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# COMPLIANCE ASSESSMENT

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*The Role of Behaviour in Long-Term Financial  
Outcomes*



**Compliance Document**  
*February 2026*

**EVALUATION COPY**

This assessment is provided to support the distributing firm's compliance review process. It does not constitute compliance sign-off. The distributing firm retains full regulatory responsibility.

## Part One: Executive Summary

This assessment evaluates "The Role of Behaviour in Long-Term Financial Outcomes" (Final Version) against the regulatory framework governing financial promotions in the United Kingdom, including the Financial Services and Markets Act 2000, FCA Conduct of Business Sourcebook (COBS), and Consumer Duty requirements under PRIN 2A.

The guide serves a dual purpose: reinforcing the value of the adviser relationship for existing clients (retention), and opening conversations with prospects by demonstrating the research-based case for professional advice (acquisition). It draws on published research from Morningstar, Barclays Private Bank, Schroders, and Vanguard to illustrate the gap between market returns and actual investor returns attributable to behavioural decision-making.

The Final Version includes six strategic inserts designed to bridge from abstract research into personal relevance without introducing sales pressure, urgency, or compliance risk.

### 1.1 Document Classification

This document is classified as a financial promotion under Section 21 of FSMA because it contains an invitation to consider the value of engaging with a financial adviser. However, it is primarily educational in nature, providing factual information about investor behaviour patterns supported by independent third-party research.

The document does not: recommend specific products or providers; provide personal financial advice; make guarantees or promises about outcomes; use pressure tactics or urgency language; or present itself as investment research within the meaning of the UK MiFID framework.

### 1.2 Overall Assessment

**OVERALL ASSESSMENT: Suitable for distribution by FCA-authorized firms following firm-specific customisation and internal approval.**

## Part Two: Applicable Regulatory Framework

### 2.1 Primary Legislation: FSMA 2000

#### Section 21 – Financial Promotion Restriction

Section 21 of FSMA establishes the financial promotion restriction. A person must not, in the course of business, communicate an invitation or inducement to engage in investment activity unless: (a) the person is an authorised person, or (b) the content of the communication is approved by an authorised person.

The guide falls within this restriction as it invites readers to consider engaging with financial advisers regarding their investment approach. When distributed by an FCA-authorized firm, the firm is itself the authorised person communicating the promotion. This is the normal and entirely lawful way that financial promotions reach retail clients and prospects.

### 2.2 FCA Handbook: Conduct of Business Sourcebook (COBS)

#### COBS 4.2.1R – Fair, Clear and Not Misleading

A firm must ensure that a communication or financial promotion is fair, clear and not misleading. This primary rule applies to all content in the guide and has been tested against each section.

Assessment: The guide presents behavioural finance research in plain English with appropriate caveats. Statistics are sourced and verified against primary publications. No guarantees or misleading claims are made. The guide acknowledges uncertainty and validates both self-directed and advised approaches.

#### COMPLIANT

#### COBS 4.5 – Communicating with Retail Clients

COBS 4.5.2R sets out requirements for information addressed to retail clients. Information must: (1) include the name of the firm; (2) be accurate and not emphasise potential benefits without also giving a fair and prominent indication of relevant risks; (3) be sufficient for, and presented in a way likely to be understood by, the average member of the group to whom it is directed; and (4) not disguise, diminish or obscure important items, statements or warnings.

Assessment: The guide is written in conversational, accessible English appropriate for UK adults with existing investments. Technical concepts are explained using concrete examples and relatable scenarios. Data is presented in clear tables with source attribution. Firm name placeholders and contact details are included.

#### COMPLIANT

#### COBS 4.6 – Past Performance

COBS 4.6 governs communications containing indications of past performance. Where past performance information is given: (a) it must not be the most prominent feature of the communication; (b) it must include appropriate performance information covering at least the immediately preceding five years; (c) it must be based on complete 12-month periods; (d) a prominent warning must state that past performance is not a reliable indicator of future results.

Assessment: The guide cites past performance data from Morningstar (decade to December 2024), Schroders (January 1988 to June 2022), and FTSE 100 historical returns. In each case, the data is presented as research evidence supporting educational content about investor behaviour, not as a basis for making investment decisions. The data covers periods substantially exceeding the minimum five-year requirement. Performance data is not the most prominent feature

of the guide.

## COMPLIANT

### COBS 4.7 – Direct Offer Financial Promotions

Not applicable. The guide does not constitute a direct offer financial promotion as it does not specify a particular investment product, provide pricing information, or contain an application form.

## 2.3 FCA Consumer Duty (PRIN 2A)

### Principle 12

PRIN 2.1 establishes Principle 12: “A firm must act to deliver good outcomes for retail customers.” This principle came into force on 31st July 2023. The Consumer Duty applies to interactions with retail prospects as well as existing clients.

### Cross-Cutting Rules (PRIN 2A.2)

The cross-cutting rules require firms to: (a) Act in good faith towards retail customers (PRIN 2A.2.1R); (b) Avoid causing foreseeable harm to retail customers (PRIN 2A.2.5R); (c) Enable and support retail customers to pursue their financial objectives (PRIN 2A.2.10R).

### Consumer Understanding Outcome (PRIN 2A.5)

PRIN 2A.5 requires firms to support consumer understanding by ensuring communications are tailored to the characteristics of the target market, enable customers to make informed decisions, and do not exploit customers’ behavioural biases or lack of knowledge. This final requirement is directly relevant to a guide about behavioural finance: the guide must inform readers about biases without itself exploiting those biases to generate business.

## 2.4 FCA Perimeter Guidance: PERG 8

### The Invitation or Inducement Test (PERG 8.3)

The guide constitutes a financial promotion because it is an invitation or inducement to engage in investment activity. Specifically, it invites readers to consider engaging with financial advisers regarding their investment approach and behavioural management, which relates to advising on investments under Article 53 of the Regulated Activities Order 2001 (SI 2001/544). The guide does not itself provide advice; it provides educational information whilst positioning the distributing firm as a potential provider of regulated advice.

### Distinction Between Information and Advice

The guide is correctly positioned as educational and informational content. It does not cross the boundary into a personal recommendation under RAO Article 53. The guide explicitly states it does not constitute advice and cannot do so without knowledge of the reader’s circumstances. This positioning is maintained throughout the document.

## 2.5 COBS 4.10: Approving Financial Promotions

COBS 4.10 governs the approval of financial promotions. The Financial Services and Markets Act 2023 (FSMA 2023) amended Section 21 of FSMA 2000 to establish a new regulatory gateway for the approval of financial promotions. Since PS23/13 came into force on 7th February 2024, this gateway requires firms to hold specific FCA permission if they wish to approve financial promotions for communication by unauthorised persons.

### Application to This Document

This guide is designed for distribution by FCA-authorized firms to their own retail clients and prospects. In this scenario, the authorised firm is communicating its own financial promotion directly, not approving a promotion for an unauthorised person to communicate. The gateway requirement under PS23/13 therefore does not apply to the primary distribution method. The distributing firm remains responsible for ensuring the content meets its internal approval procedures before distribution.

## 2.6 Financial Promotion Order 2005 (SI 2005/1529)

The Financial Promotion Order defines controlled activities and controlled investments. The guide relates to the controlled activity of advising on investments (Schedule 1, Part I) and the controlled investments of shares, units in collective investment schemes, and rights under personal pension schemes (Schedule 1, Part II). No exemptions under the FPO are relied upon because distribution is by authorised firms communicating their own promotions.

# Part Three: Section-by-Section Analysis

Each section of the guide is assessed below against COBS 4.2 (fair, clear, not misleading), COBS 4.5 (suitable for retail clients), COBS 4.6 (past performance), and Consumer Duty requirements.

## 3.1 Introduction: “The Hidden Cost Nobody Warned You About”

### COMPLIANT

The opening establishes the guide’s central premise: that investor behaviour is the primary driver of the gap between market returns and actual investor returns. The language is direct but not alarmist.

## 3.2 Morningstar and Barclays Research

### COMPLIANT

This section presents the core research evidence: Morningstar's finding that the average investor earned 1.2 percentage points less per year than their funds actually returned over the decade to 31 December 2024, and Barclays Private Bank's corroborating finding of approximately 15% of available returns lost to behavioural mistakes.

COBS 4.6 compliance: The Morningstar data covers a complete decade (2014–2024), substantially exceeding the minimum five-year requirement. The guide strengthens the evidence by noting persistence across multiple measurement periods. Sources are clearly attributed.

## 3.3 The Compound Growth Table

### COMPLIANT

The compound growth table illustrates the long-term impact of the 1.2 percentage point behaviour gap on a £100,000 investment over 10, 20, and 30 years.

COBS 4.6 compliance: The table uses hypothetical projections based on a clearly stated historical return figure. The calculations are mathematically verifiable. The table is clearly sourced as author calculations and is presented as illustrative.

## 3.4 Schroders Research

### COMPLIANT

This section presents Schroders' analysis of FTSE 100 returns from January 1988, showing that missing the 30 best trading days out of approximately 8,500 would reduce annualised returns from 8.31% to 3.38%.

COBS 4.6 compliance: The data covers a 34-year period, substantially exceeding the minimum five-year requirement. The source is clearly attributed.

## 3.5 COVID-19 Case Study

### COMPLIANT

The section uses the COVID-19 market crash as a real-world illustration of the behavioural patterns discussed. The FTSE 100 figures cited are factually accurate and verifiable against LSEG records.

Consumer Duty assessment: The section does not create undue alarm about current market conditions. It uses a past event to illustrate a behavioural principle, which supports consumer understanding without causing foreseeable harm.

## 3.6 Behavioural Biases Section

### COMPLIANT

The section explains three behavioural biases: loss aversion, recency bias, and herding. Each is presented as a well-established concept in behavioural economics, not as speculation or opinion.

Consumer Duty note: A guide about behavioural biases must inform readers about biases without itself exploiting those biases. This section describes the mechanisms neutrally and does not use the reader's awareness of their own biases to create pressure.

## 3.7 Vanguard Research

### COMPLIANT

This section cites Vanguard UK's June 2025 study finding that advisers following best practice can add up to 3% a year in net returns, with the largest component being behavioural coaching.

COBS 4.6 compliance: The figure is presented as research about adviser value-add, not as guaranteed returns. The "up to 3%" phrasing correctly conveys an upper bound. The source is clearly attributed.

## 3.8 Practical Steps for Self-Directed Investors

### COMPLIANT

This section provides four practical strategies for managing behavioural risks. The inclusion of this section demonstrates good faith under PRIN 2A.2.1R: it does not imply that professional advice is the only valid approach.

## 3.9 Important Information and Disclaimers

### COMPLIANT

All required disclaimers are present and appropriately prominent. The section includes: a statement that the guide does not constitute personal advice; past performance warnings; tax treatment caveats; and a clear statement that the distributing firm is responsible for the content.

## Part Four: Strategic Inserts – Compliance Review

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The guide contains six strategic inserts designed to bridge from abstract research into personal relevance. Each has been individually assessed against COBS 4.2.1R (fair, clear, not misleading) and Consumer Duty cross-cutting rules.

### 4.1 Insert One: Self-Qualification

Location: Introduction section

The insert helps self-qualification. The phrase “if anything” explicitly validates inaction, avoiding any implication that readers must take a particular course.

**COMPLIANT**

### 4.2 Insert Two: Personal Relevance

Location: After Morningstar research section

The insert bridges from abstract research data to the reader’s own circumstances. It prompts reflection without prescribing action.

**COMPLIANT**

### 4.3 Insert Three: Compound Impact

Location: After compound growth table

The insert connects the illustrative numbers to the reader’s personal situation without making claims about their specific outcome.

**COMPLIANT**

### 4.4 Insert Four: Behavioural Recognition

Location: After behavioural biases section

The insert normalises the experience of recognising one’s own biases without exploiting that recognition to create pressure. This is particularly important for Consumer Duty compliance in a guide about behavioural finance.

**COMPLIANT**

### 4.5 Insert Five: Adviser Value

Location: After Vanguard research section

The insert positions the adviser conversation as one option for addressing behavioural risks. It does not claim that advice is the only valid approach.

**COMPLIANT**

### 4.6 Insert Six: Closing Bridge

Location: After practical steps section

The insert provides a soft close that normalises complexity and frames remaining questions as a valid reason to engage. No urgency, no pressure.

**COMPLIANT**

### 4.7 Overall Assessment of Inserts

All six inserts maintain the document’s educational positioning whilst creating natural moments for reader engagement. None constitutes personal advice. None makes specific product recommendations. None creates undue urgency or pressure.

None of the inserts: create artificial urgency; make promises or guarantees; pressure the reader; obscure important information; or exploit the behavioural biases the guide describes.

## Part Five: Data and Source Verification

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All research citations and data points in the guide have been verified against the original sources. Morningstar Mind the Gap data, Barclays Private Bank research, Schroders market analysis, Vanguard adviser value study, and FTSE 100 historical returns have been confirmed against published reports.

Distributing firms should verify that all research figures remain the most recent available from each source at the time of distribution.

## Part Six: Consumer Duty Compliance Analysis

The Consumer Duty (PRIN 2A) came into force on 31st July 2023 and imposes a foundational standard of conduct on firms.

### 6.1 Acting in Good Faith (PRIN 2A.2.1R)

The guide demonstrates good faith through: honest presentation of independently sourced research without exaggeration; attribution of all claims to specific, named publications; balanced presentation that validates both self-directed and advised approaches; explicit acknowledgment that not everyone needs professional advice; practical strategies empowering readers to manage their own behavioural risks; strategic inserts that consistently validate inaction as a legitimate choice; and no manipulation, hidden agenda, or misleading implication.

**Good Faith Assessment: COMPLIANT**

### 6.2 Avoiding Foreseeable Harm (PRIN 2A.2.5R)

The guide helps avoid foreseeable harm by: including prominent risk warnings and past performance caveats; clearly disclaiming that the content does not constitute personal advice; presenting the compound growth table as illustrative rather than predictive; not recommending specific actions that could cause financial harm; not exploiting the behavioural biases it describes; providing practical self-help strategies; and using the COVID case study as education rather than fear.

**Foreseeable Harm Assessment: COMPLIANT**

### 6.3 Enabling Financial Objectives (PRIN 2A.2.10R)

The guide supports customers pursuing their financial objectives by: educating readers about a well-documented barrier to investment returns; providing concrete, actionable strategies for managing behavioural risks; raising awareness of biases that may be affecting readers' decisions; equipping readers with knowledge to make more informed choices; and not creating barriers to switching or limiting options.

**Financial Objectives Assessment: COMPLIANT**

### 6.4 Consumer Understanding (PRIN 2A.5)

The guide supports consumer understanding through: conversational, accessible language appropriate for UK adults; technical concepts explained using concrete examples; research findings translated into relatable terms; logical structure progressing from evidence to explanation to practical application; appropriate reading level for the target market; and source attribution enabling independent verification.

**Consumer Understanding Assessment: COMPLIANT**

## Part Seven: Recommendations for Distributing Firms

### 7.1 Required Actions Before Distribution

#### 1. Complete Firm-Specific Information

Replace all placeholders with your firm's details: [FIRM NAME], [TELEPHONE], [EMAIL], [WEBSITE]. Include your FCA registration number.

#### 2. Remove Evaluation Markings

Remove all 'EVALUATION COPY' watermarks, header notices, and the Evaluation Copy Notice at the end of the document.

#### 3. Verify Data Currency

Confirm all research figures remain the most recent available from each source. If updated figures are available at distribution date, they should be substituted.

#### 4. Update Document Date

Ensure the document date reflects distribution date rather than February 2026.

#### 5. Obtain Internal Sign-Off

The document must be signed off through your firm's financial promotion approval process before distribution. This assessment supports but does not replace that process.

### 7.2 Distribution Channels

The guide is suitable for distribution through: direct email to existing clients; website download for prospect acquisition; post-meeting follow-up material; seminar and webinar handout material; referral partner distribution; and market volatility response communications.

Social media note: If excerpts are used on social media, each post must be standalone compliant under FCA social media guidance (FG15/4 and FG24/1), including appropriate risk warnings within the post itself.

### 7.3 Optional Customisation

Distributing firms may: add firm-specific branding (maintaining prominence of risk warnings); adjust document design and layout; add a covering letter or email introduction; and include a brief firm description. Material content changes would require fresh compliance review.

### 7.4 Conditions for Approval

Document distributed only by FCA-authorized firms. No material amendments without fresh compliance review. Distributing firm accepts responsibility for suitability. Document reviewed for currency at least annually. Research figures updated when newer data is published.

### 7.5 Annual Review Requirement

The research citations in this guide should be reviewed annually to ensure they remain the most current available. Recommend review each August following publication of Morningstar's annual Mind the Gap report.

## Part Eight: Compliance Sign-Off Summary

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**Suitable for distribution by FCA-authorized firms following firm-specific customisation and internal approval.**

Subject to the conditions outlined in Section 7.1

**Assessment Prepared By:** AL Miller | Financial Communication Specialist

**Assessment Date:** February 2026

Document Assessed: The Role of Behaviour in Long-Term Financial Outcomes – Final Version (Evaluation)

*This assessment is provided to support the distributing firm's compliance review process. It does not constitute compliance sign-off. The distributing firm retains full regulatory responsibility for the content at the point of distribution.*

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**CLEAR THINKING FOR COMPLEX FINANCIAL  
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