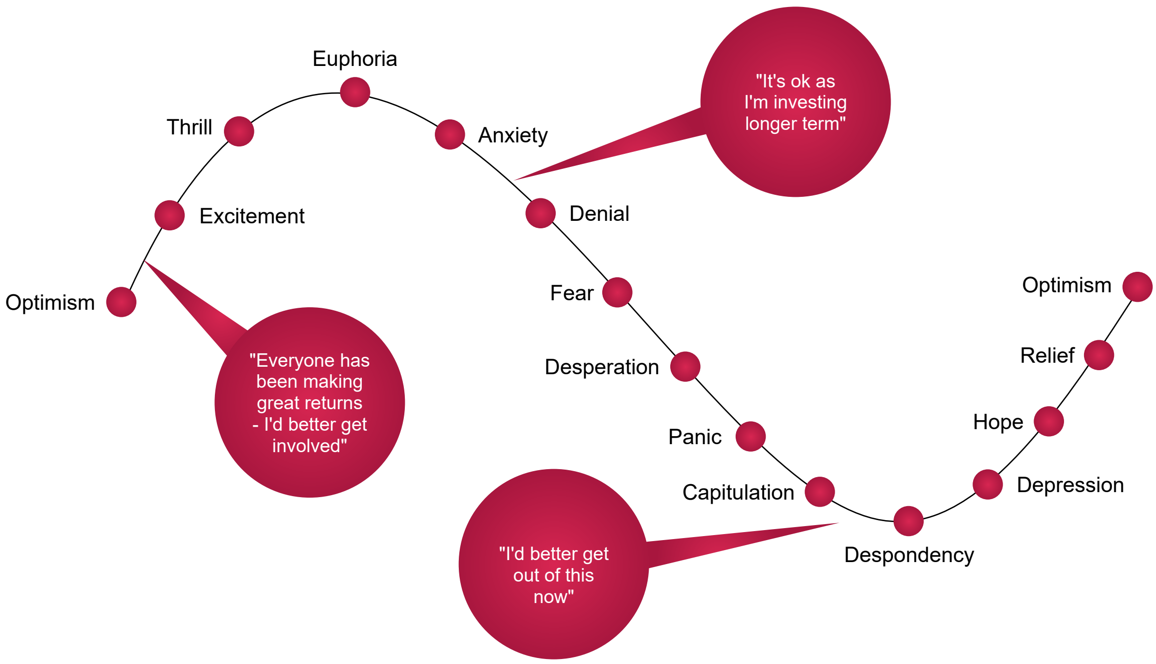
How emotions affect decisions

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 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

When markets are on the rise, we are keener to invest - experiencing optimism and excitement as investments rise. However, as a result, we can end up buying high.

If markets fall, emotions can turn to denial, fear and even panic as we see our portfolio value plummet along with our expectations. As a result, we often end up selling when prices are low – a response which can be detrimental to the performance of an investment portfolio, highlighting the need to have a long-term investment plan to stick to, regardless of emotional ups and downs.

Working with a professional financial adviser enables you to create an investment portfolio that is specific to your individual needs and financial objectives. By helping establish a long-term financial strategy, that reflects your needs for emotional comfort, a financial adviser can support you on your investment journey and help avoid potentially detrimental emotionally driven decisions.

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