Equitable®

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Take emotions out of investing

Did you ever buy something when you were happy? What about when you were sad? Emotions often impact our day-to-day life whether we realize it or not. And while emotions are an essential part of who we are, emotions can wreak havoc with our decision-making.

Choosing to invest your money is a big decision — one that requires a long-term commitment. Watching your money rise and fall throughout a market cycle can be an emotionally challenging experience that can lead to investor fatigue. As markets rise, so too does an investor's confidence and there can be a tendency to buy more. Conversely, when markets fall, an investor's dissatisfaction with performance and fear of losing money turns to a sell off. At its worst, this can be a "buy high" and "sell low" strategy.

A rational investor will typically accept market fluctuation as part of the investment journey. The greater the risk an investor takes, the bumpier the ride can be in the markets. However, by taking on more risk, an investor has an increased chance of achieving a higher return on investments; but only if an investor hangs in there for the long term.

The Emotional Investor

When building a portfolio, it is important to ensure the level of risk taken in the portfolio matches your investor profile. Taking on too much or too little risk can lead to regret.

Following your emotions when investing is a good way to put your investment plan at risk. Emotional investing involves making short-term decisions, whereas committing to an investment plan is about making decisions for the long-term. Stay the course and let your emotions (not your money) stay on the sidelines.

Talk to your advisor about how to take the emotions out of investing.

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