

AI-00406 Unrealized Gain Ownership

👤 Owner	Ⓜ Rigel Arcayan
⋮ Tags	investing
🕒 Created time	@September 8, 2023 8:24 PM

What is term called when we claims the gains that we attained in the stock market as our own and feel bad when the price drops

The term you are looking for is **unrealized gains**. Unrealized gains are the profits that you have made on an investment, but have not yet realized by selling the investment. For example, if you buy a stock for \$100 and it goes up to \$120, you have an unrealized gain of \$20. You only realize the gain when you sell the stock.

When you feel bad when the price of an investment drops, even though you have not sold it yet, this is called **paper loss**. Paper losses are the opposite of unrealized gains. They are the losses that you have incurred on an investment, but have not yet realized by selling the investment.

It is important to remember that unrealized gains and paper losses are not real until you sell the investment. Until then, they are just hypothetical profits or losses. However, many investors find it difficult to detach themselves from their unrealized gains and paper losses, and they may feel emotionally invested in the performance of their investments.

Here are some tips for managing unrealized gains and paper losses:

- Don't count your chickens before they hatch. Remember that unrealized gains are not real until you sell the investment.
- Don't panic sell when the price of an investment drops. Paper losses are not real until you sell the investment.
- Have a long-term investment horizon. Don't focus on short-term fluctuations in the market.

- Diversify your portfolio. This will help to reduce your risk of losses.

By following these tips, you can help to manage your unrealized gains and paper losses in a more rational and objective way.

Psychologically, do I own the "unrealized gain"? Why sometimes it feels like a big loss? Help me understand the psychological process of paper loss.

Psychologically, you do not own the unrealized gain until you sell the investment. However, you may feel like you own it because you have experienced the pleasure of seeing the value of your investment go up. This is called **mental accounting**. Mental accounting is the way we mentally categorize our money and possessions. We often assign different values to different types of money, even if they are worth the same amount. For example, we may be more willing to spend money that we have earmarked for entertainment than money that we have earmarked for savings.

In the case of unrealized gains, we may mentally assign them a higher value than they actually have because we have experienced the pleasure of seeing them go up. This can make it difficult to let go of an investment even when it is making a paper loss.

There are a few reasons why paper losses can feel like a big loss. First, we may feel like we have lost something that we already had. This is because we have mentally assigned a value to the unrealized gain. Second, we may feel like we have made a mistake. This is because we may have bought the investment at a high price and now it is worth less. Third, we may worry about the future. We may worry that the investment will continue to lose value and we will lose even more money.

The psychological process of paper loss can be difficult to overcome. However, there are a few things you can do to help yourself manage it.

- **Remember that unrealized gains are not real until you sell the investment.** Don't count your chickens before they hatch.
- **Don't panic sell when the price of an investment drops.** Paper losses are not real until you sell the investment.
- **Have a long-term investment horizon.** Don't focus on short-term fluctuations in the market.
- **Diversify your portfolio.** This will help to reduce your risk of losses.

- **Talk to a financial advisor.** A financial advisor can help you develop a plan to manage your investments and emotions.

By following these tips, you can help to manage the psychological process of paper loss and make better investment decisions.