



Are you a threat to your own investments?

It may be surprising to know that you yourself may be your own worst enemy when it comes to investments.

Why? Because our emotions and biases sometimes affect our decision-making. Be aware of the following pitfalls when making investment decisions:

BEING OVER-CONFIDENT

This is when people underestimate the risks involved and overestimate their ability to predict and understand market conditions. The consequences could be excessive switching, risk-taking and impulsive or irrational decisions.



Fix it: Invest according to your risk profile and don't ever try to time the market.

ESCALATION OF COMMITMENT

When people make mistakes and face negative outcomes as a result, sometimes pride gets in the way of good sense. Instead of altering course, they persist in the hope of a better outcome. If you realise that you've ignored good advice or taken bad advice, don't be stubborn.



Fix it: Seek assistance from a reputable, certified financial planner.

CONFIRMATION BIAS

When someone has made a certain choice, they may reaffirm their decisions by seeking favourable information to support this choice, even ignoring information that opposes this decision. This creates an inaccurate view of the situation.



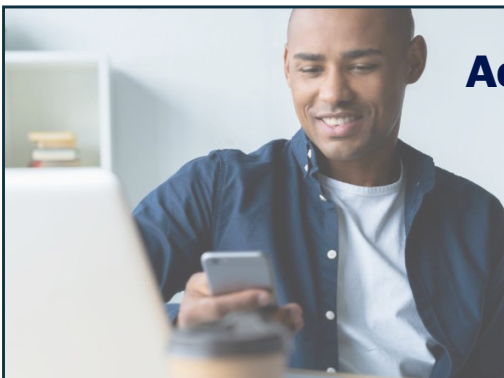
Fix it: Rather take a step back and get some objective input from an expert.

ANCHORING

This is when a person makes decisions based on one lonely piece of information. An example would be never eating at a place ever again because you found a bug in your food once. Obviously one outlying incident isn't always an accurate representation of the big picture.



Fix it: Don't choose your investment option based on short-term returns.



Action plan to avoid these traps:

- ✓ Understand your own biases and how they affect your decision-making.
- ✓ Be clear about your investment goals and why you are investing.
- ✓ Diversify your investment portfolio according to your risk profile.
- ✓ If in doubt, seek out reliable professional advice.



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