A financial adviser can explain all your options and help you make the best decision based on your individual circumstances.

Do you spend more in the supermarket when you’re hungry? Would your friends describe you as someone who always takes an optimistic view of a situation? Have you ever made an important financial decision based on a hunch?

We all like to think we make decisions based on logic. In reality, many of the decisions we make are skewed by our inherent tendencies to think in certain ways, known as ‘behavioural biases’. Behavioural finance is an area of academic study which examines these biases by applying cognitive psychology to economics and finance, helping to explain why we are prone to making irrational financial decisions.

Maybe you are over-confident in your investment ability? Our recent global research found that 95% of investors are confident in their ability to make sound investment decisions, highlighting the prevalence of ‘overconfidence bias’.

Or perhaps not planning far enough ahead is stopping you from realising your goals? Of the investors we surveyed, 46% favoured a short-term approach that generates returns in under two years, while only 12% preferred a long-term approach. This demonstrates how often ‘present bias’ leads investors to focus on the here and now rather than the future.

Imagine how much your finances could benefit if your decisions were influenced more by insight than by instinct – incomeIQ is designed to help you achieve just that.

In collaboration with Joe Gladstone, a behavioural scientist and PhD researcher at the University of Cambridge, we have developed a simple online test that aims to uncover your own behavioural biases and provide tips on how to overcome them when making income investment decisions. This insight will be invaluable when discussing your investment plans with your financial adviser.

Understanding your behaviour

Based on Joe Gladstone’s research, we have worked to identify those behavioural biases most likely to influence your investment decisions. We’ve outlined some key examples, as explained by Joe Gladstone in these video links:

- **Projection bias** is the tendency to make decisions about your future financial requirements without considering how your life will change. An example is estimating your retirement income needs based on your current lifestyle.

- **Present bias** refers to a person’s preference for a reward now rather than a larger reward later. This short-term view can make it difficult to save for the future.

- **Over-optimism** can give you an unrealistic view of your future financial well-being. By altering your perception of market risk, it can lead you into making irrational investment decisions.

The incomeIQ test will assess you for these and a range of other biases in 10 simple questions, empowering you to be a more informed investor.

▶ Take the incomeIQ test now at www.schroders.com/incomeIQ