<u>Example of Leveraging Nudge Theory in a Client Conversation</u>

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Advisor: I noticed you don't have a regular contribution set up for your retirement account. Can we discuss this?

Client: Yes, I know I should be doing it regularly, but I often forget or find other uses for that money during the month.

Advisor: It sounds like a classic case of present bias, where the immediate needs and wants overshadow the long-term benefits. It's something many of us struggle with.

Client: Yes, I guess that's true. I do find it hard to prioritize saving for retirement.

Advisor: That's a common challenge. What if we could make it easier for you to prioritize this? We can set up an automatic monthly transfer from your checking account to your retirement account. You won't have to remember to do it, and you'll likely adjust to the slightly smaller available balance in your checking account. Over time, these regular contributions could make a significant difference to your retirement savings.

Client: I've thought about that, but I've never got around to setting it up.

Advisor: That's understandable. How about we set it up together right now? It will only take a few minutes and once it's done, you won't have to worry about forgetting to make your contributions.

Client: That sounds like a good idea. Let's do it.

Breakdown:

In this example, the advisor uses Nudge Theory to guide the client towards a more desirable action (regularly contributing to their retirement account). By making this action the "default" through automatic transfers, the client is more likely to follow through. The advisor also addresses present bias by emphasizing the long-term benefits of regular contributions and how small, consistent actions can lead to significant results over time.