Human Factor: Availability Bias

The easier it is to think of an example of something, the more representative we believe that thing to be.

How Does Availability Bias Work?

We use our own experience as the basis for interpreting the world. If we can think of something, it must happen a lot! Therefore, we over-attend to our experience in the absence of other perspectives. We overestimate the generalizability of our own experience.

Examples of Availability Bias in Action:

- People fear airplanes more than cars, because they see every plane crashes reported on the news. However, car crash fatalities are much more common.
- After a market correction, people are less likely to take on risk. While regression to the mean tells us that this may be an advantageous time to invest, because of how fresh in their minds the loss remains, investors are cautious to proceed.
- The easier it is to recall Suze Orman's advice (or yours), the more credible people think the advice is.

When is Availability Bias a Problem?

In the hands of an unscrupulous Advisor, Availability Bias could be used to manipulate us into premature or unwise decisions.

MEMORABLE
IMPACTFUL
RARE

"Availability Bias is why we'll pay double for homeowners' insurance the day after lightning strikes the house next door."

-Dan Smaida

Using Availability Bias to Help Clients

- Be aware of where Clients are getting their news – is the perspective balanced enough?

- Address common misconceptions or fear tactics that may be affecting how Clients are making decisions.

- Provide Clients with easily-remembered examples and stories that align with their goals and needs.

- Keep Clients updated on what you're doing for them, and how you're helping Clients like them!

- Expose Clients to a variety of options they may not be familiar with already - create more possibilities.

- Remember that Clients may overestimate the consequences of certain decisions, based on existing fear of negative outcomes such as a stock market crash or bankruptcy.

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