HOW EMOTIONS AFFECT DECISIONS

As individuals, we each have a unique approach to investing. Yet many of us are not aware of how our behaviour can affect our financial goals.

We often have instinctive reactions when faced with financial decision-making. Our emotions, not our practical reasoning, often drive our choices – and affect our returns.

Whether investments are rising or falling, we have a cycle of emotions that can affect our investment returns. This cycle may be completely disconnected from actual market performance. Yet at each stage, investors make specific trade-offs between immediate emotional comfort and long-term returns.

BEHAVIOURAL JOURNEY GRAPH

For instance, when markets are on the rise we are more keen to invest. We experience optimism and excitement as investments rise, so we are tempted to buy more. As a result we end up buying high.

Then if markets fall, this can turn to denial, fear and even panic as we see our portfolio value plummet along with our expectations. So we often end up selling when prices are low. This emotional response can be highly detrimental to the performance of our investment portfolio and highlights the need to have a long-term investment plan to adhere to, regardless of our emotional ups and downs.

We will work with you, using our investment expertise, to create an investment portfolio that is specific to your individual needs and financial objectives. By helping you establish a long-term financial strategy that reflects your need for emotional comfort, we will support you on your investment journey and help you avoid any potentially detrimental emotionally driven decisions.

THE VALUE OF PENSIONS AND INVESTMENTS CAN FALL AS WELL AS RISE AND YOU CAN GET BACK LESS THAN YOU INVESTED

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