

WHY HUMANS MAKE BAD INVESTORS

	LOSS AVERSION	CONFIRMATION BIAS	ANCHORING BIAS	RECENCY BIAS
TAG LINE	Avoid losses at all costs	"I am the greatest!"	Getting stuck on the first thing you see	The breaking news problem
WHAT IT IS	Losses hurt roughly 2.5x as much as gains feel good	We tend to seek out information that confirms or supports what we already think and reject information that doesn't.	We tend to latch onto the information we receive first regardless of whether it's relevant or not to decision we are making now.	We tend to put more emphasize on information we just received. It's most readily available to our brains.
HOW TO SPOT IT	Fear of loss can cause investors to invest too conservatively or overreact during market volatility causing them to sell low because they cannot stomach the pain anymore.	You just boought a stock, as you continue reading up on the firm, you come across 10 positive headlines and 10 negative ones. You only open on the ones that support your decision and skip the ones that do not.	We commonly anchor on specific numbers just because, they are familiar. Your friend is raving about a stock that she bought at \$50 by the time you check the quote it's already at \$55. So you decide not to pursue the idea. The price your friend bought at is completely irrelevant.	When the market is down, we tend to feel like it's going to keep falling forever. When the market is rising, we tend to feel and act like it will never stop. Recency bias can lead you to invest more at market tops and sell at market bottoms—just the opposite of what successful investors do.
HOW TO PREVENT IT	Avoiding checking your accounts too frequently, once or twice a year, or if your goals or situation change. Strategic planning helps you focus on long-term goals, not short-term fears.	Be honest with yourself: "What could I have gotten wrong?" Read creditable sources that have opposing views	Do your homework. Ask yourself, "Does this decision fit into my plan" Do not focus on how it fits into someone elses. If you can't do it yourself, get help from a professional.	Stop constantly checking on what the market is doing. Most scary headlines have little impact on long-term market trends. Focus on your personal goals.

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