advised his client to stop switching retirement funds on a monthly basis because of the damage of transaction costs on his client's retirement fund. When met with advice, P8 described his client as, "very apprehensive at first, because he always saw me as an agent of the company". The client thus initially resisted advice from the planner and continued to frequently switch retirement funds. The effect of the relationship between the planner and client on the FPJ influenced the protective mechanisms via arrow 3, resulting in a weakened barrier (X) via arrow 2.

Only when P8 established a strong relationship and the journey began to run smoothly (arrow 3) did the strength of the advisor's mitigative strategies begin to function as an effective barrier (arrow 2). As P8 said, "… over time, I told him that obviously the company was not being any better off, or worse off, by this behaviour [of frequent funds switching]. But it was really [about showing him that] I am doing this because this is the right thing to do. I can see that this is definitely going to damage you. And eventually he realised that I was honest in what I was doing, and he eventually took my advice and stopped the behaviour." When the investor's bias manifested via arrow 1, the strengthened relationship (arrow 3) enabled P8's mitigation plans (arrow 2) to form an effective barrier (X). The theory's ability to capture P8's experience within its explanatory power demonstrates the theory's explanatory power.

The FPJ itself may thus strengthen/weaken the protective mechanism (arrow 3). The investor is a key party to the FPJ and may carry inherent biases or negative sentiments that could present threats to the FPJ. For example, a client may constantly seek the advice of peers and be partial to the bandwagon effect. This partiality to bias is depicted by arrow 4 as creating a threat to the FPJ. The quality of advice and experience of the client influence how partial the client is to advice (arrow 3) and bias mitigation approaches undertaken (arrow 2).

In the interest of not forcing relationships among the categories, the researcher considered the relationships independently of consulting the coding families originally proposed by Glaser (as summarised within Flick (2018) and Urquhart (2013)). Once the relationships were conceptualised, the researcher considered the coding families as a robustness check for whether there were better ways to explain or propose relationships among categories. What follows is a comparison of the relationship discussed above to the existing theoretical coding families in literature. Although the researcher independently determined the nature of the theoretical coding applied, there is a close connection to the grounded theory coding family literature.

Arrow 1 aligns to the six Cs coding family ("causes, consequences," etc. (Flick, 2018d, p. 54)) as bias could cause disruption to the FPJ and have detrimental consequences thereto. Arrow 2 portrays the strategy coding family ("strategies, techniques", etc. (Flick, 2018d, p. 54)) because it represents the implementation of a strategy to mitigate or manage bias, as selected by the planner within the FPJ. Arrows 3 and 4 could be seen as connected to the degree coding family and the interactive coding family (Flick, 2018d, p. 54). The degree family describes the extent or intensity of a phenomenon (extent, level, range etc.), while the interactive family describes an interaction or interdependence (interaction, mutual effects etc.).

Arrow 3 captures how the quality of the journey can strengthen the quality of protection while simultaneously indicating the interdependency between the protection of the FPJ with the quality of the FPJ itself. Arrow 4 aligns to the interactive coding family as it portrays the interaction between the FPJ and the threats thereto. However, there is no clear interdependency between the threats and the FPJ. This is because the effects of the threats to the FPJ are moderated by the barrier positioned by arrow 2, being the protection mechanisms. Arrow 4 is thus a one-directional arrow from the FPJ to *Threats* because any feedback from *Threats* to the FPJ is moderated by Arrow 2 and barrier (X).

The theory might be extended to consider the different types of biases throughout the lifespan of the FPJ. The previously discussed example might be contextualised that, at inception of an investor's FPJ, the client might begin with a portfolio that is a mere duplicate of a friend's portfolio (which is reflective of a bandwagon bias).

Subsequently, later in the FPJ cycle, the investor might be inclined to engage in riskier investments that they hear about from their friends.

If the investor, for example, hears about cryptocurrencies whilst at a social gathering, the topic might be more easily discussed with their financial planner. The planner might leverage the client's prior learning of their original bandwagon bias in explaining why the client should not go 'all-in' on cryptocurrency. The planner might say to their client: "Recall that when we first started the journey, you copied your friend's portfolio. This might be another example of where you are following a trend." Engaging with the client on their long-term FPJ enables more customisation of advice and experiences (which was a key strategy in mitigating bias) because the planner might know the client on a personal level. This would make recommendations stronger for the client and continue to fruitfully strengthen the protective barrier against bias within the FPJ.

5.2.1 The Financial Planning Journey

This section explains the relationships among the subcategories within the financial planning journey core category. The FPJ is supported by four subcategories: the investor, the financial planner, financial plan design and execution, and journeying together. The investor and the financial planner journey together, which has been graphically represented as the overlapping point within the bubbles of **Figure 8**. By journeying together, the investor and financial planner collaborate and create the financial plan. The details that underpin the creation of this financial plan are elaborated on in **CHAPTER 4**.

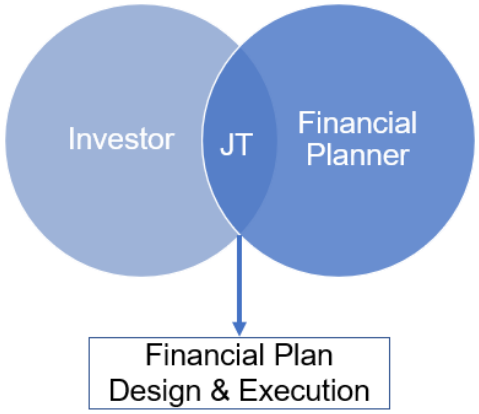
Part of this process is getting to know the client and understanding their risk preferences and potential biases. The financial planner may then need to actively manage these biases and preferences. For example, as explained by Lo (2005), if the client's primary objective is building wealth but the client has crippling loss aversion, this needs to be managed to achieve the objective. Journeying together thus exists at the intersection of the investor and the financial planner.

The financial plan design and execution is the ongoing outcome of the journey between the investor and the financial planner. Going forward, if the journey continues, adaptation and maintenance of the plan will also be the outcome of the journey. As

the investor's needs and personal circumstances change, so too will the plan. Figure 8 provides a macro-overview of the FPJ.

Figure 8

Macro representation of the FPJ



Source: Researcher's own

The researcher intentionally used a sphere to depict the investor and financial planner in Figure 8. The researcher perceived the engagement between the investor and the financial planner as the interaction between two individuals' worlds (see section **4.4.1.1.1**). The spheres in **Figure 8** therefore represent each 'world'. For the purposes of the FPJ, the financial planner needs to encourage investors to share more information about their 'world' to enable a tailored financial plan design.

The financial planner's world may consist of personal hopes, family demands, personal financial situation, prior training and experience and institutions worked for (tied agent or independent). The financial planner needs to moderate the influence of their personal 'world' on the FPJ to limit the impact of any potential personal biases. As an example of moderation, from a fiduciary duty perspective, it would be unethical to exploit the investor based on the financial planner's personal need for wealth. Therefore, the financial planner must consciously self-challenge to moderate the influence of the personal world in favour of the greater FPJ.

The relationship between the investor's world and the planner's world is, however, not perfectly inverse (more from the investor, less from the planner) because the planner is also required to share information to build trust with their client. Communication

between the planner and the client, building trust and getting to understand the client, encourages a better flow of information from the investor to the planner and in turn influences the quality of the plan[38]. Execution of the plan may also follow more easily, as a function of trust.

The investor may interact with other worlds, such as those of their colleagues, family or friends. Through these social interactions, the sharing of worlds, investors may obtain ideas or perspectives to brainstorm with their planner or wish their planner to implement (for example, the bandwagon effect). These effects are captured as part of the 'external environment'. In this manner, the FPJ, via the investor's world, is connected to threats to the FPJ.

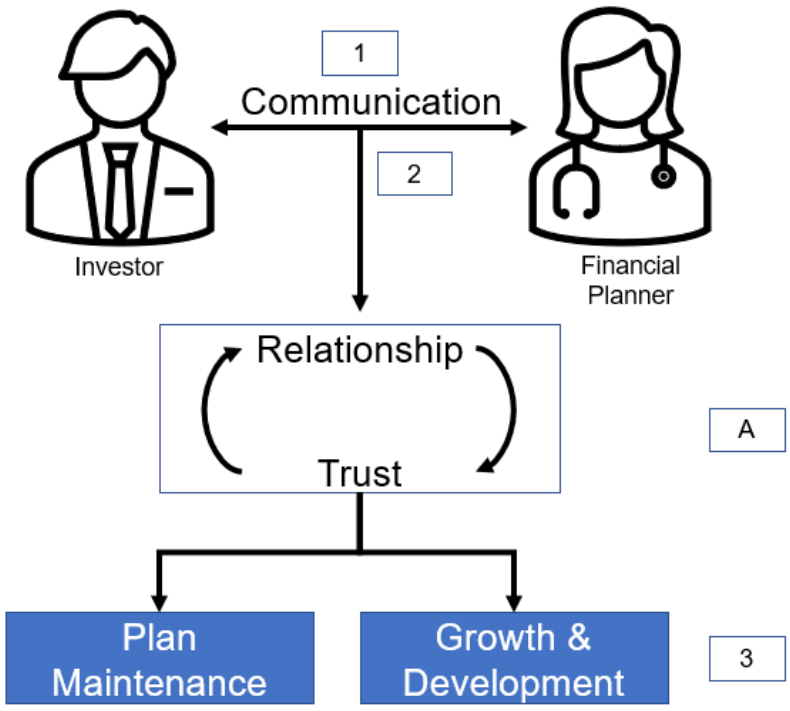
Journeying Together

The subcategory of *Journeying together*, integral to the grounded theory, is nuanced. A discussion of the lower-level codes within the *Journeying together* subcategory is thus provided in this section. The *Journeying together* subcategory is supported by five substantive codes: growth and development, ongoing plan maintenance, ongoing relationship maintenance, building trust and communication activities. **Figure 9** represents these underlying relationships. In Figure 9, the researcher used an icon that resembles a medical professional because participants perceived themselves as doctors. This helped the graphic representation of journeying together stay close to the data it was based on.

[38] This assumes the financial planner has the required technical competence to design the financial plan based on the information obtained.

Figure 9

Journeying together[39]



Source: Researcher's own

The two-way arrow 1 represents the communication activity between the investor and the financial planner. The two individuals talk to each other through a variety of channels and methods: instant messaging, meeting in person, the telephone etc. Arrow 1 in Figure 9 is thus akin to the basic coding family that encapsulates the concept of basic social processes (Flick, 2018d). Communication can be seen as the medium of social interaction (R.E. Park & Burgess, 1912, p. 342)[40]. The nature of the communication influences the sub-process referred to by box A in **Figure 9**.

Box A captures the interactive nature of developing the relationship between the investor and the financial planner. The properties of communication (such as quality

[39] This image utilises generic icons (the investor and financial planner picturisation) obtained from Microsoft Power Point via the researcher's Microsoft 365 licence (Microsoft® PowerPoint® for Microsoft 365 MSO (Version 2208 Build 16.0.15601.20072)).
[40] Although this reference is old, the work is considered by modern literature to be seminal in the history of sociology (Kivisto, 2022).

and appropriate frequency) can influence subprocess A as depicted via arrow 2. If there are favourable initial meetings where the investor and financial planner can understand each other, get to know each other and communicate effectively, it will have a favourable effect on the relationship and extent of trust that is established. The converse may also be true: poor communication between the planner and the client could result in feelings of anxiety within the investor, which reduces the relationship quality with the planner and erodes trust. Conflict is seen as one of the typical forms of interaction (R.E. Park & Burgess, 1912, p. 785). If there is conflict within the interaction of arrow 1, then arrow 2 conveys the impact of this conflict on the relationship and trust. Note that severe conflict could result in a dissolution of the relationship (not illustrated as tumultuous relationships are not within the scope of this grounded theory, as mentioned in **CHAPTER 4**).

Subprocess A encompasses the dynamic between trust and the relationship. Recall that trust was separated as a substantive category due to its importance within the FPJ. From a theoretical coding perspective, trust could be seen as an aspect of the broader relationship (like the 'dimension' coding family (Flick, 2018d)). Trust is integral to the relationship, such that any change in trust is likely to have an impact of a high magnitude on the entirety of the relationship. There is thus a mutual dependence between the substantive codes of 'trust' and 'the relationship'. If there is no trust, there can be no journey. The strength of trust can significantly influence the strength of the relationship. Subprocess A is thus critical within the subcategory of *Journeying together* and the broader FPJ.

Arrow 3 represents the outcomes of journeying together: appropriate revisions to the financial plan due to insights obtained from communication (arrow 1) and growth and development of the client. For example: a client may meet the planner in person and confess to the planner that they have been diagnosed with a terminal illness (arrow 1). Depending on how professional, empathetic and appropriately the planner responds to this news, the relationship could be better off, and trust may grow (arrow 2 leading into subprocess A). The investor may feel taken care of because the planner will help them consider their estate, saving for medical expenses and so on. The outcome of this is that the financial plan may be reviewed and reconsidered (plan maintenance). The investor may grow their financial knowledge regarding how their medical aid might

work, when they work together with their planner to check cover for terminal illness (growth and development).

5.2.2 Threats to the Financial Planning Journey

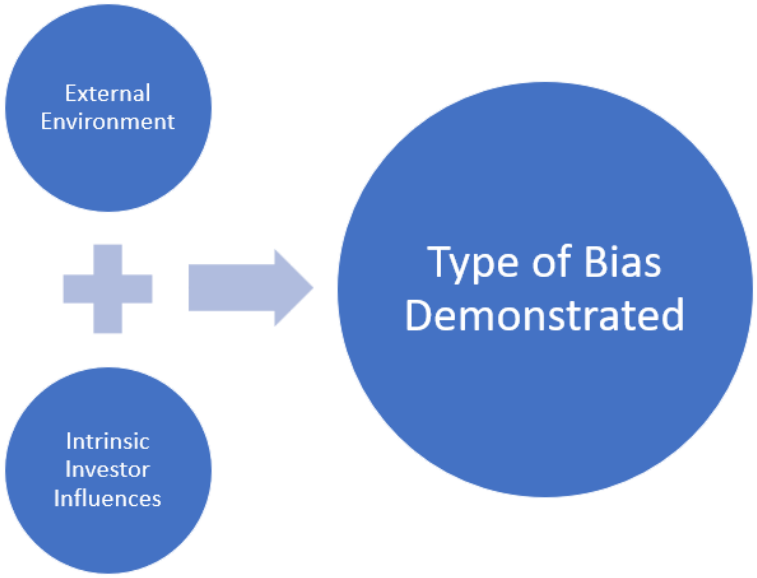
This section explains the relationship among the subcategories that support the threats to the FPJ subcategory. There are just two subcategories to consider: behavioural bias and the external environment. Conceptually, the nature of the external environment can influence the nature of the bias the investor demonstrates. The nature of this influence may vary. Recall that biases were discussed as an inherent aspect of the "investor" in the earlier discussions regarding the codes and subcategories. In the previous illustration of codes, **Figure 4**, the investor subcategory appeared in both the FPJ and *Threats to the journey* because although the investor is part of the FPJ, the investor's bias could also pose a threat to the FPJ.

Consider, for example, home bias: the nature of the laws of South Africa may limit the amount of offshore retirement savings an investor may have. This could lead to unconscious investor home bias. An additional example of this relationship is the type of social media consumed by the investor. If the investor frequently reads social media discussions of meme investments or is affected by FOMO investments, they may demonstrate a bandwagon effect (herding) bias.

Literature suggests that when the environmental conditions change, so too does an individual's behaviour change in response (Lo, 2005). Similarly, the proposed theory connects an individual's environment and other intrinsic dispositions to the types of bias that may be reflected in the individual's behaviour. Intrinsic influences from the investor's personal 'money story' might also influence the type of bias that is demonstrated. As an example of the intrinsic influence, the investor may inherit fear or negative emotions due to losses experienced by parents on the stock market. This could then translate into a severe loss aversion (see arrow 4 in **Figure 7**). **Figure 10** represents a combination of the external environment and intrinsic influences from the investor that can influence the type of bias the investor may demonstrate.

Figure 10

Threats to the financial planning journey



Source: Researcher's own

Human behaviour is not solely intrinsic; it evolves via natural selection as a function of the environment, society and cultural norms (Lo, 2005). The relationships between the codes generated from data suggest that the intrinsic and environmental factors combine to reflect the forms of bias presented by an individual. Thus, the relationships discussed here could be seen as a potential contextualisation of Lo's Adaptive Markets Hypothesis (Lo, 2005), which is discussed in more detail in section **5.3**.

Behavioural finance remains fragmented due to there being neither a distinct lack of fundamental principles that provides explanatory origins for behavioural biases (Lo, 2005) nor a singular quantitative model (Vasileiou, 2021). This might stem from the social element of biases, as it is challenging within the social sciences field to establish a singular model to explain each deviation of behaviour (Vasileiou, 2021). This research's proposed relationship between the external environment and the individual's intrinsic predispositions presents a potential contribution towards a principle of financial bias that could be considered for future research. The nature of this study, however, is not to quantitatively prove the relationship exists but to present theory that is grounded within data. Furthermore, this research cannot purport to

provide an exhaustive list of causal factors towards bias. The relationships discussed here are grounded in the interview data codes.

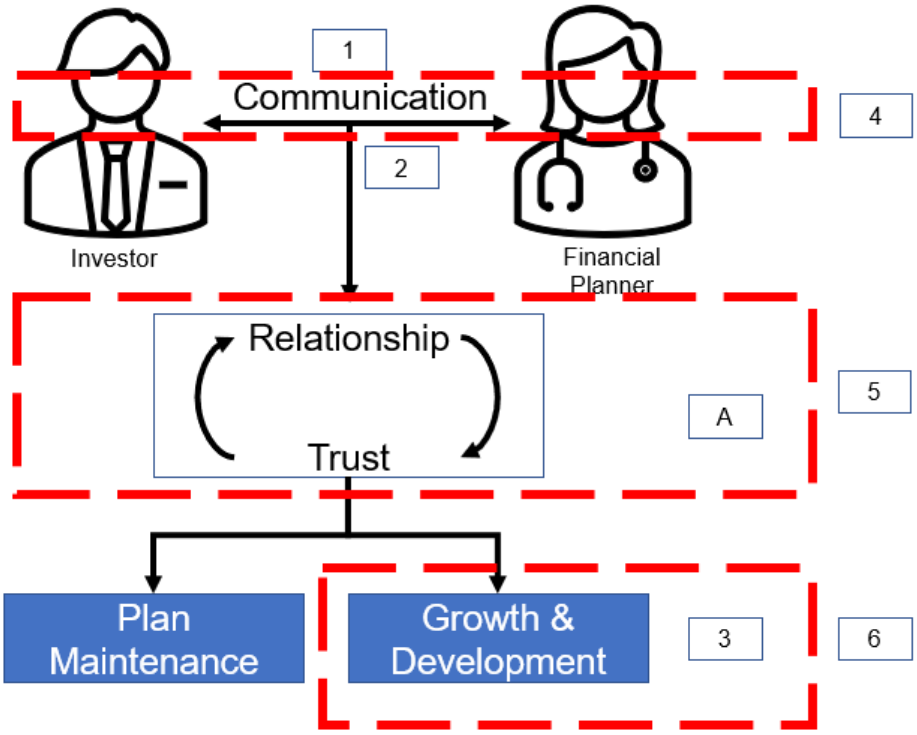
5.2.3 Protecting the Financial Planning Journey

This section explains the relationship between the substantive codes within the protective subcategory. The coding process revealed two elements to protecting the FPJ: (i) pervasive mechanisms that always happen and (ii) specific mechanisms used once sufficient information has been obtained. The latter could be analogised to a toolkit, whereby the planner uses the appropriate tool to address the problems or biases presented by the client according to the needs of the situation.

Conceptually, the pervasive approaches form the foundation for bias mitigation. These are always done when faced with a potential bias. The pervasive bias mitigation approaches are highly related to the theory of journeying together. Recall that **Figure** 7 contains a two-way arrow (3) between the FPJ and the protective subcategory. Thus, graphically, one can understand the pervasive, protective measures when superimposed on the design of **Figure 9**. **Figure 11** outlines pervasive bias mitigation approaches within a red rectangle.

Figure 11

Pervasive bias mitigation approaches



Source: Researcher's own

Three codes supported the pervasive approaches to protecting the journey: protecting the relationship, encouraging the client's own realisations and asking probing questions. Box 4 represents the planner's approach to always ask questions, which could be seen as an inherent component of the ongoing communication that exists between the planner and the investor. For instance, if the investor wanted to not invest in foreign stocks, the financial planner would use conversation (and questions) as a tool to obtain a better understanding of the investor's mindset and scenario. Box 5 represents the protection of the relationship between the parties. As previously mentioned, this is crucial for the continuation of the FPJ and is consequently highly prioritised within the bias mitigation process. Lastly, Box 6 demonstrates that the component of encouraging the clients to come to their own realisations could be seen as an aspect of the client's own growth and development. In totality, the pervasive bias mitigation approaches can be seen as highly interdependent on the FPJ.

CHAPTER 4 outlined several specific bias management approaches. The planner's understanding of the client based on their relationship and an understanding of the client's bias (constructed on box 4 and 5) informs the approach, or combination of approaches, that the planner then selects. Financial planners personalise their approach to the bias based on the numerous techniques and approaches that have been described in **CHAPTER 4**.

Extending the metaphor of the journey: if the car breaks down on the road trip, those travelling together have to consider what the problem is, based on their understanding of the vehicle and the journey thus far. One might reflect: *'*Is there perhaps a problem with the engine or is the tyre flat (box 4)? I know, in the past, that the back tyre was punctured previously and was repaired (box 5). I know how to change a tyre from previous experience (box 3). Perhaps I should check the tyre first (box 6).'

As previously mentioned, the casino money strategy is a specific bias mitigation technique. The planner might understand, from several conversations about bitcoin that the investor is unable to resist their curiosity and urge to invest in the cryptocurrency asset class. The planner might consider that continuing to deny the client the opportunity to invest might prejudice their relationship. Furthermore, the planner might also be aware that the investor has significant surplus assets. Considering these factors, the planner might conclude that the casino money strategy might be an effective mitigation of any wide-scale damage the speculative investment might have. Thus, the planner will agree with the client to liquidate an immaterial percentage of assets to protect (refer to the barrier and arrow 2 in **Figure 7**) the FPJ. Expressed differently, the strategies discussed within the results chapter (see section **4.4.3.3**) are tools within a financial planner's toolbox. The planner must utilise experience, knowledge and understanding of the client in selecting which tool to utilise.

Protecting the FPJ represents the institution of financial advice effectively disciplining the investor's bias. This forms part of the wider research agenda for behavioural finance as set out by Baker and Nofsinger (2010), who recommend that behavioural finance research seek to understand how institutions might mitigate or discipline the effects of investor bias. Future research may want to consider how one might precisely match the mitigation strategy in relation to the type of bias identified. However, for the

purposes of theory generation, the current overall theory, as explained earlier, is sufficient.

5.3 Contextualising the Theory: Reverting to Existing Literature

Urquhart (2013b) considered that a grounded theory is not complete until it is considered within the context of wider literature within the field. The purpose of this section is thus to consider how the theory "contradicts, confirms or extends existing theory" (C. Urquhart, 2013g, p. 130). This comparison enables an improvement to the theory's "analytic generalisability" (C. Urquhart, 2013g, p. 136). This section considers existing, seminal core theories in finance in relation to this research's proposed theory of financial journeying. The efficient markets hypothesis and agency theory are commonly used in finance and governance research (Baker & Nofsinger, 2010), while the adaptive markets hypothesis presents a more behaviouralist lens to the efficient markets hypothesis (Boya, 2019; Lo, 2004, 2005).

5.3.1 The Efficient Markets Hypothesis and Behavioural Finance

Financial theory and practice remain largely connected to the EMH (Fama, 1970; Lo, 2004, 2005; Verheyden et al., 2015). Fundamentally, the EMH posits that the market completely, accurately and instantly incorporates information into market prices. The EMH is underpinned by the assumption that economic beings are rational, act in their own best-interests and make optimal decisions (Lo, 2005). Modern finance literature continues to discuss permutations of the EMH while retaining the underlying assumptions of rationality (for example, James & Valenzuela, 2020).

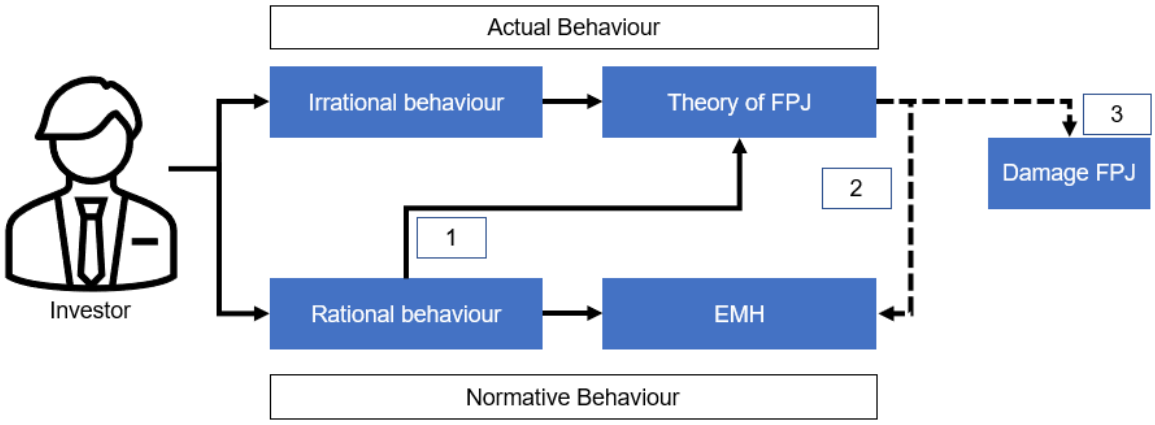
By contrast, proponents of behavioural finance (Shefrin & Statman, 2000; Shiller, 2003; Statman, 2020) consider that markets are not perfectly efficient due to elements such as behavioural biases. Verheyden et al. (2015) go as far as to say that academia is "torn" between the EMH and behavioural finance. Vasileiou (2021) presents a perspective that research should not focus on the arguments for and against the EMH and behavioural model. Instead, financial economists should turn their attention to finding what is potentially missing from existing theory and incorporate this into a rational model.

The theory of the FPJ could be seen as a potential bridge between the EMH and behavioural finance. Within the FPJ, biases and irrational decisions are identified and addressed to correct an individual's decision-making process. These corrections are made, ideally, to align the decision to rationality in terms of the original propositions of financial investing that are within the ambit of the EMH. Thus, the FPJ could represent a process undertaken by an investor as a device or decision support system to align their potential bias with rationality. The FPJ captures irrational agents into its theory and employs the financial planner as a corrective device to steer the irrational towards the rational.

The FPJ thus extends the literature of both traditional and behavioural finance by simultaneously encompassing both rational and irrational elements. Thaler, as quoted by Vasileiou (2021), stated: "We can build richer models, and models with a better predictive power, if we include the way people actually behave." The theory of the FPJ is grounded in actual behaviour because it is constructed based on financial planners' lived experiences. Thus, the theory is built on the actual behaviours of the planners and their clients. Figure 12 shows how the FPJ connects actual and normative instances of finance.

Figure 12

The FPJ within the context of EMH and behavioural finance theory



Source: Researcher's own

Extending the polarisation of the behavioural approach (driven by actual behaviour) and the EMH approach (normative behaviour), one could, for simplicity, assume that investor decisions might be classified as either irrational or rational behaviour. Instances of rational behaviour are consistent with the EMH. At the same time, an investor might want to make a perfectly rational decision and discuss it with their planner, given the extent of communication (arrow 1 of **Figure 12**). The FPJ will thus result in an EMH outcome.

On the other hand, an investor might wish to undertake an irrational decision (for example, due to a behavioural bias). Depending on the various factors discussed above, the FPJ has the potential to deter a negative outcome and result in outcomes that are consistent with EMH (arrow 2 of **Figure 12**). As this is a potential outcome and not a certain outcome, Arrow 2 of **Figure 12** is represented by a dotted line. The FPJ's ability to result in an outcome consistent with EMH is likely to be a function of the technical skills of the planner in designing the plan (within the theory described in section **5.2**) and the ability of the planner to employ strategies to protect the FPJ.

Instances where the FPJ theory has failed to deter an investor from a poor choice tends to damage or end the FPJ (arrow 3 of **Figure 12**). Arrow 3 reflects an outcome where an irrational decision has been made by the investor that is detrimental to the FPJ. This could impact the quality of the relationship and trust between the investor and the planner. Overall, **Figure 12** provides context for how the FPJ theory connects the two sides of behavioural finance (simplified) and the EMH. The FPJ is a novel theory that extends the finance literature by progressing the reconciliation of two commonly polarised arguments within finance.

Furthermore, the theory of the FPJ responds to the behaviouralist research agenda to demonstrate "interactions between behavioural forces and institutional features" (Baker & Nofsinger, 2010, p. 33). In presenting a design for future behavioural finance studies, Baker and Nofsinger (2010) suggest specific study into how behavioural forces may interact with disciplinary institutions. Behavioural forces may be strengthened or weakened in response to the strength of the respective disciplinary institution. The theory of the FPJ discusses how the institution of financial advice has the power to potentially mitigate or tame the behavioural forces that undermine judgement in financial decisions. The theory of the FPJ thus sits at the intersection of

traditionalist finance and behavioural finance by adding to the dialogue around which institutions can effectively mitigate bias.

5.3.2 The Adaptive Markets Hypothesis

In an effort at reconciling behavioural finance and the EMH, Lo (2004, 2005) put forward the AMH. By using the analogy of the concept of biological evolution and the concepts of bounded rationality and satisficing, the AMH contextualises biases as part of an individual's adaptation to changing market conditions. The AMH is a version of the EMH derived from Darwinian evolutionary principles. Lo (2004, 2005) explained that the AMH consists of six concepts, of which the following are most pertinent to the FPJ: Individuals act in their own interests; individuals make mistakes, learn and adapt; competition fuels adaptation; natural selection influences market ecology; and evolution is determinative of market dynamics.

Individuals learn how to behave through trial and error as well as natural selection (Lo, 2005). Through their experience and guesses, individuals learn from the outcomes of their decisions and continue to develop heuristics to solve financial and economic problems. Over time, if the problems remain constant, the individual will eventually adapt to reach an optimal solution (Lo, 2004, 2005). When the problems change, outdated heuristics will result in poor outcomes, such as the behavioural biases seen in finance. Thus, under the AMH, behavioural biases are the result of taking heuristics out of the broader context of evolution (Lo, 2005). By contrast, under the EMH, investors do not make mistakes and do not learn or adapt (Lo, 2005). The AMH has the potential to offer deeper and more insightful results regarding market efficiency than the EMH (Lo, 2004, 2005; Verheyden et al., 2015).

The AMH has not been extensively empirically tested; and testing thus far has yielded mixed results (Verheyden et al., 2015). However, there are sufficient views in literature that find empirical results that are consistent with aspects of AMH for it to be explored further within this section (Boya, 2019; Kim et al., 2011; A. Urquhart & Hudson, 2013; Verheyden et al., 2015). Elements of the FPJ theory have the potential to extend the AMH.

First, individuals in the FPJ act in their own self-interest. This is one of the core ideas of the AMH. Investors seek advice to achieve their personal financial goals. The

financial planner also provides services to receive financial compensation in return. Additional pressures exist on the financial planner to ensure their personal self-interest does not jeopardise the broader FPJ, i.e., the planner must moderate self-interest for the greater good of the FPJ.

The relationship between planner and client results in a form of economic collaboration. Similarly, within the AMH, competition and cooperation are part of the adaptive mechanisms for humans to surmount environmental challenges (Lo, 2005). The client could thus be seen as seeking support from the planner to address an inability to flourish within the market without a guide or collaborator. Lo's AMH draws a connection between the market in EMH and ecology. Thus, extending this ecological connection, the relationship between the financial planner and the client could be seen as a form of symbiosis. From an ecological perspective, symbiosis refers to the association between two or more dissimilar species (Koide, 2022).

Recall that market participants under AMH adapt and evolve to change, and that natural selection shapes the market ecology. It is the "survival of the richest" (Lo, 2005, p. 11). From a biological perspective, research has suggested that symbiosis plays a role in natural selection (Koide, 2022). The FPJ extends this thinking by creating an association between the financial planner and the client that could lead to a mutually beneficial outcome. In this manner, the FPJ theory could also be seen to extend the AMH. This is valuable because the AMH itself ventures to reconcile behavioural finance and the EMH.

Furthermore, within the FPJ, clients grow and develop their knowledge as a function of their engagement with their planner. This is akin to the AMH principles of adaptation occurring as a function of a push for survival in the face of challenges. The growth and learning of the client through the FPJ process is like the AMH perspective of investors learning and adapting from their mistakes. The advantage of the FPJ, when compared to the AMH, is that the investor does not need to make the mistake before learning why the decision is incorrect. Planners tend to help clients see the potential flaw in their thinking to deter them from executing a poor decision.

5.3.3 Agency Theory

Agency theory is a common theory utilised in finance research, but it is often seen as central to corporate governance literature (Baker & Ricciardi, 2014). Subsequent to earlier seminal literature in this regard (Holmström, 1979; Jensen & Meckling, 1976; Ross, 1973), there has been a volume of literature incorporating systematic approaches to agency theory within corporate decision-making. Such literature often discusses alignment between the interests of a principal and its agent. The principal seeks to design incentives to ensure its agent acts in the interests of the principal. This is the agency issue within economics. However, agency in social psychology has a different perspective.

Seminal early literature in psychology illustrates an agentic shift, whereby an individual acts under blind loyalty to another. This entails suspending their autonomous judgement in favour of executing instructions based on the judgement of another (Blass, 1991, 1999; Burger, 2009; Milgram, 1963; Miller, 2009; Morck, 2010). Ergo, agency in the social psychology domain posits excessive loyalty as problematic (Morck, 2010). Literature (such as Milgram, 1963) has demonstrated how, under experimental conditions, participants obediently continued to administer voltage shocks to an actor despite a plea for release. Feelings of loyalty to the experiment supervisor, a need to do what was expected of them and politeness or an aversion to conflict were provided as participant rationale for the sustained violence (Blass, 2004).

A behavioural view regarding agency theory thus requires a consideration of both excessive and insufficient degrees of loyalty within agents. This incorporates the self-interested agent of finance and the overt loyalty within social psychology (Morck, 2010). Literature has considered permutations of agency issues with regards to the institution of financial advice (Eriksen et al., 2022; Mastroeni et al., 2022; Mullainathan et al., 2012). This section considers the FPJ in light of agency theory.

The roles from the investor's perspective place the investor as the principal and the financial planner as the appointed agent. Financial planners have a duty to protect the best interests of their clients, which forms part of the CFP competency framework (FPI South Africa, 2021). The data obtained from participants does not, however, suggest that this amounts to blind loyalty. The FPJ incorporates elements of debate and discussion regarding potentially poor decisions. There is an element of rebuff or

questioning that occurs should an investor wish to undertake an action that is subject to bias. There are limits to the extent of the rebuff, however, given the autonomy of the investors and the view that it is ultimately their money.

Issues might occur when the planner's duty to the client is compromised by external incentives (Mastroeni et al., 2022; Mullainathan et al., 2012). This creates a conflict-of-interest situation that resembles discussions within corporate governance (Jensen & Meckling, 1976). The roles of agency are blurred when the financial planner is not truly independent: is the planner an agent of the juristic employer or the client? Within this context, it is perhaps the investor who must seek to discipline the financial advisor (Calcagno et al., 2017) by obtaining secondary opinions or consulting regulatory authorities. Although, such actions might not be practical for unsophisticated investors who might fail to understand when they are receiving compromised financial advice. In this instance, it is potentially a case that financial advisors adopting a deontological[41] (duty based) framework must reflect on to whom their duty lies and whether their actions are ethical.

The FPJ theory, through protecting the autonomy of the investor and seeking to make collaborative decisions, seems to mitigate the suspension of autonomy concerns within social psychology (Milgram, 1963; Morck, 2010). It considers the behaviourally biased problem of extreme loyalty and suggests that planners do not necessarily pander to their clients' biases (which conflicts with the earlier views of Mullainathan et al., (2012)). To pander or yield to bias is to jeopardise the journey. The FPJ theory does not, however, fully mitigate the potential agency concerns that potentially compromise the behaviour of financial planners. A potential way to perceive any excess fees within the FPJ is to factor in such fees as a cost for the journey. This is discussed further within the limitations section of this chapter.

5.3.4 Constructivism in Behavioural Finance

This section reflects on the theory and its components specifically considering the constructivist perspective this research has undertaken. Particularly, this section reflects on Crotty's (1998) fundamental narrative within the *Foundations of Social Research* on constructionism and Charmaz's (2010) explanations of constructivism.

[41] Whereby right and wrong are framed as performing or not performing a duty (Morck, 2010)

The impetus for this reflection is the dearth of qualitative, constructionist research produced in finance (Kaczynski et al., 2014), which warrants further discussions supporting the epistemological and ontological views taken. Furthermore, Crotty (1998, p. 64) cautions qualitative researchers to not claim to be constructionist or constructivist without reflecting on its significance and its meaning for research. This section thus responds to this need for reflection. The methodology chapter introduced the constructivist perspective this research applied, which is expanded on below.

Significant social dynamics take place between the financial planner and the client that cannot be subordinated within the theory that has been constructed. This qualitative social element provided fresh insights into the behavioural finance field, which tends to be quantitative and experimental in nature. This section explains the connection between epistemologies commonly used in social science research and how it is relevant within finance.

Qualitative research sometimes uses the terms constructivism and constructionism interchangeably (Cresswell, 2018). This paragraph considers the nuances of each term and then explains the position taken by this research. Constructivism, from Crotty's perspective, is an epistemological term pertaining to the meaning making activity of an individual's mind (1998). Charmaz (2010, p. 187) elaborates to say that constructivism is "a social scientific perspective that addresses how realities are made" whereby the perspective assumes that the researcher and participants construct the realities in which they participate. Constructionism is then used to refer to the collective generation and transmission of meaning, whereby meaning is not created, it is constructed (Crotty, 1998, p. 43). Constructionism can represent an epistemological perspective whereby meaning is not discovered, it is constructed (Crotty, 1998). Social constructionism is a "theoretical perspective" which suggests that "people create their reality through individual and collective actions" (Charmaz, 2010, p. 189). There is a perspective, which this research aligns to, that constructivism and constructionism exist on a spectrum (Cresswell, 2018). For instance, the researcher is a constructivist when developing the research aims and objectives for an original piece of research; and when interviewing participants, the researcher becomes a constructionist in the interview (by inquiry) to collectively generate theory (Cresswell, 2018).

The theoretical narratives reflecting on the "world" of the investor and the financial planner connect to Crotty's explanation that "…human beings in their totality are intentionally related to their world. Human being means being-in-the-world" (Crotty, 1998, p. 45). This is the perspective through which the researcher perceived the dynamics of the investor's biases, as previously explained in section **3.4.2**. The financial planner must understand the world of the client: the background, hopes and extent of their financial knowledge. The relationship between the planner and the client extends beyond nominal investments. The financial plan is a microcosm of the broader macro-world the client lives and engages in, and the future world the client hopes to attain.

Money does not always exist in isolation of its uses: *"Because of the essential relationship that human experience bears to its object, no object can be adequately described in isolation from the conscious being experiencing it, nor can any experience be adequately described in isolation from its object"* (Crotty, 1998, p. 45). The interdependence of money and client sentiments was specifically explained in the results chapter and encompassed into the theory of the FPJ. Numerous participants shared the sentiment that sometimes clients value understanding whether "they will be okay" more than the quantitative investment analysis process. Furthermore, understanding the client's 'money story' and relationship with money solidifies this theory's perspective that one cannot detach wealth (and plans to construct or maintain wealth) from the individual's experiences and world. Nor can the planning process divorce the individual from the wealth construction journey.

This complements the description of money articulated by Searle (2005, p. 4,5,16) which states that: "money is created as such by the attitudes of observers and participants in the institution of money […] Money is typically redeemable in cash, in the form of currency, but currency is not essential to the existence or functioning of money." From this perspective, Searle (2005) conjectures that the deontic power of money goes to the individuals who possess the money. The power that money provides to an individual is not necessarily inherent in the physical possession of currency. Instead, it is the rights and powers attaching to the money's capacity to purchase items one would otherwise be unable to afford. Thus, the deontic powers of money are not tangibly represented. Instead, currency is merely an indicator of an

individual's latent deontic power that arises from money. Deontic powers were discussed in **CHAPTER 1**'s contextualisation of financial advice as an institution.

The client's 'money story' is an apt financial counterpart to Crotty's (1998) example of trees, such that in childhood one learns the meaning of trees based on the culture in which we are brought up (e.g., in a logging town compared to a slum). These understandings imparted through culture and society are not beyond critique. Indeed, Crotty quotes William Blake's "mind forg'd manacles" when considering the need to break free from inherited understandings about the world around us (Crotty, 1998, p. 59). Similarly, the financial planner needs to emancipate clients from detrimental inherited views of money that could preclude their achievement of personal financial goals (such as deep risk aversion that inhibits capital growth). Furthermore, the researcher had to break free of certain stigma and protocols within the finance literature.

Research undertaken within the constructivist vein necessitates that "we not remain straitjacketed by the conventional meanings we have been taught to associate with the object" (Crotty, 1998, p. 51). The EMH's seminal role in finance, discussed in section **2.2**, is an example of the conventional thinking that underpins finance literature. The researcher had to break away from finance convention and remain rooted within the data. The grounded theory method inherently helped the researcher stay close to the data to generate theory that stemmed from the participants' tangible experiences.

5.4 Quality Considerations

Qualitative research is not beyond evaluation, although there is a significant element of judgement required in undertaking a quality assessment (Flick, 2018e). However, it is clear from literature that the same credibility guidelines for quantitative research cannot be applied to qualitative research (Glaser & Strauss, 1967). As a starting point, the quality of the theory will be considered in terms of the two angles proposed by Glaser and Strauss in their original writing on grounded theory (Flick, 2018e; Glaser & Strauss, 1967). Second, the theory will be evaluated using Charmaz's criteria for constructivist grounded theory (Charmaz, 2010).

5.4.1 General Grounded Theory Quality Criteria

The original proponents of grounded theory prescribed criteria for judging the quality of grounded theory in two stages: first, criteria were outlined to judge the research within each phase (e.g., data collection and analysis) and second, the theory itself had quality indicators (Flick, 2018e; Glaser & Strauss, 1967). The methodology chapter outlines in detail the steps undertaken within each phase of the research process. Thus, this section focuses on reflecting on the quality of the methodology's output: the theory itself. Grounded theory necessitates a theory that fits the real world, has explanatory power and predictive power, is relevant for people concerned and is readily modifiable (Flick, 2018e; Glaser & Strauss, 1967).

A grounded theory must closely fit the substantive area it pertains to and be easily understandable for laypersons within the respective area (Glaser & Strauss, 1967). There is a risk that the theory produced could embody the researcher's personal ideas or values. The data in this study was compiled from interview transcripts and carefully analysed and coded. The results chapter provides evidence of how the codes closely fit the data gathered and the theory. As a result of staying close to the data, the theory closely fits the real world the participants experienced. The explanatory power of the theory is demonstrated using examples that are articulated when explaining the theory.

The theory must also be general enough for it to be applicable within daily situations. The theory discussed is simple and flexible. It is practically connected to the data gathered from participants and is reflective of their experiences. It is general enough to work beyond a specific bias. The theory can apply to all biases and errors in thinking experienced by the investor.

5.4.2 Constructivist Quality Considerations

A constructivist grounded theory approach was undertaken in this research. It thus follows that a criterion for evaluating grounded theory, from a constructivist perspective, should be applied. Charmaz (2010) has outlined several points in evaluating grounded theory research, each of which are considered below.

5.4.3 Credibility

Under the point of credibility, Charmaz challenges the researcher to reflect on whether they have achieved intimate familiarity with the subject matter and whether there is sufficient data to merit claims (Charmaz, 2010). In total, the researcher interviewed 12 participants and conducted a pilot study prior to commencement of the final study. Participants were from both wealthy and poorer provinces (in terms of GDP contribution to South Africa). Reflecting on the depth of detail shared by participants and how forthcoming information was from participants, theoretical saturation was achieved. Participants explained a variety of scenarios and cases. For example, consider the number of biases that participants discussed, such as: home bias, bandwagon effects and hyperbolic discounting. The gender representation was an appropriate approximation of the demographic of the actual CFP population. The interview population included both independent and tied agent advisors. The core category and its subcategories were sufficiently constructed based on a strong data-supported foundation.

5.4.3.1 Originality

The categories proposed by this research are original and fresh. The researcher is not aware of research undertaken in a similar qualitative manner that explores the role of the financial planner within the bias mitigation literature. A specific element of originality, per Charmaz, is to what extent the grounded theory challenges, extends or refines current ideas (Charmaz, 2010). This was discussed in section **5.3**.

Additionally, the grounded theory method is not often used in behavioural finance literature. Thus, this research's novel approach could present inspiration for future studies using a similar approach. There is an acknowledged lack of qualitative research methodologies applied within finance (Kaczynski et al., 2014), which this research has aimed to correct.

5.4.3.2 Usefulness and Resonance

The theory generated by this research has the potential to spark further research into behavioural finance. This can be seen in the way the theory connects to existing literature while also providing a theory basis that could be tested in future experiments, quantitative approaches or even future qualitative studies. From a practical

perspective, financial planners could use the theoretical model suggested by this research when explaining the financial planning process to their clients. The theory could also inform future policy regarding the skills of financial planners, such as how to build relationships, how to socially deal with clients and how to be tactful when managing conflict.

Charmaz's concept of usefulness intersects with the original quality indicator that a theory must be understandable to those that work within the respective subject field (Glaser & Strauss, 1967). Charmaz asks, under the criteria of usefulness*: "How does this research [the grounded theory] contribute to a better world?"* (2010, p. 183). This research began with the objective of helping investors make better decisions. Financial planners help investors, according to the findings of this research, to make better financial decisions. If investors are able to have a successful FPJ, they will be less at risk of making poor decisions and stand to have a more fruitful financial life. This research has contributed an understanding of how the financial planner can be useful to the financial literature. By staying close to the data and incorporating participant experiences, resonance has been achieved.

5.4.4 Evaluation of the Core Category

According to Flick (2018a), a major objective within Glaser's version of grounded theory was to identify a core category. To this end, various criteria for what constituted a core category were proposed. The researcher considered it useful to assess the core category against these criteria for the purposes of reflecting on the quality of the theory, given the central importance of the core category. **Table 15** provides an overview of the core category quality indicators and how these were applied.

Table 15

Assessment of the core category

Core category quality indicator (Flick, 2018d)	**Reflection: The financial planning journey**
Must be central.	The FPJ is central to the theory. It is easy to see how the subcategories orbit around the core category.
Reoccurs frequently and thus takes more time to saturate.	The FPJ as a phrase and concept occurred frequently in the data and took some time to explore and saturate.
The connections with other categories come quick and richly.	The other categories connected quickly to the core category and enabled rich theoretical discussions.
It should have clear and 'grabbing' implications for formal theory	The core category is intuitive to understand, and its implications (through connotation) are sufficiently grabbing for the reader and the theory itself.
Considerable carry through, which means it does not lead to dead ends.	The core category enabled the construction of the theory entirely; it did not limit or stifle the theory into a dead end.
It is completely variable in degree, dimension and type	Each individual and financial planner's journey can be different. The core category is thus entirely variable and can result in many different types of journeys.
It is also a dimension of the problem.	The elements within the financial planning journey connect to the threats to the journey. In this manner, the biases of the investor are problematic. Yet, the investor is also a key player within the financial planning journey itself.
Tends to prevent other sources from establishing a core which is not grounded.	The centrality of the core category precluded any core category that was not rooted within the data.
It can be any kind of theoretical code: a process, a condition, dimensions, a consequence.	The journey itself is a process within the theory that is ongoing.

5.5 Limitations and Delimitations

This section discusses the limitations and delimitations of this research. Limitations pertain to what the researcher cannot do (i.e., beyond the researcher's control) and delimitations entail what the researcher will not do (i.e., beyond the paper's scope). Reminders regarding the scope of the theory are also considered in this section.

This research is limited to a qualitative study, and it achieves its objective by formulating theory. The quantitative testing of this theory and other forms of quantitative triangulation, such as an analysis of data or experimentation, are beyond

the scope of this research. This research was limited to interviewing South African participants. Although principles are elicited from the data that are not specifically South African, results might vary if a global population of participants was interviewed.

An important component of the theory that must be reiterated is the willingness of both parties to undertake the financial planning journey. What this means is that clients who resist advice, are adamant on undertaking their own actions (whether biased or not) and do not work in a collaborative manner with their financial planner cannot be within the scope of this theory. Indeed, for clients such as this, one may wonder why a financial advisor was engaged in the first place (as explained by the participants). There is thus an inherent limitation on the type of investor that the theory could result in predictive or explanatory power over.

Simultaneously, the type of financial planner used also has a bearing on the theory's application. The population of financial planners interviewed were all South African. South Africa is a highly unequal society (Fortuin et al., 2022; OECD, 2020b; Vvon Fintel & Orthofer, 2020). This inequality unfortunately continues to persist subsequent to 1994's abolishment of the apartheid regime (Fortuin et al., 2022). Africa as a whole is the content with the lowest share of wealth in the world while having extreme wealth inequality (Vvon Fintel & Orthofer, 2020). Households within the bottom 50% of the South African income distribution are dependent on government grants, have low savings and are often excluded from jobs (Vvon Fintel & Orthofer, 2020).

The FPJ can be challenging for financial planners who come from previously disadvantaged backgrounds. The FPJ theory is reliant on planners moderating the effects of their self-interest on the journey to balance the needs of their clients. A financial planner who is struggling to make ends meet or put food onto the table, may not necessarily engage in the FPJ in a manner that is conducive to positive outcomes for both parties. The FPJ theory can function as explained within section **5.2**. However, outcomes may vary depending on the financial planner's ability to balance self-interest against that of the client. In addition, the use of a financial planner may not be fruitful for low- to middle-income households that might be unable to afford this service. The theory of the FPJ could therefore be refined for low- to middle-income households specifically, in future research.

Literature in finance often challenges the capacity of the financial advisor to be truthful (Mastroeni et al., 2022; Mullainathan et al., 2012). Agency theory is a common theoretical basis used to address issues in finance and governance (Baker & Nofsinger, 2010; Mastroeni et al., 2022). Agency theory illustrates the potential tension between the planner acting in their own best interests compared to the clients' interests, for example, in the pursuit of exploitative higher commissions. The FPJ rests on the foundations that participants purported to have their clients' best interests at heart. The prioritisation of the client's interests also forms part of the CFP skillset required by each holder (FPI South Africa, 2021). Thus, a potential delimitation of the theory is that the researcher accepts the truth of the planner's best intentions regarding clients.

Furthermore, time constraints limited the number of participants who could be interviewed. This was mitigated, however, by having participants of high quality and competence (all were qualified CFPs) and of varying genders and locations within South Africa. Most participants were open and shared their experiences in depth, resulting in interviews that tended to last for an hour on average. This yielded a substantial volume of data and supported the researcher in obtaining theoretical saturation. The research methodology, grounded theory, inherently provides momentum to the interview process until robust theoretical categories are created (Charmaz, 2010). An additional mitigant to the limited number of participants is how, from a constructivist point of view, resonance is imperative rather than a statistically representative sample (Charmaz, 2010). By remaining close to the data and incorporating direct reflections from interviews, this research achieves resonance (Charmaz, 2010).

The nature of the participants of this study, being financial planners only, is itself an additional limitation. The FPJ does not encompass the direct voices of the investor that engages with the planner. Whilst engagement with planners resulted in theoretical saturation, the perspectives and experiences of individual investors that are clients of the respective participants of this study were not included. This presents opportunities for further research and extension of the FPJ theory, as further explored in Section 6.

It is also critical to note that this research was undertaken during the time of the COVID-19 pandemic. This has the potential to introduce implicit bias into the views

shared by the participants. Literature has suggested that financial planning practices have changed as a consequence of COVID-19 (Fox & Bartholomae, 2020), and planners discussed their experiences as a result of the pandemic. This might have introduced an implicit bias into this research, in and of itself.

Various participants above the age of 44 either declined interviews or did not respond to requests for an interview. This might potentially be symptomatic of the mental stressors that older adults were experiencing during the COVID-19 pandemic, such that more than 81% of COVID-19 deaths occurred in people over the age of 65 (CDC, 2019). The lack of interview participation from people older than 44 is a potential limitation of this study and introduces implicit bias towards a younger-participant perspective.

Lastly, this research is constructivist in nature. It is a product of the researcher's personal interpretations and synthesis of the data, although the grounded theory method enabled the researcher to stay close to the data. Thus, it is entirely possible for another researcher to consider the same data and potentially propose a different theory or even arrive at alternative codes. For example: fees were a separate code but could possibly be interpreted as both a code and a 'relationship' between the investor and the planner. It is also possible that a researcher could approach the theory from a different theoretical base, such as agency theory or monetary theory. This is an inherent limitation of the grounded theory approach.

5.6 Chapter Summary

In this chapter, the theory of financial planning and its underlying sub-processes were explained. The theory developed in this study illustrated the role of the financial planner within the FPJ and how the planner has the power to help clients mitigate bias. The theory was compared to the EMH and AMH and it was found that the theory of the FPJ could provide a valuable reconciliation between EMH and behavioural finance, with potential to extend the AMH. The theory was then evaluated, primarily against Charmaz's criteria for constructivist grounded theory (2010).

CHAPTER 6 CONCLUSION

6.1 Introduction

Behavioural finance represents a paradigm shift from traditional finance where the latter posits that human behaviour is rational, behavioural finance incorporates cognitive psychological theory to explain why people might make suboptimal, irrational decisions (Baker & Nofsinger, 2010). Cognitive biases and heuristics have been demonstrated by literature to result in systematic deviations from rational decision-making (Baker & Nofsinger, 2010; Compen et al., 2022; Kahneman & Tversky, 1984; Statman, 2008; Tversky & Kahneman, 1974, 1981). In the contemporary era, individuals are increasingly left to make their own financial decisions regarding investment and other financial services (Gaar et al., 2020; Keizer et al., 2019; Peteros & Maleyeff, 2015). When individuals fall victim to bias, financial decisions made might not be optimal and could have significant monetary consequences. Given the problematic nature of bias, research that seeks to mitigate or manage bias is crucial (Lilienfeld et al., 2009).

In situations where an individual investor is unable to behave in a perfectly rational manner, the role of an intermediary (such as a financial advisor) is to facilitate the enhanced financial performance of such an investor (Allen, 2001). Financial advisors should generally enhance the return profile of individual investor portfolios while ensuring the appropriate risk balance (Haslem, 2010). Households that engage financial advisors tend to achieve consistency between their financial risk appetite and their resulting financial behaviour (E. Park & Yao, 2016). This consistency is a result of the adaptation of a client's portfolio by the advisor to the required risk appetite and age (Foerster et al., 2017) with risk-tolerant clients holding higher risk portfolios and vice-versa.

Households that rely on professional advice achieve better investment outcomes compared to unadvised households (Harlow et al., 2021; Von Gaudecker, 2015). Beyond being a source of information, investors seek out financial advisors to obtain their advice on aspects such as asset allocation, portfolio reviews and financial planning (Haslem, 2008). Consultation with a financial planner enables individuals to plan for their retirement more successfully, which positively influences their attitude

and behaviour with money (Willows, 2020). Households that reported using financial planners have demonstrated better financial performance in their portfolios than unadvised households (Lei & Yao, 2016). Literature provides various remedies for bias, such as training or accumulating experience (Kaustia et al., 2008; Kaustia & Perttula, 2012; Legaki et al., 2021) and even information presentation effects (Diaz-Lago & Matute, 2019). There is, however, limited research into how financial planners may manage the biases of their clients. Research into how financial planners may improve client behaviour has been identified as important to the financial planning research agenda for the next decade (Bogan et al., 2020).

Finance research has called for more qualitative approaches to extend the literature (Bogan et al., 2020; Kaczynski et al., 2014; Salmona et al., 2015). To this end, and cognisant of the contemporary research agenda and methodological demands, this research has utilised the grounded theory method (Charmaz, 2010) to respond to the core research question: *How are the behavioural biases of individual investors managed by financial planners in South Africa?* In undertaking interviews with officially qualified CFPs, this research was also able to examine: *What strategies are implemented by financial advisors to manage the effect of bias on their clients?*

6.2 Summary of Research Findings

6.2.1 Results: Coding Output

Through the process of coding, as outlined in the grounded theory method (Charmaz, 2010; C. Urquhart, 2013d, 2013b), the core category identified was “The financial planning journey”. The subcategories that orbit this core category were “Threats to the journey” and “Protecting the journey”. The core category was vetted against quality control measures suggested by literature (Charmaz, 2010; Flick, 2018d; Glaser & Strauss, 1967) and found to be appropriate. By relating the core category and subcategories, the FPJ theory was constructed.

The *Protecting the Journey* subcategory yielded salient responses to the secondary research question. Financial planners apply pervasive strategies as a foundation, when approaching bias within a client. These foundational strategies include protecting the relationship with the client, encouraging the client’s own realisation of potential mistakes or flaws in thinking and asking probing questions. In addition,

depending on the nature of the bias and the situation at hand, financial planners may deploy more targeted strategies that are personalised for their clients.

Targeted bias management approaches include predefining the approach to turbulent financial situations, persuasively providing the client with factual arguments against a potential irrational decision, deploying scenario analysis, slowing the pace of the decision and anecdotes. Eight types of bias management approaches were identified from the data, articulated within the results chapter. These strategies alone, however, do not comprise the FPJ theory. Instead, the theory arises from how the core and subcategories relate to each other (Charmaz, 2010; C. Urquhart, 2013d, 2013a).

6.2.2 Results: The Theory of the Financial Planning Journey

The FPJ explains the higher-order social and relationship factors that enable the specific strategies implemented by financial planners to be effective. The client and the financial planner begin a journey together, whereby the financial plan is established at the outset and acts as a metaphorical map to guide the investor towards achieving personal financial goals. The plan changes depending on the goals and needs of the investor.

Threats to the journey are presented by biases, such as herding, which entails the investor looking at a friend's map and wanting to have the same journey and outcome. The financial planner then steers the investor in the right direction using the foundational and targeted bias mitigation approaches within their financial planning toolkit. The act of mitigating the investor's bias amounts to protecting their journey. To summarise the results of this research, the research questions and how each question has been addressed are provided in Table 16.

Table 16

Research question response summary

Research question	Response to research question
How are the behavioural biases of individual investors managed by financial planners in South Africa?	The response to this question is provided within the theory chapter: The theory of the financial planning journey.
What strategies are implemented by financial advisors to manage the effect of bias on their clients?	The response to this question is more detailed and is outlined in the results chapter, which discusses the strategies implemented within the details of "Protecting the financial planning journey".

6.3 Research Contribution

6.3.1 Academic Contribution

Literature has lamented the dearth of qualitative approaches to finance problems, when compared to the volumes of quantitative research performed (Kaczynski et al., 2014; Salmona et al., 2015). This research provides a methodological contribution to the behavioural finance literature by illustrating how grounded theory might be used in response to a behavioural finance research question. There are limited published grounded theory studies in finance and behavioural finance compared to quantitative methods. Thus, this research has contributed to literature by providing an example of how to approach a finance problem from a different lens and perspective. The FPJ is a grounded theory that extends literature by making strides towards the reconciliation of the EMH and behavioural finance.

The literature on debiasing is largely focused on testing singular debiasing strategies, such as training and education (Foltice, 2017; T. Kaiser et al., 2021; T. Kaiser & Menkhoff, 2020; Stolper & Walter, 2017), considering alternatives (Hirt et al., 2004), obtaining additional information (Pownall et al., 2014) and warning investors (Cheng & Wu, 2010; Compen et al., 2022). However, some researchers acknowledge a need to integrate debiasing approaches and apply multiple debiasing strategies to achieve effective outcomes (Fischoff, 1981; Haghani et al., 2021; Kaufmann et al., 2009). The theory of the FPJ demonstrates how multiple debiasing methods are tools within the financial planner's toolkit. These debiasing methods may work together or individually within the context of the wider journey. This research contributes to the debiasing

literature by creating novel theory that may be tested in future debiasing studies. Furthermore, the theory provides insights into how people behave in a practical context, while debiasing research within an experimental setting might differ. This theory therefore provides practical insights into how debiasing may work when engaging a financial advisor.

Debiasing literature often explores behavioural nudges, such as warnings (Cheng & Wu, 2010; Compen et al., 2022). Practically, one might wonder how warnings would appear in a real-life scenario. For example, consider the practical scenario of purchasing goods online. Literature has shown that designing online nudges for a consumer to elaborate on their online shopping decisions can help mitigate the framing bias (Cheng et al., 2014). This nudge might be valuable but not all decisions might be made online. A sufficiently knowledgeable financial planner has the potential to apply tailored, effective nudges to a client's scenario and effectively act as a debiasing agent. A knowledgeable financial planner has the potential to transpose nudges within a confined, experimental scenario and tailor them to be practically implemented. This research shows the potential strategies that financial planners utilise to help nudge behaviour; but at the same time reveals the role a relationship might play in the effectiveness of a nudge within real-life scenarios.

This research has also contributed to the literature regarding financial advice. Financial advisors have an important role to play, particularly within an emerging economy with poor financial literacy rates (Klapper & Lusardi, 2020). Although financial advice is not a substitute for financial literacy (Collins, 2012), this research has provided discussions of participants protecting their clients from making errors of judgement. There are two sides to the financial advice debate: proponents may eschew financial advice as unfavourable (Egan et al., 2019; Mullainathan et al., 2012) and others may discuss the benefits of financial advice (Lei, 2019; Von Gaudecker, 2015). This research contributes to the debate by explaining the benefits of the FPJ.

From a theoretical perspective, this research has provided a contribution to finance literature by explaining how the EMH might be reconciled with behavioural finance through the use of rational financial planners correcting their clients' judgements. While behavioural finance may be seen in contrast to traditional finance (as it replaces the rational individual in traditional finance with a realistic one (Baker & Nofsinger,

2010)) the theory articulated in this research provides a potential support system to enable rational decision-making.

6.3.2 Practical Contribution: Recommendations to Policy Makers

Academia continues to be criticised for the widening gulf between practice and knowledge, such that research outcomes are not often understood or practically implemented (Van de Ven & Johnson, 2006). This section therefore discusses the practical implications for this research and includes recommendations for policy. This research has brought to light the profound importance of the relationship between the client and the financial advisor. These sentiments are echoed by existing literature, such as on trust (Alsemgeest, 2021; Alsemgeest & Steyn, 2021; Cruciani, 2017). A healthy relationship is conducive to the client remaining committed to the financial plan as well as being partial to the debiasing efforts of the financial planner. To this end, this research suggests that sufficient emphasis is placed on developing the social skills of financial planners, particularly within the CFP accredited context.

The core financial planning competencies, as set out by the FPI, include (a) collection of qualitative/quantitative information, (b) analysis of information and (c) synthesis of information to develop the financial plan (FPI South Africa, 2021). This research motivates that a potential addition to the core competencies should include being able to develop and maintain trust as well as building a relationship with the client. Although communication is encompassed within the professional skills required by the FPI (FPI South Africa, 2021), the importance of this skill could be elevated within the context of the CFP qualification. The ability of the CFP to “establish good rapport” (FPI South Africa, 2021, p. 11) is part of communication skills and its importance should not be underestimated.

Social inequality presents an additional hurdle or challenge to the FPJ. From the perspective of a financial planner who comes from a previously disadvantaged background, a significant conflict of interest could distort the FPJ. The tension between the financial planner’s self-interest to earn fees and the best interests of the client is a topic that has been considered in the literature (Mullainathan et al., 2012). Acting in the best interest of the client forms part of the CFP’s professional responsibility (FPI South Africa, 2021) but this may be practically challenging in times of financial distress. Commission fee structures or transaction-based fee structures need to be revaluated

to ensure this tension is sufficiently resolved. Fee structures need to be ethical to ensure alignment between the client's financial needs and the advisor's need for compensation, but not at the expense of the FPJ.

From an investor perspective, the results suggest an expectation gap regarding the role of a financial advisor. Consumer education on what would constitute behavioural financial advice and behavioural coaching could better inform expectations. Thus, when confronted with an advisor who is merely performing as a broker, customers would be able to acknowledge that they are potentially not getting the full "financial planning journey" experience. Refining customer expectations regarding the full range of roles and responsibilities a financial advisor could provide them with could influence the decision to take up financial advice as well rebuff poor quality financial advice (Malliaris & Malliaris, 2021).

In addition, South African financial literacy and awareness of fundamental financial principles still seems lacking. Literature has demonstrated that tied agent financial advisors are not enough to solely address the effect of poor financial literacy (Calcagno & Monticone, 2015). This research shows that planners do indeed try to educate their clients, but this might not be sufficient if the client lacks basic financial literacy. Financial advice is not a substitute for financial literacy (Collins, 2012). Wider, institutionalised efforts to educate individuals in financial literacy principles continue to be important (Klapper & Lusardi, 2020).

A limited number of South Africans retire with sufficient retirement income (Dhlembeu et al., 2022; Marumoagae, 2017; Willows, 2019). Prior literature has suggested that using formal tools, such as a financial planner, to develop a retirement plan might increase the success of adequate retirement (Willows, 2020). Comments from financial planners continue to highlight retirement asset mismanagement by individuals, such as leakage from retirement funds without subsequent top-ups. Financial advice should be provided to individuals at points where the option to withdraw from retirement funds is available to individuals. Results suggest that where individuals trust their planner, it seems that the risk of premature extraction is lowered, although subsequent research could seek to test this quantitatively.

6.4 Future Research

This section reflects on the research performed and provides suggestions for future research. The theory of the FPJ is constructed from the perspective of the financial planner. This was useful to achieve a wider impact: each planner had multiple clients and could thus discuss their experience across a wide range of clients. The theory does not encompass the voices and perspectives of individual investors.

From a theoretical perspective, agency theory is commonly used in finance and governance literature (Jensen & Meckling, 1976; Ross, 1973). The theory of the FPJ does not explicitly seek to resolve the agency problems inherent in the financial advisory institution. However, future research might seek to extend the theory to address agency. Future research could seek to remedy or ameliorate the tensions that exist from a commission perspective towards the best interests of all stakeholders.

The FPJ theory is a substantive grounded theory, although there remains potential for future research to extend this theory into formal theory. Extending this theory could entail interdisciplinary implications on understanding the propensity for individuals to obtain and follow professional advice. Furthermore, future research could extend the theory by incorporating the perspectives of investors. This could serve two purposes: the extension of the theory and its enhanced resonance, as well as further triangulation or corroboration of the phenomenon explored within this research. Additionally, quantitative, or experimental research in the future might seek to test the proposed theory of this research. Experimental methods seem favoured by debiasing literature and could thus be a favourable avenue for future research.

An evolving body of research analyses financial behaviours and robo-advisors (Brenner & Meyll, 2020; D'Acunto et al., 2019; Todd & Seay, 2021). Results have suggested that investors who fear being victims of fraud will opt for robo-advice (Brenner & Meyll, 2020). This adds impetus to the need to resolve the problematic consequences a conflict of interest may represent. The extent of customisation for clients' emotional and mental states is an inherently human element of the FPJ. Advances in robo-advice should be cognisant of the FPJ theory when designing and developing algorithms to cater for clients' needs. Investors currently utilising robo-advisors are disinclined to use human financial advisors (Brenner & Meyll, 2020) and thus could potentially miss out on the other FPJ benefits, such as individualised

learning and growth. Contemporary research has already begun to explore how robo-advisors could provide additional personalisation (Capponi et al., 2022).

From a South African perspective, certain biases were discussed more frequently in interviews than others. For example, given the negative investor attitude towards South Africa, home bias seemed to be less of an issue than bandwagon bias. Future research in behavioural finance in South Africa and globally should pay close attention to the nature of the investor population within their respective countries or territories. Based on these observations, the most prominent or detrimental biases might be isolated and specific solutions targeted to address those salient biases could form the basis for future research agendas.

In addition, South Africa's history of inequality provides a critical lens for future research to explore. As described by Hammond et al. (2009, p. 707), the laws of apartheid previously defined people based on race and defined access to health care, jobs and living conditions. Equal educational opportunities were limited, which in turn curtailed professional opportunities (Hammond et al., 2009). In extending the theory of the FPJ to consider the perspective and experiences of the client, it would be useful to understand how race and ethnicity influence the financial behaviours of clients. The intersection of race, ethnicity and financial advice could be further explored within the South African landscape. Studies such as Willows and October (2021) provide a foundation in this regard by discussing Black amaXhosa womens' perceptions of retirement savings. Field observations of how clients and planners engage with each other might prove useful to strengthen subsequent analysis and provide a richer picture of the complexities in the client-planner relationship.

Lastly, future research has the potential to critically explore each element of the FPJ could be further explored individually (i.e. threats, protection and journeying). Each of the sub-processes has the potential to build or erode trust between the planner and the client when it comes to bias management and mitigation. Although this research presents theoretical insights into the FPJ that are based on the core category, much remains to be explored when it comes to the interrelationship of trust, clients and financial planners in light of behavioural biases. For instance, how might the role of the gender of the planner and the client potentially influence the FPJ and its elements of trust?

6.5 Chapter Summary

This chapter provided a summary of the literature and findings of this research. It discussed the contribution this research has made and provided practical suggestions to policy makers. Lastly, this chapter discussed the inherent limitations of this research before providing guidance on future research areas.

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Appendix A: Interview Guide

Initial Questions

Aim: Identify unit of account (shares vs asset class), typical client profile, delegate vs action

- What types of clients do you generally advise? How would you describe them?
- Do you generally find yourself providing advice at the individual share level, (e.g., buy shares in stock X or stock Y) or do you find yourself advising at the asset-class level (e.g., bonds, shares, investment property)?
- Do you find clients generally take your advice and act on it themselves, or do they rely on you to act-out the suggestion you provide? For example – you execute the share trade on behalf of the client, or the client goes and buys the share themselves?

Questions About General Bias

Aim: Establish context about bias and general experiences

- What, if at all, have you heard of cognitive biases or behavioural biases prior to this interview/reading the information sheet?
- Do you believe that you have the potential to influence the financial decisions that are made by your client?
- If you reflect on the behavioural biases or common investment mistakes of your clients, do any of them stand out in particular to you? Could you describe it (each bias)?

Questions on Bias Mitigation

Aim: The advisor should provide their techniques to promote rational behaviours

- Could you tell me how you have learned to handle irrational clients/clients who do not follow your advice?
- At general level, could you describe the approach that you find most effective when you are convincing clients to undertake a specific course of action (e.g., diversify more, spend less, save more) that is in their best interest?

- How effective do you find warning clients about bad decisions to be?
- Do you think providing clients with additional forms of information would be effective to mitigate bias/irrational decisions?
- Do you think experienced and/or educated investors make fewer mistakes? Between experience and education, what plays a greater role?

Ending Questions

- How have your views on an individual's decision-making changed from before you became a financial planner, up until now?
- Is there anything else that comes to mind which you would like to share?
- Do you have any questions for me?

Appendix B: Interview Consent Form

Research project tentative title: A Qualitative Study into the Strategies of Financial Advisors in Managing Individual Investor's Bias

Research project investigator: [name redacted for anonymity]

Research project supervisor: Gizelle Willows[42]

Interview consent form

Thank you for your participation in this research project. We will be conducting an interview with you, in your capacity as a financial advisor. The interview will approximately 30–45 minutes. We don't anticipate that there are any risks associated with your participation, but you have the right to stop the interview or withdraw from the research at any time. This research has been approved by the University of Cape Town (UCT) Commerce Ethics in Research Committee.

Ethical procedures for academic research undertaken from the University of Cape Town requires that interviewees explicitly agree to being interviewed and how the information contained in their interview will be used. This consent form is necessary for us to ensure that you understand the purpose of your involvement and that you agree to the conditions of your participation.

Please kindly note the following:

- The interview will be recorded, and a transcript will be produced
- You will be sent the transcript and given the opportunity to correct any factual errors
- The transcript of the interview will be analysed by Shreeya Jugnandan as research investigator
- Any summary interview content, or direct quotations from the interview, that are made available through academic publication or other academic outlets will be anonymized so that you cannot be identified, and care will be taken to ensure that other information in the interview that could identify yourself is not revealed
- Any variation of the conditions above will only occur with your further explicit approval

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[42] If necessary, you can contact the research supervisor as follows: Email address [redacted].

By signing this form, I agree that:

- I am voluntarily taking part in this project. I understand that I don't have to take part, and I can stop the interview at any time without penalty or consequences.
- The transcribed interview or extracts from it may be used as described above.
- I have read the contents of this letter.
- I don't expect to receive any benefit or payment for my participation.
- I can request a copy of the transcript of my interview and may make edits I feel necessary to ensure the effectiveness of any agreement made about confidentiality.
- I have been able to ask any questions I might have, and I understand that I am free to contact the researcher with any questions I may have in the future.

Gender (please tick):

Male☐ Female ☐ Other ☐ Prefer not to answer ☐

Age Bracket (please tick):

18–24 years old.	☐
25–34 years old.	☐
35–44 years old.	☐
45–54 years old.	☐
55–64 years old.	☐
65–74 years old.	☐
Prefer not to answer	☐

Location (please tick):

Eastern Cape ☐ Free State ☐ Gauteng ☐ KwaZulu-Natal ☐

Mpumalanga ☐ Northern Cape ☐ North West ☐ Western Cape ☐

Limpopo ☐ Prefer not to answer ☐

Participant name: _____ (write out in print)

Participant signature: _____

Date: _____ (DD/MM/YYYY)

Appendix C: Pilot Study Results

Introduction

This appendix provides insight into the tentative categories and codes that arose during the pilot study. Working solely with the pilot study data, the researcher analysed transcripts and considered what emerging categories and codes the data yielded. **Table 7**, presented previously, summarised the tentative categories of the pilot study and its underpinning subcategories. At this point in the research, the core category of the final theory had not yet emerged. However, concepts within the final results had already began to emerge from the pilot study. **Table 7** is reproduced for convenience within this Appendix.

Table 7

Summary of pilot study tentative categories

Tentative categories	Tentative subcategories	Questions/considerations for main study that emerged from the pilot study
Designing and executing the financial plan	Understanding client needs	How do participants build a relationship with their clients to facilitate information gathering? How important is trust in the financial planning process? The main study should further explore the plan set up and the social dynamic between planner and client.
	Building trust	
	Understanding client current financial position	
	Influencing client decisions	
	Not stock picking	
Behavioural biases	Bandwagon effects: people are highly influenced by peers and media	Participants indicated that they, in their professional roles, identify biases and irrational decisions within their clients. There are numerous biases in literature; what biases are planners frequently seeing?
	Negativity bias	
	Narrow focus	
	Disbelief in South Africa	
Bias mitigation	Pre-planning responses	Participants confirmed that they do attempt to mitigate or manage bias. There seemed to be little differentiation in debiasing approaches (on a per bias basis) to mitigate poor decision-making. The following questions were considered for focus in the main study: *What other approaches have participants applied to quell irrational decisions?*
	Understanding the money story	
	Using visual aids	
	Logic and rationality: explaining to the client	
	Empowering the client	
	Applying subtlety and patience	

Designing and Executing the Financial Plan

Participants were asked about whether they provide advice at the individual stock level or if they advise at the asset-class level. The aim was to determine the level of detail that the participant provided in advice to clients. Neither participant advises at the individual stock level; instead, they focus on the overall asset class allocation. The selection of specific assets is outsourced to specialist firms. Both participants discussed that it was crucial to obtain an understanding of the client's needs to design the asset allocation. This included understanding the client's current portfolio and assets available for investment, as well as the client's financial goals and needs.

Subsequently, within the main study, it became clear to the researcher that the financial plan design process was more than just a clinical exercise. Understanding the client's needs transcended their immediate financial needs and advanced into the individual's hopes, dreams and aspirations. Participants were asked whether they find clients generally take their advice and act on it independently, or if clients rely on them to action the financial plan. Both pilot participants' clients generally relied on them to put any designed plan into action. P1 described the implementation of the plan as the "easiest" component. The theme of building a client's trust came up through discussing this question:

> *"I think people have the expectancy to be sold a product and so they are very hesitant to engage with a financial planner. But once they have built a bit of trust and they understand it is not about the product – it's about creating a strategy for their lives and their own goals and objectives… the implementation then almost always happens through us. Say 95% of the time."* P1

P2 indicated that most of her clients approach her having previously experienced a stockbroker, therefore they expect execution from the planner. P2's clients sometimes underestimate the nature of the financial planning "journey" that P2 provides to her clients. The concept of the financial planning "journey" stood out to the researcher, and it ultimately formed the basis of the core category of the theory – being the "financial planning journey". Over the course of multiple meetings, P2 indicated that she gets to know the client "really well" and in doing so builds up a lot of trust.

> *"[…] we build up that trust relationship and they implement that advice because we've gone on this journey with them. We have meetings [that last] about 2 hours [at a time]. We spend a lot of time with our clients initially. And that creates the trust that then tells them that, yes, they should implement it with us."* P2

All participants indicated they consider themselves to have the potential to influence the financial decisions made by their clients. P1 suggested it is not a question of 'if' but rather to consider the magnitude of influence the advisor has. However, P1 emphasised that advisors cannot make decisions on their clients' behalf. Advisors need to take their clients through the decision-making process for the client to feel comfortable with the decisions they are undertaking. This perspective came up again in the main study, expressed in the main study results as protecting the autonomy of the client. Discussions with P1 thus sensitised the researcher to this concept.

P2 supported her view by referring to the relationships she builds with her clients and how customised the financial plan is to her clients. Through building a relationship of trust and underpinning each recommendation with logic, P2 was equally of the view that financial planners have the ability to influence the decisions their clients make.

The emerging concept of trust gained greater importance in subsequent interviews for two reasons: first, its ubiquitous mentions and second, because participants described trust as crucial. Additionally, the concepts discussed on the way financial planners perceives themselves compared to how clients perceive planners became an important concept subsequently in the interview process. The concept of planner self-perception was not forced or specifically asked by the interviewer in the main study, but it organically came up as a topic raised by participants. The understanding of how planners perceive themselves from the pilot study thus helped the researcher to understand what the main study participants implied.

The key elements for further exploration elicited by this category included the researcher wanting to understand the social dynamics between the planner and the client. This included the importance of trust and the relationship inception and development between client and planner. Although planner self-perception was not initially identified as a focus area based on the pilot, the experience the researcher

gained from the pilot helped sensitise the researcher to this issue based on initial awareness.

Behavioural Biases

Participants were asked to recall their initial experiences when their clients first demonstrated irrational behaviour. P2 indicated she sees clients behaving irrationally on a daily basis and struggled to recall a specific example that stood out to discuss. P1 pointed out a lack of awareness initially, where he previously expected clients to behave as they would in the textbooks.

Participates were asked which biases they notice most often, based on their client experience. P1 referred to a “negativity bias” where his clients tend, by default, to construct and focus on a “worst case scenario”. This is exacerbated by his clients’ consumption of news, television and other media which he considers as either leading to or enforcing the negativity bias. This can lead to clients wanting to undertake extreme decisions, such as wanting to move 100% of their assets offshore because they feel extremely despondent about the state of South Africa due to negative media discussions about political corruption and lack of growth. Additionally, he recalled clients displaying “hyper-focus” on aspects of their finances without seeing the bigger picture. For example, a client going through severe health problems became fixated on his financial matters down to the nearest rand.

The influence of the media leading to bias was reiterated in P2’s view. P2 observes a lot of confirmation bias that stems from her clients reinforcing their own beliefs through the TV programmes or radio channels they listen to. The media exacerbated the negative views previously described by P1. P1 finds her clients consume a volume of negative media and often want reassurance regarding what plans are in place to ensure that South Africa does not “turn into the next Zimbabwe”. The comparison to Zimbabwe by participants’ clients was repeated in the main study.

Both pilot study participants experienced a lot of the “bandwagon effect”. The bandwagon effect arises when P2’s clients, for example, play a round of golf and want to undertake the same investments as their colleagues. This is similar to the herding effect documented in finance literature (Scharfstein & Stein, 1990). Clients want to

duplicate the portfolios of their friends and colleagues from the golf-course without regard for their own personal financial plans and goals.

> *"We will, you know, often get a bit of bandwagon effect. You know, 'friends at the golf club said this… I heard about this' – often the golf club is the worst place for financial advice."* P2

It was clear that advisors were exposed to numerous types of bias on a regular basis. Thus, it was decided to retain questions on the common errors participants have experienced and how they managed to mitigate or prevent negative financial outcomes for their clients. Peer effects, such as social conversations influencing investment decisions, were observed more commonly within the main study. P1 was able to make the following inference about the average South African regarding home bias:

> *"I think the average person is probably over-invested in South Africa. Purely if you measure it in GDP. In GDP measures you shouldn't have more than 0.5% of your assets in South Africa. And the rest of your portfolio should be outside of SA […] But I think the average South African, purely if their net worth is property and maybe some retirement savings – they are probably overallocated to South Africa, right."* P1

Neither of the participants' clients, however, demonstrated any particular reluctance to invest in offshore assets. Both participants affirmed that their typical client's wealth is built based on South African domiciled assets. Therefore, initially, clients are over-invested in South Africa. Clients then seem to approach a financial advisor with the desire to move their assets offshore. This is sometimes propelled by the 'negativity' bias discussed previously.

A different perspective of the apparent lack of home bias and local bias suggests that there was, to some degree, an absence of home bias in the participants. The reasons behind this bias being more attenuated in the South African investor (based on the experiences of the planner) compared to literature that examined other countries surfaced during the main study. The absence of patriotism within the investor community suggests that different biases might be more prevalent than home bias.

The main study thus considered investor's attitudes to South Africa (as experienced by the planner) in order to form an understanding of their behaviours and biases.

The advisors, in the case of both participants, often needed to moderate their clients' desires to move 100% of their assets offshore. The participants indicated they achieved this moderation through rationally explaining aspects such as liability matching to their clients as well as illustrating foreign currency risk exposure principles. P2 indicated a deep-seated distrust of the government, which also results in reluctance to invest in government bonds of South Africa. P1 indicated:

> *"I can't think of one conversation where someone said 'No, no…I want all of my money in South Africa.'"* P1

Neither participant noted any reluctance to invest offshore. P2 speculated that, because her clients are retirees, everything they have seen in South Africa recently has made them "scared". To support this point, P2 discussed the Steinhoff scandal (CNBC Africa, 2018) as an example of what has concerned investors about the local market. This pertains to a multi-billion-rand instance of fraud perpetrated by Steinhoff. Steinhoff was a publicly traded company listed on the Johannesburg Stock Exchange.

Bias Mitigation

Participants discussed their multiple mitigation strategies throughout the interview. P1 spoke about pre-emptive strategies to mitigate bias by planning how the client would react when problems arise. The planner and client then ensure that this predetermined action plan is implemented at the time of need. P1 also mentioned the importance of slowing decision-making down. To this end, P1 mentioned a specific protocol with a client. To prevent rash decisions, they have agreed, in advance, to never conclude on a decision within 24 hours. The client always walks away and has a few days to think before coming to their own conclusion. This is because the client has a previous history of making impulsive decisions. The capacity to tailor the bias mitigation strategy to the individual client became (from the perspective of the researcher) the fruit of a professional relationship built on mutual trust and understanding.

P1 also discussed how he focuses on reflecting on the client's "money story" to distinguish the client's attitude and learned behaviours about money throughout their

lifetime. A planner that is interested in a client's history with money can help them realise the extent to which their attitudes to money are inherited from their parents. This realisation can prompt them to consider if they want to continue in the same manner or change. P1 analyses client behaviour in two parts. The first part relates to learned behaviour and the second part relates to inherent behaviour, which is engrained within an individual. Sometimes the learned and inherent behaviour do not align. The planner might then work with the client to create a financial plan that promotes alignment.

> *"Our earliest money memories come from the age of 7. So, from the age of 7 to now you've had all these decisions you've had to make around money- how to allocate it, what to do with it, how to spend it. What did you do with your first pay cheque? And reflecting on that, there's always something that is very valuable that comes out that we can bring back to their decisions now. And interestingly it's always about, 'Oh, I didn't realise that actually the way my parents dealt with money is the way I am dealing with money – and I don't want that.'"* P1

Prior to being able to engage with the client on their "money story", however, P1 emphasised that there needs to be trust within the relationship before the client opens up about their story. This created a strong connection between (i) this bias mitigation approach and (ii) understanding the relationship and social dynamics between the planner and the client, which the researcher decided to explore further in the main study.

Both participants remarked on the effectiveness of using visual aids, such as slides or presentations, to convey their message to clients. This approach was reiterated several times in the main study. P2's bias mitigation strategy was linked to logic and explaining the course of action to her clients, often accompanied by visual aids. This should, however, also be done in conjunction with understanding the investor's emotional state and including the required amount of empathy where necessary.

> *"[...] it's one of the reasons to have a financial planner. It's to keep you accountable, help you stick to your investment strategy. How we do it: explaining rationale, showing them presentations, explaining to them… it's one of the big reasons we also have balanced portfolios […] and we explain*

that one of the reasons we typically make use of a more balanced-type structure for a retiree is because having those multiple asset classes is you 'Diversify away' some of the risk. And that makes logical sense to them. So, you try and explain it with logic, and you try and hear them out when their emotions are high." P2

The researcher found it interesting that clients actioned the explanations of their financial advisor. The relationship between knowledge and action is complex and merely knowing the right thing to do does not necessarily mean the appropriate action is taken (Keizer et al., 2019; Meusburger et al., 2017). For instance, professionals working in finance may have sufficient knowledge but still demonstrate bias in their behaviours (Baker et al., 2017). The researcher considered the concept of the financial planner using explanations to help deter their clients' bias to be an area for exploration within the main study.

There was a consensus among participants that an advisor cannot blatantly indicate to an investor that they have a bias. Subtly avoiding the use of jargon is important in this regard. The use of jargon, as indicated by P2, makes clients trust the advisor less because they are unable to understand what is being said. P2 indicated that the use of coaching towards empowering clients to take responsibility for their own decisions leads to a better relationship and a better decision-making process overall. This reiterated the conceptual need for trust as a foundation for bias mitigation, which continued to develop in subsequent interviews.