marca® life planning

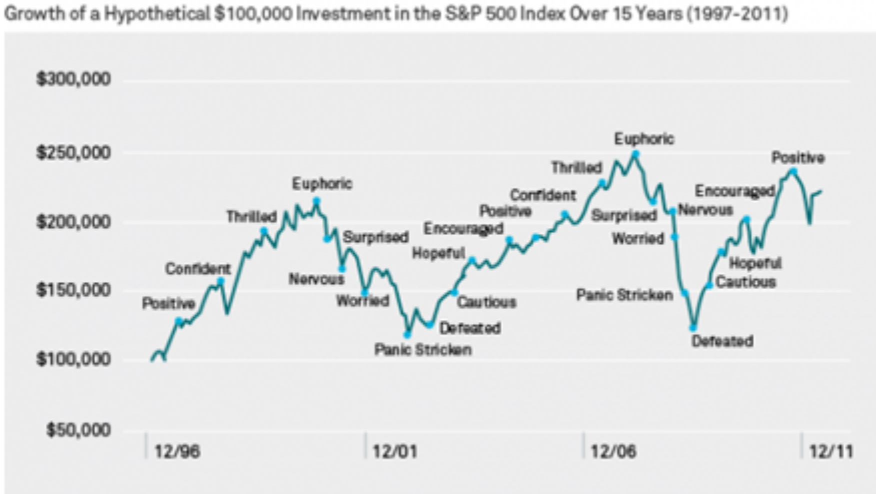
Planning for Life's Journey

Pre-Commitment Help Resist Thinking Errors		
We are not wired for the required risk analysis inherent in investing…		
Hindsight	Because we tend to think beating-the-market is easy in hindsight, I will…	…avoid thinking we could have seen winning investments with foresight when in truth we have seen them only with hindsight
Foresight	Because we tend to think beating the market in foresight is skill not luck, I will…	…consider the sample size before assigning guru status or moving to a 'hot fund'.
Anchoring	Because we tend to sell winners and keep loser OR see losers as cheap and winners as expensive, I will…	… avoid holding a losing position hoping that it will return to the purchase price
Over-emphasizing	Because we tend to overestimate our investment skills, I will…	...consider stock analysts are right only 40% of the time on price direction but have 80% certainty.
Availability	Because we tend to use available information to make investing decisions, I will…	…consider that information on winners not losers is made available, and avoid rating an investment based on 'stars'.
Herding	Because we like to run with the herd – bullish or bearish -	…consider facts not the movements of friends, fellow employees or TV personalities.
Faulty Framing	Because we like to win, I will…	…consider who is on the other side of the trade – an insider or professional?
Finding patterns	Because we like patterns and look for them using trial and error, I will…	..avoid timing the market, jumping from stocks to bonds
Similarity	Because 5 good years out of 6 tends to represent luck rather than skill, I will…	…consider the fund's performance to the average performance of all such funds relative to an index
Myopic risk aversion	Because we overweight short-term results compared to long-term records, I will…	…consider our difficulty in thinking about long arcs of time.
Confirmation	Because we look to confirm our intuition and overlook evidence that disconfirms it, I will…	…consider all the evidence, confirming and disconfirming alike.
Story-telling	Because I love a good story to analysis especially one with high returns and low risk, I will…	…consider that stories present false conclusions when unsupported by data.
Cognitive Dissonance	Because we tend to select what agrees with our expectations (beliefs) and ignore those that disagree, I will…	…consider that experienced from simultaneously believing two contradictory ideas.

Expert	Because we tend to think excelling in our profession assures excellence with investing, I will…	…excellence in one field is non-transferable to another.
Manage Emotions		
We are emotional beings and emotions impact our investing decisions…		
Anger & Optimism	Because we tend to underestimate our susceptibility to losses when angry or overestimate our abilities when optimistic, I will…	
Exuberance & Fear	Because we tend to feel bullish when we're happy or bearish when we're afraid, I will...	...rebalance my portfolio
Hope & Fear		
Volatility and Emotions		

Do Your Emotions Lead You Astray?

Growth of a Hypothetical $100,000 Investment in the S&P 500 Index Over 15 Years (1997-2011)



Sources: BlackRock; Informa Investment Solutions. Emotions are hypothetical and for illustrative purposes only. The S&P 500 Index is an unmanaged index that consists of the common stock of 500 large-capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. Returns assume reinvestment of dividends. It is not possible to invest directly in an index. Past performance is no guarantee of future results. The information provided is for illustrative purposes only.

Emotional Benefits		
	I like to win	
	I fear poverty	
	I like to analyze problems	
	I like a nice free-time activity	
	I sacrifice money for hope	Buying lottery tickets is hope