Avoiding Emotion With Automated Trading

The Rise of Robo-Advisors
The world of investing has evolved significantly in recent years, and the rise of robo advisors has been a major factor in this development. Robo-advisors are automated services that offer personalized investment advice based on a combination of sophisticated algorithms, data analysis, and portfolio optimization systems.

These digital advisors can help investors make more informed decisions without succumbing to emotion-driven decision making. In this blog post, we'll look at how these services work, the role emotion plays in retail investing, and how automating investment activities can help people avoid making emotional investment decisions.

What Are Robo-Advisors?
Robo-advisors are computerized programs that use information about an investor's risk tolerance and financial goals to create a tailored portfolio. They typically charge much lower fees than traditional investment advisors or brokerages, enabling retail investors with limited capital to access professional advice that would otherwise be too costly for them to benefit from.

Furthermore, because robo advisors are automated systems that do not require human involvement aside from initially setting up portfolios and adjusting them as needed, they are able to provide quick guidance with minimal effort from clients. This makes it easier for investors who don't have the time or resources to manage their own investments to benefit from professional advice without having to take a hands-on approach.

Emotions Are An Investor's Worst Enemy
Despite the many advantages of using robo advisors, however, there is still one major obstacle: emotion. Research has shown that emotion plays a large role in how retail investors behave when it comes to making decisions about their investments.

Fear of losses often leads people to sell stocks when they should really be holding on to them; conversely, greed and euphoria can lead people to buy stocks too soon or invest too heavily in a single asset class without diversifying properly. This emotional behavior can lead investors into making mistakes which could cost them significant amounts of money over the long term.

That's Where Robo-Advisors Come In
Fortunately, automating investment activities can keep people from succumbing to their emotions when investing their hard-earned money. Robo-advisors remove many of the emotions associated with investing by taking away the need for human judgment calls; instead, they rely solely on algorithms that take into account an investor's risk tolerance levels and financial goals when creating portfolios and allocating assets accordingly.
By taking emotion out of the equation entirely, robo advisors allow investors to make more rational decisions that are better suited towards reaching their financial goals over

time—without being swayed by short-term market movements or other external factors that may trigger emotional responses.

Just Take This Example…
To illustrate just how beneficial automation can be for individual investors trying to avoid being led down the wrong path by emotionality during trading activities, let's consider an example: Suppose Jane is looking for ways to grow her capital but she tends towards fear during stock market fluctuations—causing her to sell off her holdings prematurely whenever markets start moving downwards uncontrollably due her panic reaction towards potential losses.

By enlisting the help of a robo-advisor, Jane will be able get personalized investment advice tailored specifically for her goals and risk appetite; furthermore she won't have worry about selling off her holdings prematurely due any irrational fears since her portfolio will be rebalanced automatically according its preprogrammed ruleset without any unnecessary human interference – thereby enabling Jane put her mind at ease while still profiting off potential returns & gains derived from smart investments over time - with minimal effort!

National Financial Education Standards Addressed In This Article
4.12-10b.