## Embracing investor behavior



### The human impact to investing

Humans are human. At times we are all susceptible to the impact of behavior on our investment decisions. For clients, these behaviors can potentially negatively impact the long-term health of their wealth. The emerging field of behavioral finance—at the intersection of traditional economics that assumes humans are ultra-rational beings, and psychology, which acknowledges that humans naturally have biased tendencies—is shedding light on these behaviors. Researchers have identified over 200 types of biases in humans1, with four of the most human behaviors highlighted below. We believe there is good value in helping your clients identify these behaviors and quide clients out of making common behavioral mistakes.

#### 4 common human behaviors to watch out for

### Overconfidence Herding **Familiarity** Loss aversion Humans tend to prefer Humans tend to over-estimate Humans tend to follow the Humans tend to prefer what is avoiding losses than acquiring or exaggerate our ability to familiar or well-known actions of the larger group successfully perform tasks equivalent gains Can lead to... Sell winners too early, hold onto Buy high, sell low Overweight home country Trade too often losers too long Can be managed by leveraging... Illustrate the connection between Focus on long-term goals and Listen and provide perspective Diversify and cast a wider net their investments and long-term goals emphasize a disciplined process

If the goal is to help clients stay invested in their own plans and portfolios for the long-term, we must first understand how to meet them along the journey—where emotions and fears drive behavior and action.



# We are here to help!

We are passionate about helping you build the business you want, whether that means building more efficient processes, improving client relationships, or simply freeing up more of your time. Reach out to your Russell Investments team at 888-509-1792 or request a meeting today.



Scan the QR code to contact your Russell Investments team and request a copy of the Behavioral Biases brochure!



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Date of first publication: June 2022 Revised: May 2025 RETAIL- 04445 [EXP 6-2026]

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