

Assessing your understanding

Principles for successful investing – Understanding Fear & Greed

1. Why is it essential for an investor to understand his/her emotional responses to fear and greed?
2. What emotional responses are most likely to arise during periods of:
 - a. Continuing stock market lows?
 - b. New highs for an extended period such as year after year?
3. What action or inaction might an emotional response trigger during stock market turbulence as new lows are reached?
4. What action or inaction might greed trigger as the stock market continues to make new highs?
5. Is an investor likely to lose more money from unchecked responses to fear or greed?
6. Are some investors immune to the emotions of fear and greed?
7. Review some of the past investment decisions that you made based on emotions rather than sound analytical judgment:
 - a. Do you see a pattern that triggered these decisions?
 - b. Were these investments profitable?
 - c. Would they have been profitable if a buy or sell decision had been made at a later time?
8. Do you understand your personal risk tolerance and comfort zone?
9. Does your portfolio conform to your risk tolerance? If not, how might you 'adjust' the investment mix?
10. Since hindsight will always be 20/20 and predicting the future will always be uncertain, what can an investor do to keep emotional responses to a minimum and achieve investing success?