

# What not to do... when it comes to investing.



Series: What you need to consider  
Complexity: **Beginner**

Over the years, a lot of research has been conducted into investor behaviour. Most findings show that emotions lead to uninformed decisions, which usually end with a loss.

Here are some of the common emotionally-driven pitfalls we as investors should avoid.

## 1. Overconfidence

Don't overrate your ability as an investor. Even seasoned professionals aren't always right. Overconfidence can lead to uninformed decisions.

Remedy – Make more informed decisions by becoming an educated investor, or by speaking to your financial adviser.

\* Delquie, P (2003)

## 2. Losing hurts more than winning

Research indicates that a loss causes about twice as much pain as a gain causes pleasure\*. Chances are, when your portfolio takes a hit, you're more likely to remember this than when your portfolio's value is increasing.

Remedy – Keep your losses in perspective and focus on future gains.

## 3. Chasing past performance

Avoid jumping on the bandwagon by investing in the last period's winner. It's rare that the same investment will outperform consistently.

Remedy – A balanced approach across many investments will help smooth your returns.

## 4. Timing the market

No one knows when the market will reach its minimum or maximum, so trying to time when to buy – or sell – is risky.

Remedy – The best approach is to contribute regularly.

The key is to try to invest with your mind – that is your rational side – and not your heart.

For more tips on successful investing, make sure you stay up-to-date with the material regularly published on the Investor Toolkit.

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References – Delquie, P (2003), *The good news? people aren't perfect*, KPMG Frontiers in Finance, INSEAD

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