Personal Benchmark: Integrating Behavioral Finance and Investment Management, New Book Published by Wiley, Helps Advisors and Investors Put Behavioral Finance Theory Into Practice

Investment management pioneer Chuck Widger and his co-author, psychologist and behavioral finance expert Dr. Daniel Crosby, aim to change the investment advisory conversation between advisors and clients to better align with investor goals.


In Personal Benchmark, Widger and Crosby define ways financial advisors can execute a program of embedded behavioral finance that is fueled by what matters most to their clients, and can protect against irrational investor behavior. The book demonstrates how advisors and investors can improve their investment experience and increase returns formerly sacrificed to emotional, rather than rational, decisions. Their approach reduces investor concerns about “the economy” by shifting their focus to “my economy” by taking a goals-based investment approach.

The book also aims to help close the behavior gap that exists among investors. According to the 2014 update of the 30-year study by DALBAR, the nation's leading financial services market research firm, the average equity investor underperformed the S&P 500 Index by -7.42 percent annually for the 30-year period ending December 31, 2013. The study reported the average stock market investor’s annualized return for this period was +3.69 percent, compared to +11.11 percent for the S&P 500 Index. According to Widger and Crosby, this behavior gap exists because in periods of volatility, investors tend to sell paper losses at bottoms and pile back in at market tops. This suggests that individual investors feel the pain of loss more than the pleasure of gain.

“Dr. Crosby and I wrote Personal Benchmark to enable the conversation between advisors and their clients to change,” said Widger. “Over my 30-plus years in the investment management industry, I have seen the focus shift away from investor goals to relative returns, such as trying to beat industry indices that bear little relevance to their lives. Goals- or outcomes-based approaches are not new ideas, but there is a new consciousness emerging about them. It’s time to return them to common practice, and we believe Personal Benchmark can be an important tool in making that happen.”

“Our view is that Personal Benchmark is the most hopeful behavioral finance book out there,” said Crosby. “For so long, the behavioral finance conversation has been mired in negativity about all the ways in which investors are hopelessly irrational. We agree that humankind isn't exactly logical all of the time, but we believe that those quirks can be harnessed for investor benefit when the focus turns to personal goals and considers investors’ best interests.”

“In a business where investment returns and investment benchmarks have been analyzed thoroughly, the subject of personal benchmarks and their construction, suitability, and measurement is in its infancy,” said Robert C. Doll, Chief Equity Strategist and Senior Portfolio
Manager at Nuveen Asset Management. “Taking principles from behavioral finance—for example, creating a disciplined approach that reduces the emotional temptation to buy high and sell low that plagues so many—this book makes a great contribution to financial advisors and their clients in seeking to create satisfactory investment experiences.”

“This book is an exciting advance on how behavior research can and should influence investment decision making,” said Carl J. Schramm, University Professor at Syracuse University and former President of the Kauffman Foundation. “Its focus on how the individual investor and their advisor begin with developing a personalized set of economic expectations and managing a portfolio in the context of the investor’s own economy is an important and actionable insight.”

"This book is an ode to a commonsense realization—investing is a social science rather than a physical one," said Jason DeSena Trennert, Managing Partner and Chief Investment Strategist at Strategas Research Partners. “Combining tried and true investment techniques with cutting-edge research on behavioral finance provides a wonderful new approach for those charged with managing other people's money.”

**Personal Benchmark** is divided into three parts:

- **Part 1, “Why Do We Need to Look at Investing Differently?”**, examines why we need to look at investing differently. The need emerges from the idea that advisors tend to be optimists (Chapter 1, “Freedom in the Market and Advisor Responsibility”), while investors tend to make financial decisions based on less than informed or rational bases (Chapter 2, “Investor Emotions and Financial Decisions”). Moreover, risk is seen as inherently personal, necessitating a shift in how risk is measured and managed (Chapter 3, “Risk, This Time It’s Personal”).

- **Part 2, “What Is the Personal Benchmark Approach?”**, provides an introduction to the Personal Benchmark approach, including an overview of Brinker Capital’s multi-asset class investing philosophy (Chapter 4, “Brinker Capital’s Multi-Asset Class Investment Philosophy”), using the concept of “buckets” to create a segmented approach to investing (Chapter 5, “The Power of Buckets”), and outlining the practices for actively managing investment performance (Chapter 6, “Selection of an Active Investment Manager”).

- **Part 3, “How Can We Execute a Purpose-Driven Investment Strategy?”** describes how a purpose-driven investment strategy can be executed. In this part of the book, Widger and Crosby begin with an overview of Brinker Capital’s goals-based approach to planning and monitoring the investment portfolio (Chapter 7, “Using a Goals-Based Approach”) and encouragement and guidelines for pursuing your Personal Benchmark (Chapter 8, “Pursuing Your Personal Benchmark”). The remaining two chapters provide practical tools for the advisor to use, including an easy-to-use explanation of investing according to the Brinker Capital approach and Personal Benchmark (Chapter 9, “Providing an Easy-to-Understand Explanation”), as well as an introduction to the Personal Benchmark solution (Chapter 10, “Leveraging a Scalable Offering for Investors and Advisors”).

For more information about **Personal Benchmark**, please visit [http://www.personalbenchmarkbook.com](http://www.personalbenchmarkbook.com).

**About the Authors**
Chuck Widger is the Founder and Executive Chairman of Brinker Capital, an investment management firm with $17 billion in assets under management (as of 6/30/14). Chuck is currently Chair of the Villanova University School of Law Board of Consultants. Mr. Widger is a past Chair of the Gettysburg College Board of Trustees and is chair-emeritus of the Money Management Institute’s Board of Governors. The Money Management Institute is the industry association for the $3.5 trillion managed solutions industry. Chuck holds a B.A. from Gettysburg College, a J.D. from Villanova University School of Law, and an L.L.M. (Taxation) from Boston University’s School of Law. He served as a Lieutenant in the U.S. Navy.

Dr. Daniel Crosby, President of IncBlot Consulting, is a psychologist and behavioral finance expert who helps organizations understand the intersection of mind and markets. Dr. Crosby constructed the "Irrationality Index," a sentiment measure that gauges greed and fear in the marketplace from month to month. His ideas have appeared in print and online, and Daniel was named one of the "12 Thinkers to Watch" by Monster.com and a "Financial Blogger You Should Be Reading" by AARP. Dr. Crosby's well-reviewed first book, You're Not That Great (2012), applies elements of behavioral finance to the pursuit of a meaningful life.

About Wiley

Wiley is a global provider of knowledge and knowledge-enabled services that improve outcomes in areas of research, professional practice and education. Through the Research segment, the Company provides digital and print scientific, technical, medical, and scholarly journals, reference works, books, database services, and advertising. The Professional Development segment provides digital and print books, online assessment and training services, and test prep and certification. In Education, Wiley provides education solutions including online program management services for higher education institutions and course management tools for instructors and students, as well as print and digital content.

Media Contacts

Michaela Kron
keating/co
mkron@keatingco.com
(212) 925-6900

Sadhika Salariya
Wiley
ssalariya@wiley.com
(201) 748-6782