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# THE ROLE OF BEHAVIOUR

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*What the research tells us about the decisions  
that really shape your financial future*



**Investor Guide**  
*February 2026*

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## The Hidden Cost Nobody Warned You About

You have done everything right. Saved when you could have spent. Picked sensible funds. Watched the charges.

So why are your actual returns almost certainly lower than the returns your investments delivered?

It is not fees. Not the funds you chose. Not even the markets.

It is you. More specifically, it is what you did and when you did it.

*This guide is particularly relevant if you have been investing for some time and want to understand whether the patterns described here might apply to your own situation, and what, if anything, you might do about them.*

## The Number That Should Trouble Every Investor

Morningstar has been tracking this problem since 2005. They are the research firm that professional investors trust, and their findings are consistent year after year.

Their August 2025 report looked at the decade to 31st December 2024. What they found was stark: the average investor earned 1.2 percentage points less per year than their funds actually returned. Put another way, investors gave up approximately 15% of the returns that were there for the taking.

Not to fees. Not to bad fund choices. Just to buying and selling at the wrong times.

Barclays Private Bank's September 2025 analysis drew on Morningstar's research, reinforcing the gap's significance within wealth management. Their conclusion was the same: investors were giving up approximately 15% of the returns that were available to them.

### Why This Matters More Than You Think

**This is not some statistical blip. Morningstar found almost identical gaps when they measured the ten-year periods ending December 2020, 2021, 2022, and 2023. Year in, year out, the same story.**

And some investors do far worse. Those in bond funds and specialist sector funds captured barely half of what their funds returned. The flashier or more volatile the investment, the bigger the gap.

## Small Gaps, Big Consequences

### The Mathematics That Changes Everything

A 1.2 percentage point gap sounds like nothing. In any given year, you would barely notice it. But here is the thing about investing: it is not a one-year exercise. And small numbers, compounded over decades, become very big numbers.

Take the FTSE 100. Over the twenty years from 2005 to 2024, it delivered a total return of around 243% including dividends. That works out at 6.4% a year. In 2025 alone the index climbed 21%, its seventh-best year ever, and broke through 10,000 for the first time in early January 2026.

Now imagine two investors. One captures the full 6.4%. The other, thanks to mistimed decisions, gets only 5.2%. Same funds. Same markets. Different outcomes.

Starting investment: £100,000

Years	At 6.4%	At 5.2%	Gap
10	£185,093	£166,019	£19,074
20	£342,594	£275,622	£66,972
30	£643,056	£457,585	£185,471

FIGURE: THE COMPOUND COST OF A 1.2 PERCENTAGE POINT BEHAVIOUR GAP

SOURCE: AUTHOR CALCULATIONS BASED ON COMPOUND ANNUAL GROWTH RATE FORMULA. FTSE 100 TWENTY-YEAR ANNUALISED TOTAL RETURN (6.4%) FROM MOTLEY FOOL UK, NOVEMBER 2025.

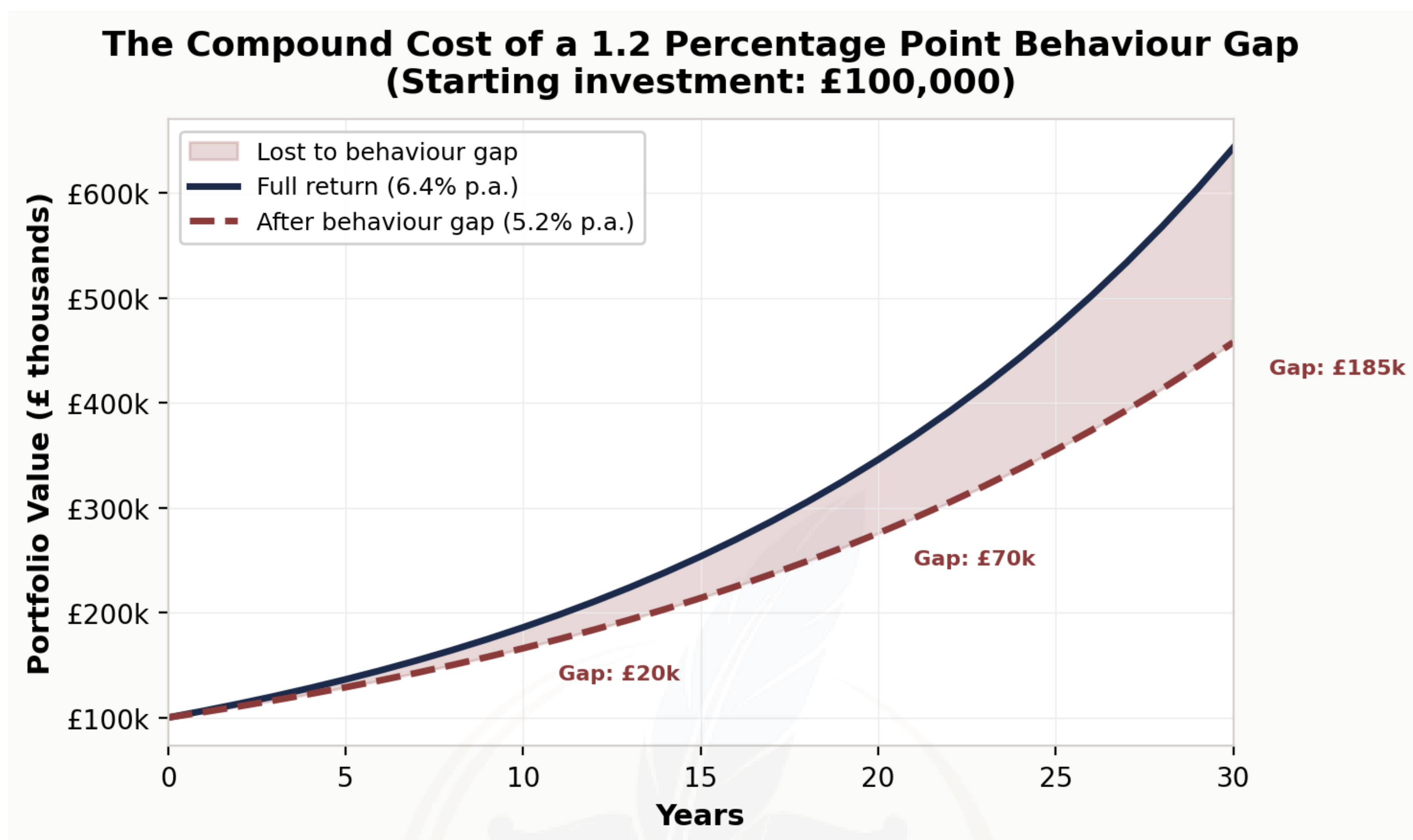


FIGURE 1: THE COMPOUND COST OF A 1.2 PERCENTAGE POINT BEHAVIOUR GAP OVER 30 YEARS

SOURCES: MORNINGSTAR INC., MIND THE GAP 2025 (AUGUST 2025) FOR BEHAVIOUR GAP DATA (1.2 PP). FTSE 100 TWENTY-YEAR ANNUALISED TOTAL RETURN (6.4%) FROM MOTLEY FOOL UK, NOVEMBER 2025.

## What £185,000 Actually Means

Look at the 30-year row. The gap is £185,471. That is not a rounding error.

That is six years of retirement income for many people. It is the deposit on a house for a child or grandchild. It is the difference between comfort and worry in your later years.

And none of it was lost to markets or to charges. It was lost to decisions.

*If you are wondering whether your own decisions over the years might have cost you in this way, you are not alone. Most investors have no reliable way of knowing. This is one reason why a conversation with an adviser can be genuinely clarifying.*

## The Thirty Days That Could Make or Break Your Retirement

If percentages and compound interest feel a bit abstract, try this.

Schroders manages around £825 billion. They are one of the biggest names in British asset management. And they ran a study asking a simple question: what if you had bought the FTSE 100 in January 1988 and held it for 34 years, right through to June 2022?

### The Devastating Impact of Being Out at the Wrong Time

If you stayed invested through every crash, every crisis, every screaming headline, your annualised return would have been 8.31%.

But what if you missed just the 30 best trading days? Out of 8,500 days, just 30. Your return would have collapsed to 3.38%.

**Thirty days. That is all it took to lose nearly five percentage points a year.**

## The Cost of Missing the Best Trading Days FTSE 100: January 1988 - June 2022 (34 years)

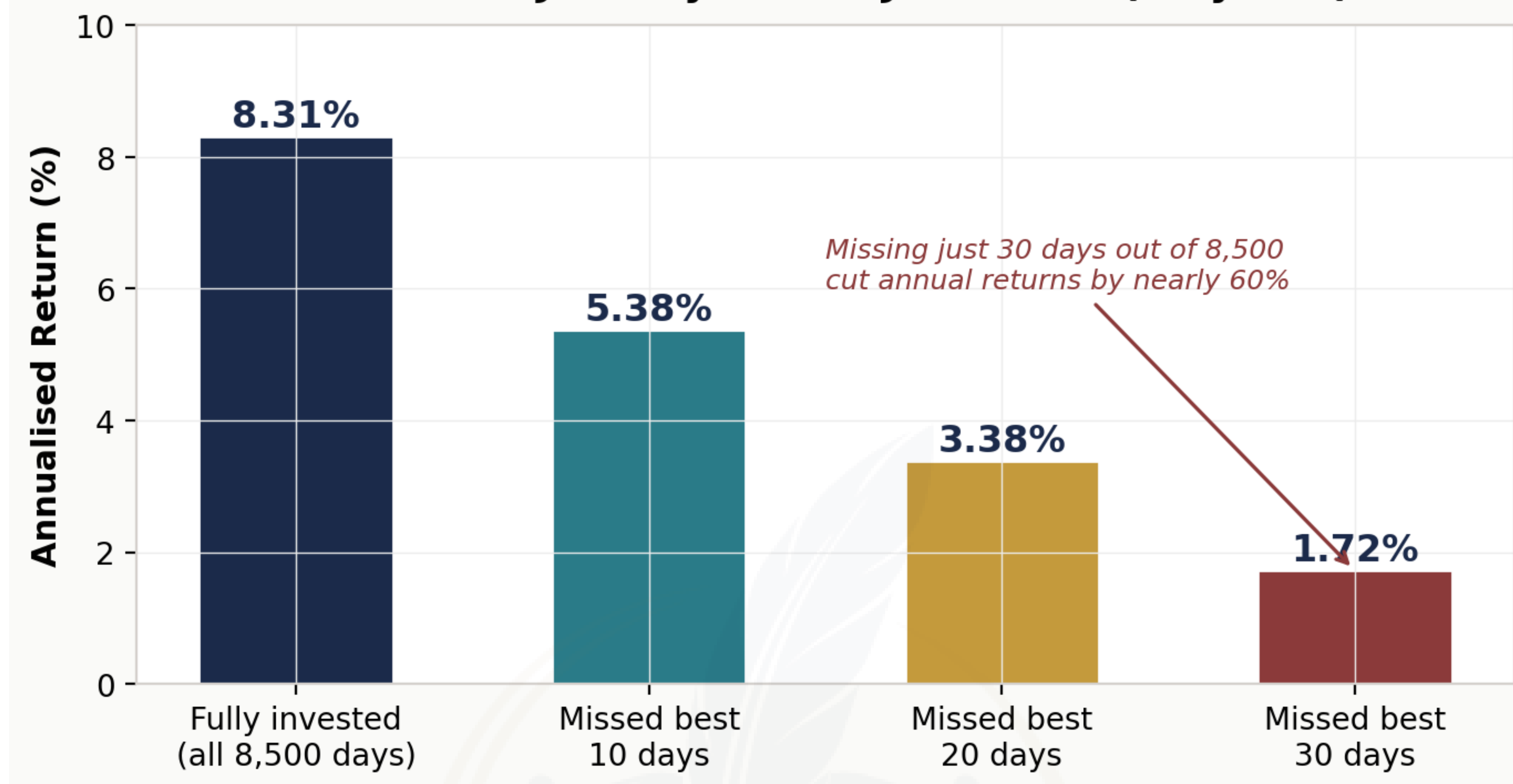


FIGURE 2: THE COST OF MISSING THE BEST TRADING DAYS: FTSE 100 (1988-2022)

SOURCE: SCHRODERS INVESTMENT MANAGEMENT, "TIME IN THE MARKET, NOT TIMING THE MARKET", AUGUST 2022. FTSE 100 TOTAL RETURN DATA, JANUARY 1988 TO JUNE 2022.

### Why Market Timing Is a Fool's Errand

Here is what makes this so dangerous. Those best days do not announce themselves in advance. They cluster around the most volatile, most frightening periods. Often, they come right after the worst days.

So the investor who panics and sells to stop the bleeding? They almost always miss the rebound. And that cost is permanent. You cannot get those days back.

Nick Kirrage, a fund manager at Schroders, put it bluntly: "You would have been a pretty unlucky investor to have missed the 30 best days in 35 years of investing, but the figures make a point: trying to time the market can be very, very costly."

## March 2020: The Test Most Investors Failed

Theory is easy. Living through a crash is something else entirely.

The COVID crisis gave us a real-world experiment in investor behaviour. What happened tells us everything about the gap between knowing the right thing to do and actually doing it when your stomach is churning.

### The Speed of the Collapse

In February 2020, the FTSE 100 sat at around 7,400. Five weeks later, on the 23rd of March, it hit 4,994. Down around a third.

The 12th of March was the second worst single day in the index's history. You have to go back to Black Monday in 1987 to find worse.

### What the Headlines Were Saying

On the 23rd of March 2020, the news was relentless. Shops shutting. Millions sent home. No vaccine anywhere near ready. Talk of economic collapse that could take years to fix.

This is exactly when people cracked. Watching a portfolio bleed out day after day becomes unbearable. So they sold. And in that moment, they felt relief.

What followed was anything but.

## The Long Road Back

The US market bounced back quickly. The FTSE 100 did not. It took until November 2021, roughly twenty months, for the index to briefly touch its pre-crash level of around 7,400 again. Even then the recovery was uneven, and the index drifted around that level for much of 2022 before finally pushing higher.

Those who gritted their teeth and stayed in eventually saw rewards. By December 2025 the index delivered its seventh best year ever, up 21%, breaking through 10,000. Schroders called it one of the strongest years for UK equities in over a decade.

But those who sold near the bottom in March 2020 locked in their losses for good. Then came the hardest question: when do I get back in? Many waited for some sign of certainty. It never came. And they missed chunks of the recovery whilst waiting.

**Think back to March 2020. What did you do? If you stayed invested, something kept you there. If you sold, you are certainly not alone, and understanding why can help you respond differently next time.**

## Why Intelligent People Make Predictably Poor Decisions

Ever looked back at an investment decision and thought: what was I thinking?

You are in good company. And you are not stupid.

**The patterns that trip investors up are not personal failings. They are hard-wired into how human beings think. They kept our ancestors alive. They serve you well in everyday life. But they are a disaster in financial markets.**

### Loss Aversion: Why Losses Hurt Twice as Much

Daniel Kahneman won the Nobel Prize for showing that losing money hurts roughly twice as much as gaining the same amount feels good.

When your portfolio drops £10,000, it stings. A £10,000 gain does not feel anywhere near as good. As the losses pile up, the pain gets harder and harder to bear. Eventually, the only way to stop it is to sell. And that usually happens right at the bottom.

### Recency Bias: The Trap of Recent Experience

Our brains put too much weight on what just happened. After a good run, we feel bulletproof. We pile in. We chase winners.

After a fall, we panic. We pull money out. We avoid anything that has gone down.

The result? We buy high and sell low. Exactly backwards.

### Herding: The Dangerous Comfort of the Crowd

When everyone else is selling, staying invested feels mad. When everyone is buying, sitting on the sidelines feels cowardly.

But the extremes are where the crowd gets it wrong. Maximum panic tends to mark good buying opportunities. Maximum excitement often comes just before disappointment.

Following the herd feels safe. In investing, it usually is not.

## The Value of Having Someone in Your Corner

Here is something the industry does not shout about.

The real value of a financial adviser is not stock picking. It is not beating the market. It is not getting you into some exclusive deal.

**It is behavioural. It is stopping you from doing something stupid when your gut is screaming at you to act.**

### What the Research Actually Shows

Vanguard has studied this for over twenty years. Their June 2025 UK research found that advisers following best practice can add up to 3% a year in net returns. Sometimes more.

The biggest chunk of that? Behavioural coaching. Vanguard calls advisers "emotional circuit breakers" who help clients ride out volatility and stick to their plans.

## Vanguard's Adviser's Alpha: Where the Value Comes From (Total: approximately 3% per year)

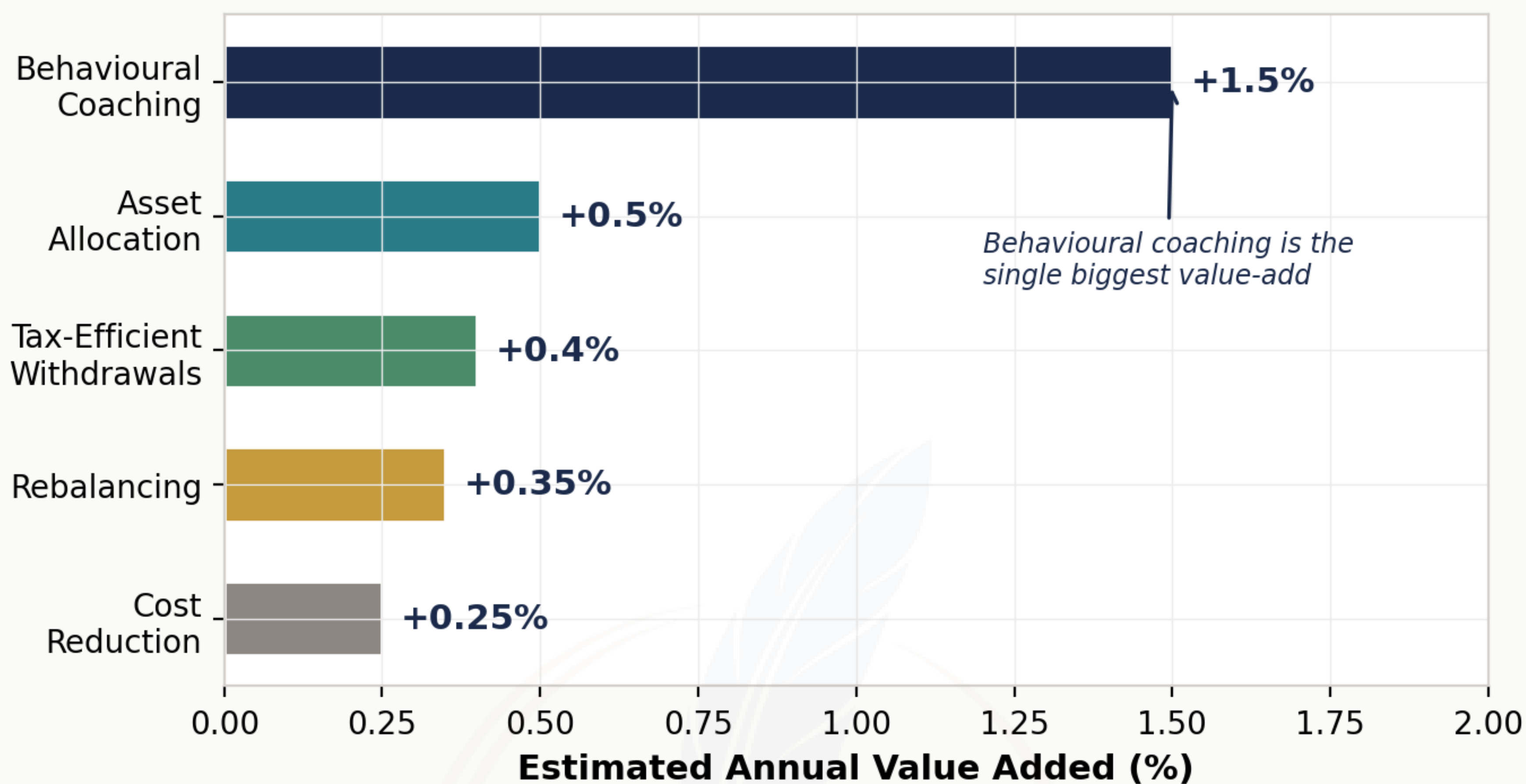


FIGURE 3: VANGUARD'S ADVISER'S ALPHA: ESTIMATED ANNUAL VALUE ADDED

SOURCE: VANGUARD UK, "QUANTIFYING ADVISER'S ALPHA IN THE UK", JUNE 2025. APPROXIMATE COMPONENT BREAKDOWN. TOTAL ESTIMATED VALUE: ~3% PER YEAR.

It is not about finding a magic fund. It is about stopping expensive mistakes before they happen.

### The Adviser as Circuit Breaker

Cast your mind back to March 2020. Markets in freefall. Headlines full of doom. Every fibre of your being telling you to sell, to get out, to do something.

Investors with advisers got a phone call. Or an email. Context. Perspective. A reminder of why they were invested in the first place. A calm voice when everything else was noise.

Many stayed put because of that conversation. Many were still there to capture the 21% gain in 2025.

Those who faced the panic alone? Many sold. And the gap between the two groups grew wider with every passing year.

***If you currently work with an adviser, this research may reinforce why that relationship matters. If you do not, it may be worth considering whether having someone in your corner during the next volatile period would change how you respond.***

## Practical Steps for the Self-Directed Investor

Knowing all this is a start. But knowing and doing are different things. What you need are systems that take the decision out of your hands when emotions run high.

### Automate Everything You Can

Set up a standing order. Same amount, same day each month, rain or shine. You stop trying to pick the perfect moment because there is no perfect moment. You just keep buying, through the highs and the lows, and your average price takes care of itself.

If your platform offers automatic rebalancing, turn it on. Let the machine sell your winners and top up your laggards. Your emotions would never let you do that voluntarily.

### Stop Checking So Often

Every time you look at your portfolio, you give yourself a chance to panic. Or get overexcited. Neither helps.

Quarterly is plenty. Some say yearly is fine. The less you look, the less you fiddle. The less you fiddle, the better you do.

## Write It Down Before You Need It

When things are calm, write down what you own and why. How much can you stomach losing before you would genuinely need to sell? What are you saving for? When do you need the money?

Then, when markets tank and your hands are shaking, read it. Let the calm version of you talk some sense into the panicking version.

## The 48 Hour Rule

Before you make any big change, wait two days. Write down why you want to do it. Come back and read what you wrote.

Most knee-jerk decisions do not survive 48 hours of reflection. The ones that do are probably worth making.

***These strategies work well for some investors. For others, having a structured process with professional support makes the difference. There is no single right approach: what matters is finding one you will actually stick to.***

# The One Variable You Actually Control

Markets will do what markets do. You have no idea which asset class will shine next year. You cannot tell which fund manager will outperform. You will not see the next recession coming, or the next pandemic, or the next geopolitical shock.

These are the things the financial media obsesses over. And none of them are within your control.

***What is within your control? How you react. What you do when fear or greed takes hold. Whether you stick to your plan or abandon it.***

## Every Decision Compounds

Selling in a panic is a choice. Chasing last year's winner is a choice. Checking your portfolio every morning is a choice.

Add them up over 20 or 30 years and they will matter more than which fund you picked.

## What the Evidence Tells Us

The numbers are clear. Investors give up around 15% of their returns to bad timing. Missing 30 good days out of 8,500 can cut your annual return nearly in half. Over a lifetime, that gap can be the difference between retiring comfortably and retiring worried.

## Progress, Not Perfection

Nobody gets this right all the time. Even people with advisers make mistakes. The point is not to be perfect. The point is to be less wrong, less often.

Understand the traps. Build systems to avoid them. Know when you are out of your depth and need help.

**For most people, the biggest gains will not come from finding a better fund.**

**They will come from becoming a better investor.**

***If reading this has prompted questions about your own approach (whether you are doing enough to protect yourself from these patterns, or whether a conversation might help clarify things), that is often a useful signal to explore further. Your adviser can help you think through whether your current approach is working as well as it could.***

# Important Information

This document is intended for educational purposes only and does not constitute personal financial advice. The information contained herein is based on research sources believed to be reliable, but no guarantee is made as to its accuracy or completeness.

**Past performance is not a reliable indicator of future results.** The value of investments and the income from them can fall as well as rise, and investors may not get back the original amount invested. The examples and calculations presented are for illustrative purposes only and should not be relied upon as predictions of future performance.

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If you are in any doubt about the suitability of any investment or strategy for your circumstances, you should seek advice from a suitably qualified financial adviser.

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## Data Sources

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For a conversation about your own situation:

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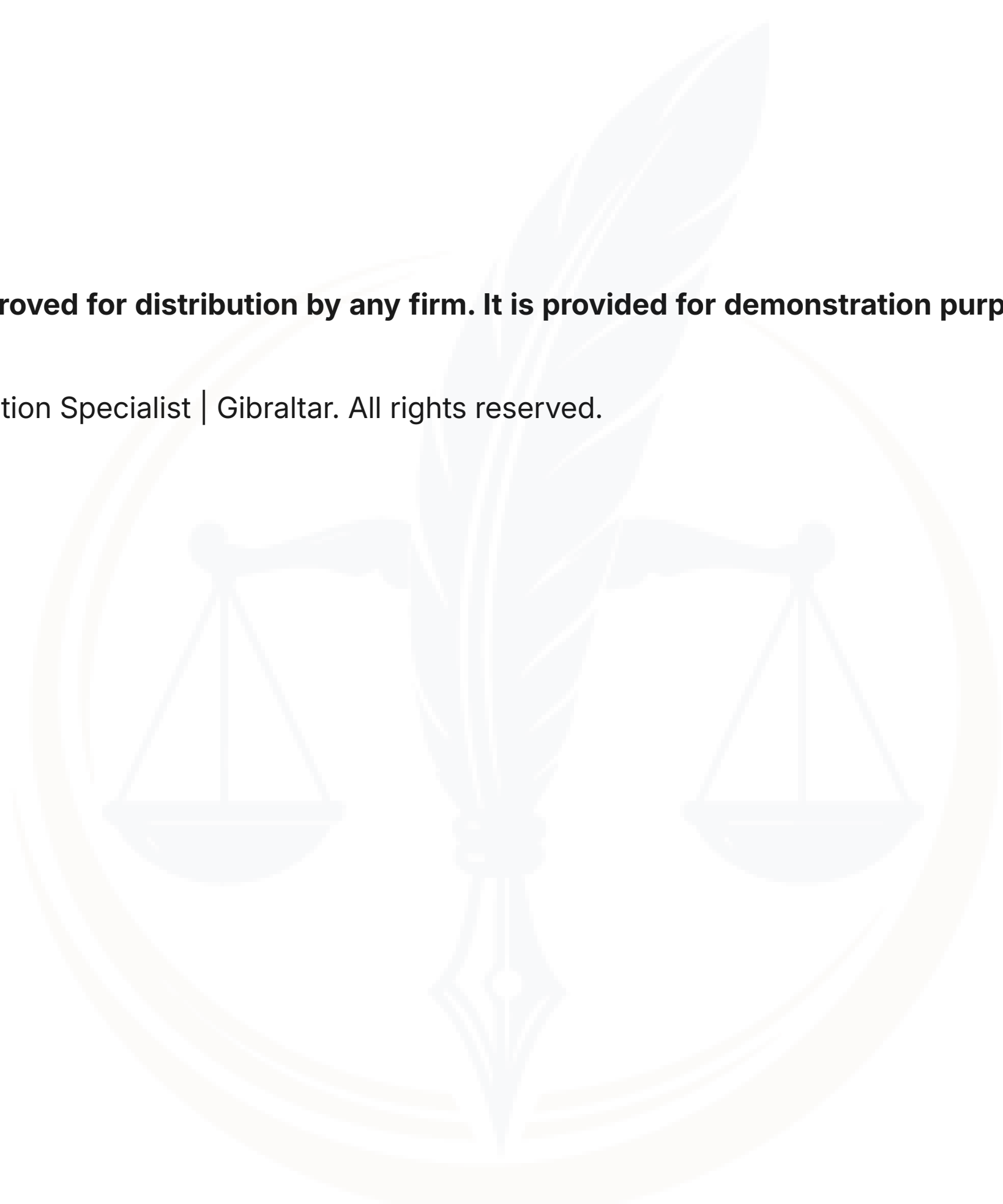
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**CLEAR THINKING FOR COMPLEX FINANCIAL  
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