EMBRACING INVESTOR BEHAVIOR

Russell Investments

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 humans[1], with four of the most human behaviors highlighted below. We believe there is good value in helping your clients identify these behaviors and guide clients out of making common behavioral mistakes.

4 common human behaviors to watch out for

Loss aversion	Overconfidence	Herding	Familiarity
Humans tend to prefer avoiding losses than acquiring equivalent gains	Humans tend to over-estimate or exaggerate our ability to successfully perform tasks	Humans tend to follow the actions of the larger group	Humans tend to prefer what is familiar or well-known
			

Can lead to...

Loss aversion	Overconfidence	Herding	Familiarity
Sell winners too early, hold onto losers too long	Trade too often	Buy high, sell low	Overweight home country

Can be managed by leveraging...

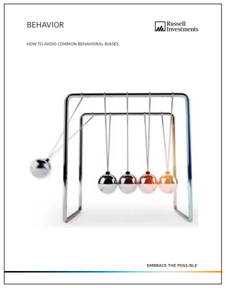
Loss aversion	Overconfidence	Herding	Familiarity
Illustrate the connection between their investments and long-term goals	Listen and provide perspective	Focus on long-term goals and emphasize a disciplined process	Diversify and cast a wider net

> *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 optimizing your book, evolving your practice or revolutionizing your business to enhance value. Reach out to your Russell Investments team at 800.787.7354 or request a meeting today.

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



[1] Source: Investments & Wealth Monitor, May/June 2017, p. 5 Unless otherwise indicated, all images are sourced under licence from Getty Images.

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Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

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