Top 5 Biases That Impact **Military Investors**

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AAFMAA Wealth Management & Trust LLC

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There are two main categories of investing biases: cognitive and emotional. Cognitive investing biases involve information processing or memory errors, whereas emotional investing biases involve taking actions based on feelings rather than on facts. Let's take a look at the five most common investment biases, along with remedies we use to minimize their impact on our clients at AAFMAA Wealth Management & Trust LLC (AWM&T).

1 Confirmation Bias

It is natural for investors to be drawn to information that supports their existing views and opinions. Confirmation bias leads investors to attach more emphasis to information that confirms their belief or supports the outcome they desire. This can have a negative effect by reducing diversification and causing investors to overlook signs that it is time to make adjustments.

How We Help Minimize the Effects:
We provide military families with up-to-date information gathered from a variety of reputable sources. Our clients are fully informed of the pros and cons of their desired investments, giving a more balanced view that leads to better decisions.

2 Overconfidence Bias

A common behavioral bias in investing is overconfidence, which causes investors to overestimate their judgment or the quality of their information. This can lead to “doubling down” on a losing investment instead of knowing when to cut losses, or underreacting to important information about changing market conditions.

How We Help Minimize the Effects:
We help military families develop and stick to a solid investment plan, by making adjustments that are based on actual market conditions.

3 Recency Bias

Investors who lean toward recency bias have a tendency to overvalue the most recent information over historical trends. For example, recency biases can threaten an investor’s financial well-being by spurring them into increased risk-taking after experiencing a favorable gain in their portfolio. It can also occur when the investor experiences an isolated loss and decides not to make any portfolio adjustments for fear of further loss.

How We Help Minimize the Effects:
We help military families focus on the long-term performance of their portfolios by reviewing both historical and current performance.

4 Loss Aversion Bias

Research has shown that humans feel the pain of a loss approximately twice as much as they feel the pleasure of a similarly sized gain. This can lead investors to focus on their investment declines more than gains, and can lead to inaction that stagnates the growth of their portfolios.

How We Help Minimize the Effects:
We help military families accept that losing money is an inevitable part of investing. We work together to create a financial plan with predetermined exit strategies.

5 Anchoring Bias

Anchoring bias is the tendency to “anchor” on the first piece of information received rather than evaluating the market as new information develops. For example, when investors anchor their belief about the value of a stock at the initial trading price rather than the current market conditions, this can lead to unwise decisions that can damage their portfolio’s profitability.

How We Help Minimize the Effects:
We help families assess investments based on current market value.

Assess Your Risk Number® for Free

Now that you're familiar with the biases that may affect your investment decisions, let's consider the importance of analytics. It isn't always wise to place a bet based on a "feeling" alone, but instead, consider quantifiable factors. AWM&T offers Riskalyze, a complimentary risk assessment tool. This simple survey evaluates your investment risk tolerance to clearly map out your financial strategy. Riskalyze removes emotions or thought patterns guiding investments and applies quantitative data to develop a retirement plan that is compatible with your needs, objectives, and vision of your future.

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Our mission is to be the premier provider of financial planning, investment management, and trust services to the American Armed Forces Community. Focusing exclusively on your needs as a military family, AWM&T provides the most innovative, personalized, and lifestyle-appropriate financial services available.

If you are a high-net-worth Veteran or military family, let's work together to make you financially fit and assist you in protecting your financial future. We'll get to know you personally and develop a clear picture of your circumstances, objectives, and challenges to define, manage, and protect your military family's legacy.

Ready to get started? Visit aafmaatrust.com, call us at 1-910-307-3500, or email wealthmanagement@aafmaa.com.

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