

Investment choices

Behavioural patterns shaping our way of investing, for better or worse

When it comes to money and investing, we're not always as rational as we may think. Every human being is driven by emotions – more than we would like to admit. Emotions are the key drivers of our behaviour, and these behavioural patterns shape our way of investing, for better or worse.

Investors know they shouldn't let emotions or impulses drive their investment choices, but many just can't help themselves, according to new research that has revealed half of British investors (50%) admit to having made an impulsive investment decision, with two-thirds (67%) going on to regret it.

INVESTMENT DECISIONS

When asked what influenced their investment decisions, social media topped the list, with a third (32%) of investors citing it as a factor, closely followed by friends (31%) and the fear of missing out (30%). The research also showed separating emotions from investments is hard no matter what it is investors are feeling. A third (34%) of them have made an impulsive investment decision while excited, a fifth (21%) when feeling impatient and 16% have made a decision in fear.

More broadly, just under half (47%) of investors have admitted they often feel anxious about their investments and two-thirds often feel excited when checking on their investments. Anxiety and excitement can also lead to other bad investment habits, with 62% feeling the need to constantly monitor their investments to succeed, meaning they could be prone to react to short-term fluctuations in the market.

DIVERSIFIED PORTFOLIO

Feeling an emotional connection to your investments doesn't always have to be a bad thing, especially

if you use it as a tool to invest in funds you feel passionate about. However, when your feelings start to cloud your decision-making, it's time to take a step back. By understanding your emotions, it's easier to manage them and create a diversified portfolio that does not just take advantage of market opportunities but can also weather any storms.

It's understandable that many investors enjoy the thrill and excitement of investing. One compromise investors can make is the 'core-satellite approach'. Investors may want to put their money into something stable and less exciting, and then add a small, satellite component of investments that give them more enjoyment, keep them engaged and give them an emotional reward – but without causing investors to make any decisions they may regret. ■

CREATING THE FUTURE YOU WANT

We understand the impact your wealth has today and for generations to come. That's why we work with you to help your investments create the future you want. We listen to you and build our service around your vision. To find out more, please contact us.

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THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

Source data:

[1] All data, unless otherwise specified, is taken from 2,000 respondents of a representative sample size conducted by Censuswide in September 2021. All respondents were 18+ and had previously invested money.