INVESTOR PSYCHOLOGY 101

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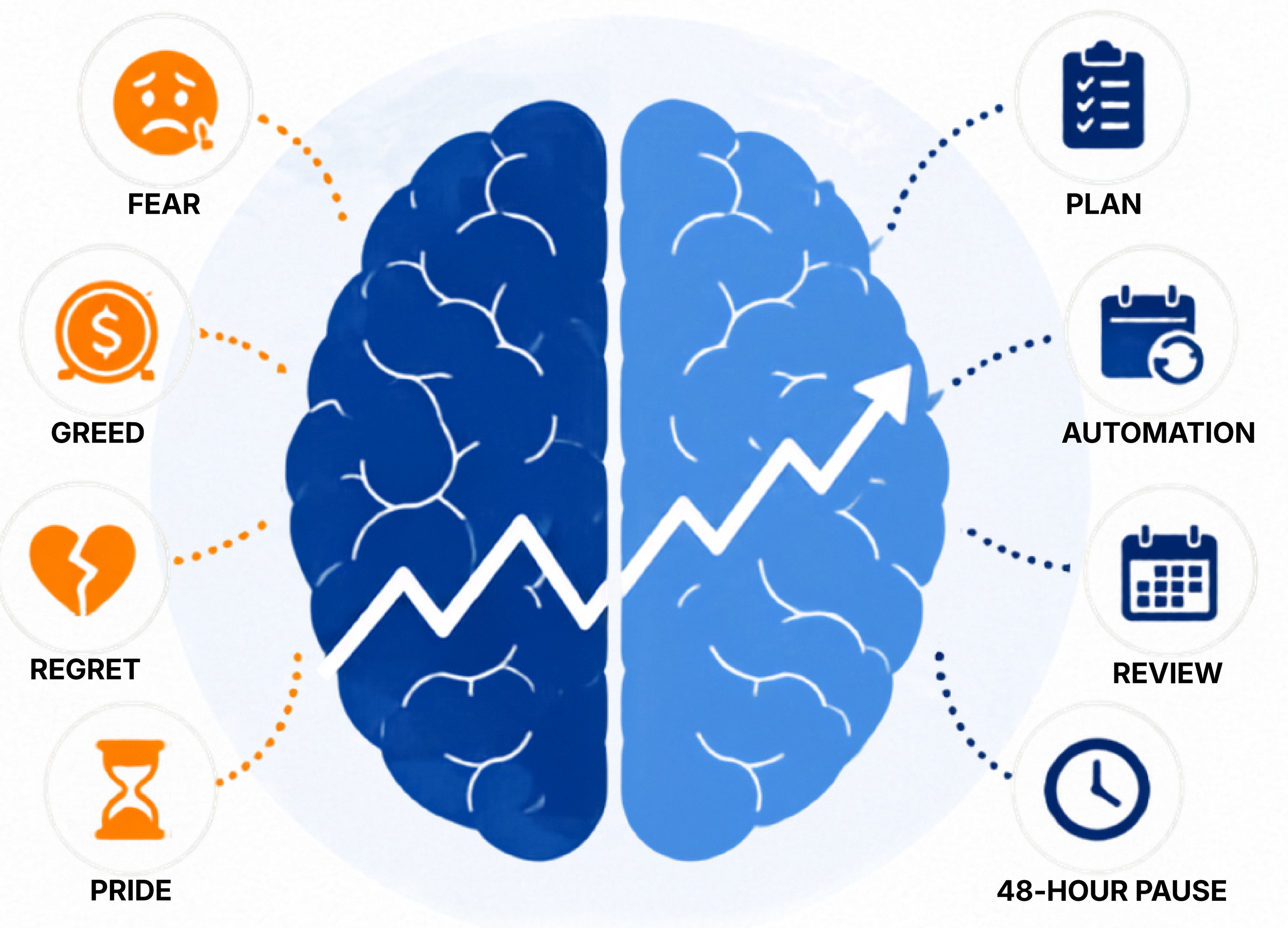
YOUR BIGGEST INVESTING RISK MAY BE YOUR OWN BRAIN

How emotions and biases can quietly lead to costly investment decisions.

This guide shows the common traps — and the guardrails that can help you stay disciplined.



EMOTION → GUARDRAILS

01 / THE REAL RISK

Most Investors Think They Are Rational. Psychology Says Otherwise.

Most of us believe we make rational decisions with money. But behavioural finance shows that investors are vulnerable to predictable, repeatable mental errors.

- Biases affect novices and professionals.
- Understanding bias does not make you immune.
- Guardrails can help catch the worst mistakes before they happen.

Market Event → Emotional Reaction → Higher Risk of Costly Mistake

Market Event → Written Rules → Better Decision Guardrails

The goal is not to remove emotion.

The goal is to stop emotion from making the decision.

02 / THE BIAS TRAPS

6 Bias Traps That Can Distort Investment Decisions

These mental shortcuts can make poor decisions feel reasonable in the moment.

1. Loss Aversion
Losses hurt more than gains feel good.

2. Confirmation Bias
You seek information that agrees with you.

3. Herd Behaviour
You follow the crowd instead of making an independent assessment.

4. Overconfidence
You mistake a rising market for skill.

5. Anchoring
You fixate on the price you paid.

6. Salience Bias
You focus on dramatic changes, overlooking relevant information.

What This Means
A decision can feel logical, while still being shaped by bias.

03 / EMOTION TRIGGERS

Emotions Often Strike at the Worst Possible Time

Fear and greed are among the most destructive forces in investing — but they are not the only emotions that matter.

	When it strikes	Mistake it can drive
Greed	Bull markets, when prices are rising.	Buying overvalued assets, taking too much risk, chasing 'hot' investments.
Fear	Market downturns, when news is bad.	Selling at a loss, moving entirely to cash, refusing to invest.
Regret	After a missed opportunity or bad decision.	Chasing what you missed or holding a loser to avoid admitting the mistake.
Pride	After an investment performs well.	Becoming overconfident in future investment decisions.

The stronger the emotion, the more important the pause.

04 / PRACTICAL GUARDRAILS

Build Guardrails Before Emotions Take Over

Make the important investment decisions in advance — when you are calm.

1. **Write Your Plan Down**
Include your goals, time horizon, asset allocation, sell rules, and maximum loss you can absorb.

2. **Automate Where Possible**
Set up regular fixed investing so you invest consistently through good and bad markets.

3. **Use a 48-Hour Waiting Period**
Before a major change, write down your reasoning and revisit it two days later.

4. **Check Less Often**
Use a quarterly or semi-annual review schedule instead of reacting to every market move.

5. **Seek a Second Opinion**
Explain your decision to a trusted person or your future self before acting.

Good Habits Reminder

- Review on schedule.
- Rebalance when allocation drifts.
- Journal major decisions.
- Keep investments less visible.
- Research 'hot' investments before buying.

05 / NEXT STEPS

WHAT TO REMEMBER — AND WHAT TO DO NEXT

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REMEMBER THIS

- Your biggest risk may not be the market — it may be your own brain.
- Fear and greed can drive costly decisions at exactly the wrong moments.
- Written rules, automation, and periodic reviews reduce emotional decision-making.

YOUR NEXT 3 MOVES

1. **Write a one-page investment policy statement**
Include your goals, target asset allocation, and conditions for making a change.
2. **Set up automated monthly investing**
Use a standing instruction to invest a fixed amount each month into a diversified product, such as a diversified ETF.
3. **Use the 48-hour rule**
When you feel the urge to act on news or market movement, write your reasoning and wait before acting.

MAKE THE IMPORTANT DECISIONS IN ADVANCE — WHEN YOU ARE CALM.

Stay disciplined today.
Your future self will thank you.