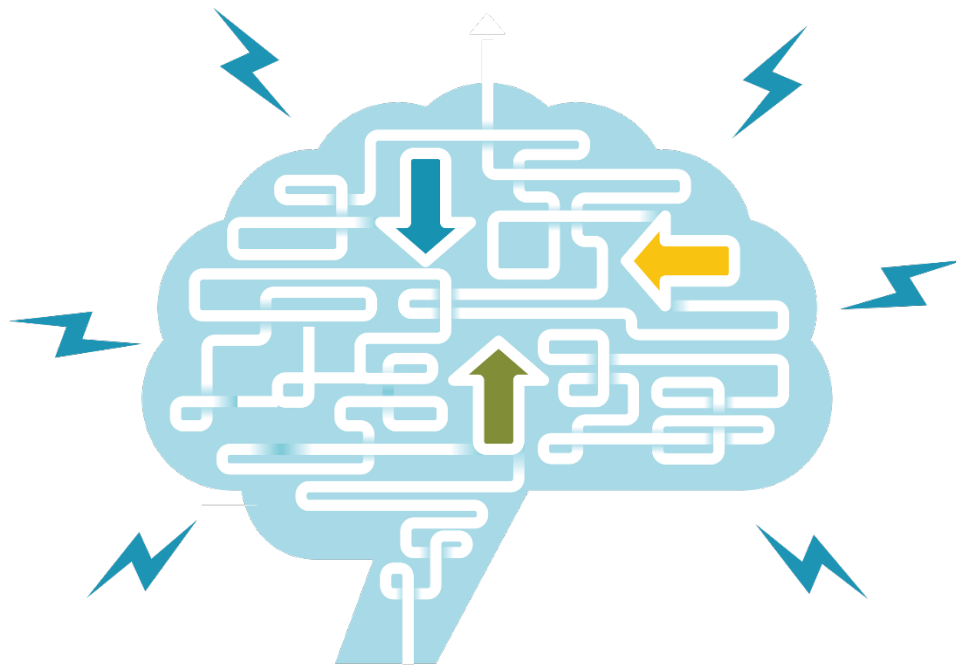


# PROTECT YOURSELF FROM YOURSELF

Why we make emotional  
investment decisions.  
And how we can stop it.



# - 4.13%



Source: DALBAR 2020 QAIB report. -4.13% represents the difference between the average equity investor's 10-year returns and the S&P500 Index ten-year return as of 12/31/19. \$100,836 represents the difference between an average equity investor and the S&P500 Index if they both invested \$100,000 over a ten year period as of 12/31/19.

## HUMAN BRAIN

- Controls speech and critical thinking



## MAMMALIAN BRAIN

- Visual response to fear (fight or flee)

## REPTILIAN BRAIN

- Autonomic responses (heartbeat and breathing)

## AMYGDALA

- Gut instinct
- Fast reaction
- Difficult to control







# MONEY IS KEY TO SURVIVAL







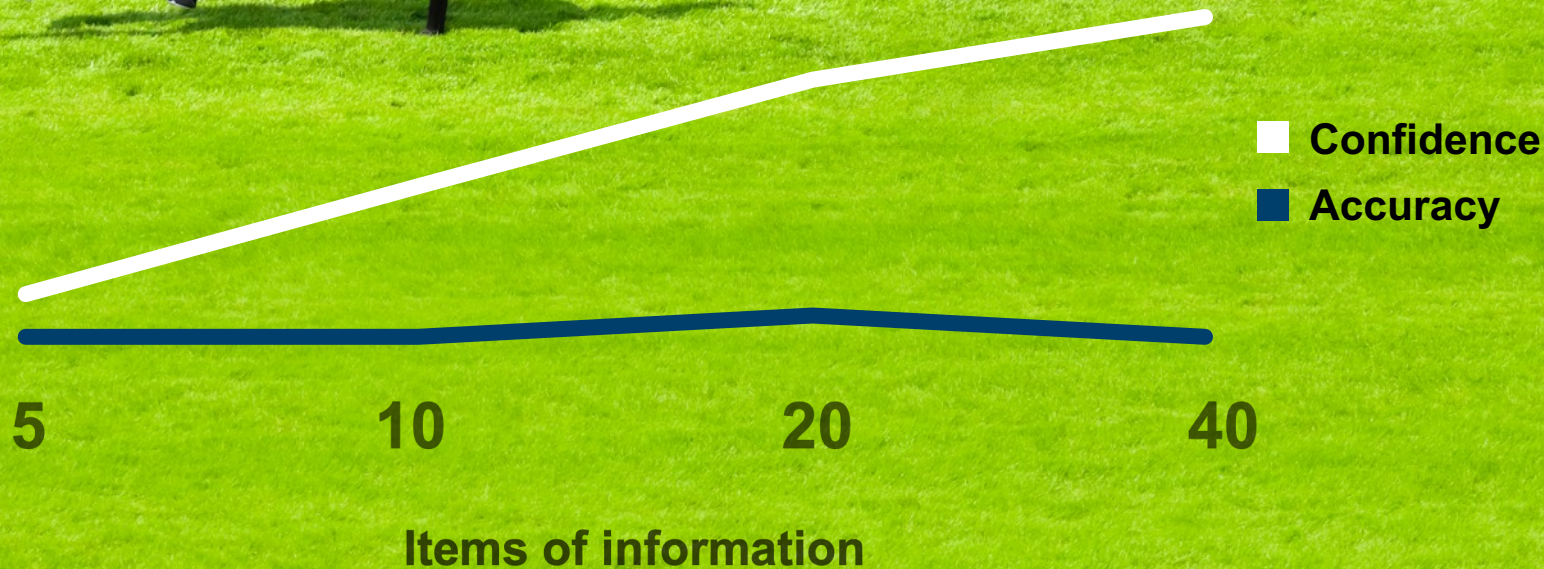


OVERCONFIDENCE

73%

Source: AAA, Vehicle technology survey phase III.





# LESS



# VS.

# MORE







# CONFIDENCE GAP

American women report being **44%** less knowledgeable about investing than men.

Source: Center for Talent Innovation "Harnessing the Power of the Purse," as of 12/31/14.

# AVERSION TO LOSS



## GAIN

You will get \$500

**OR**

You have a 50% chance of nothing happening and a 50% chance of getting \$1,000



## LOSS

You will lose \$500

**OR**

You have a 50% chance of losing \$1,000 and a 50% chance of nothing happening







# SAVING IN CASH LOSES MONEY OVER TIME



Assumes a 3% inflation rate.

This hypothetical example is provided for illustrative purposes only.



## PRESIDENTIAL ELECTION

OCTOBER 2016

NOVEMBER 2016

DECEMBER 2016

\$24 BILLION  
WITHDRAWN

**MARKET RETURN**  
**+3.7%**

\$24 BILLION  
REINVESTED

Source: Columbia Threadneedle Investments. Market return represents the S&P500 Index return for November 2016.

# ANCHORING





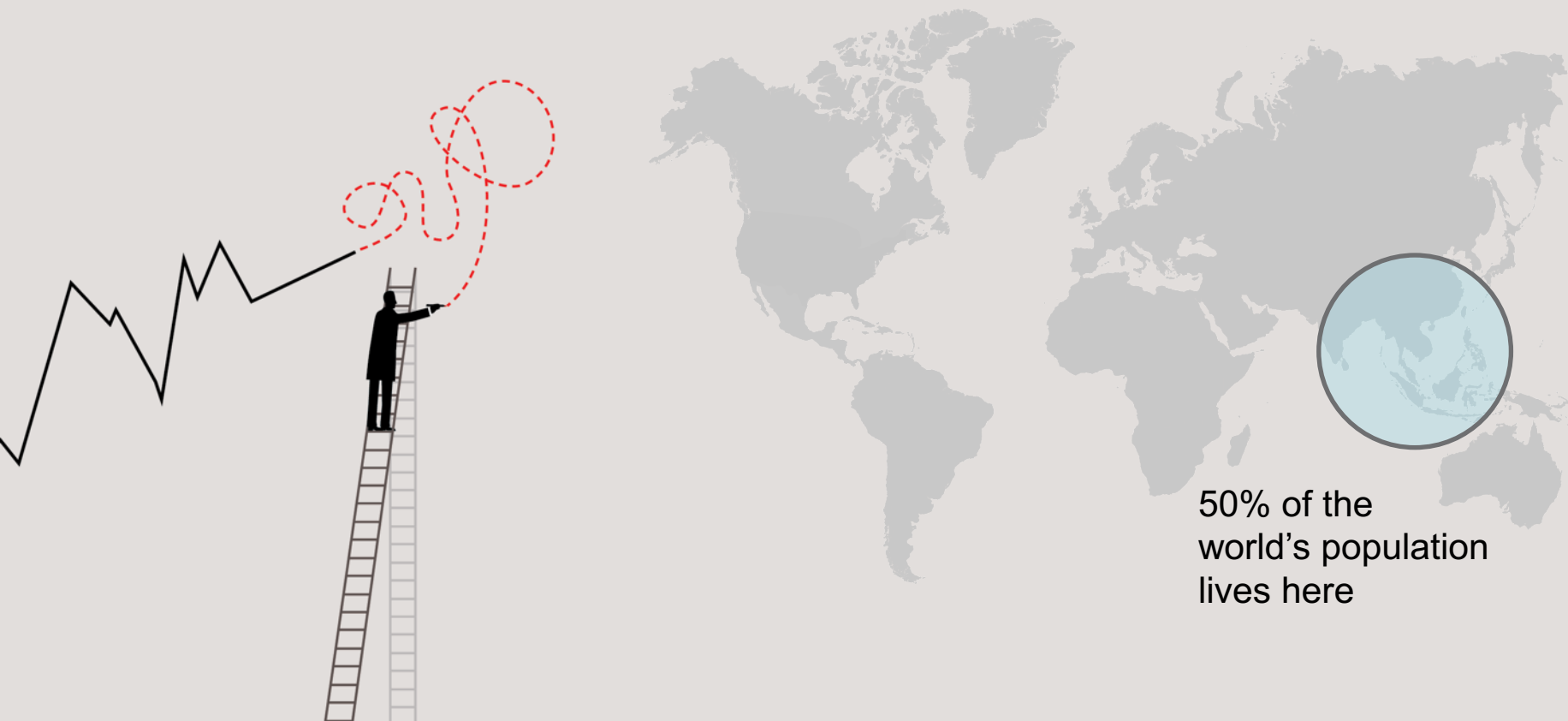


## SELLER A

List price \$1,000,000  
Offer amount: \$900,000  
  
Purchased 15 years ago  
for \$300,000

## SELLER B

List price \$1,000,000  
Offer amount: \$900,000  
  
Purchased 2 years ago  
for \$1.2 million



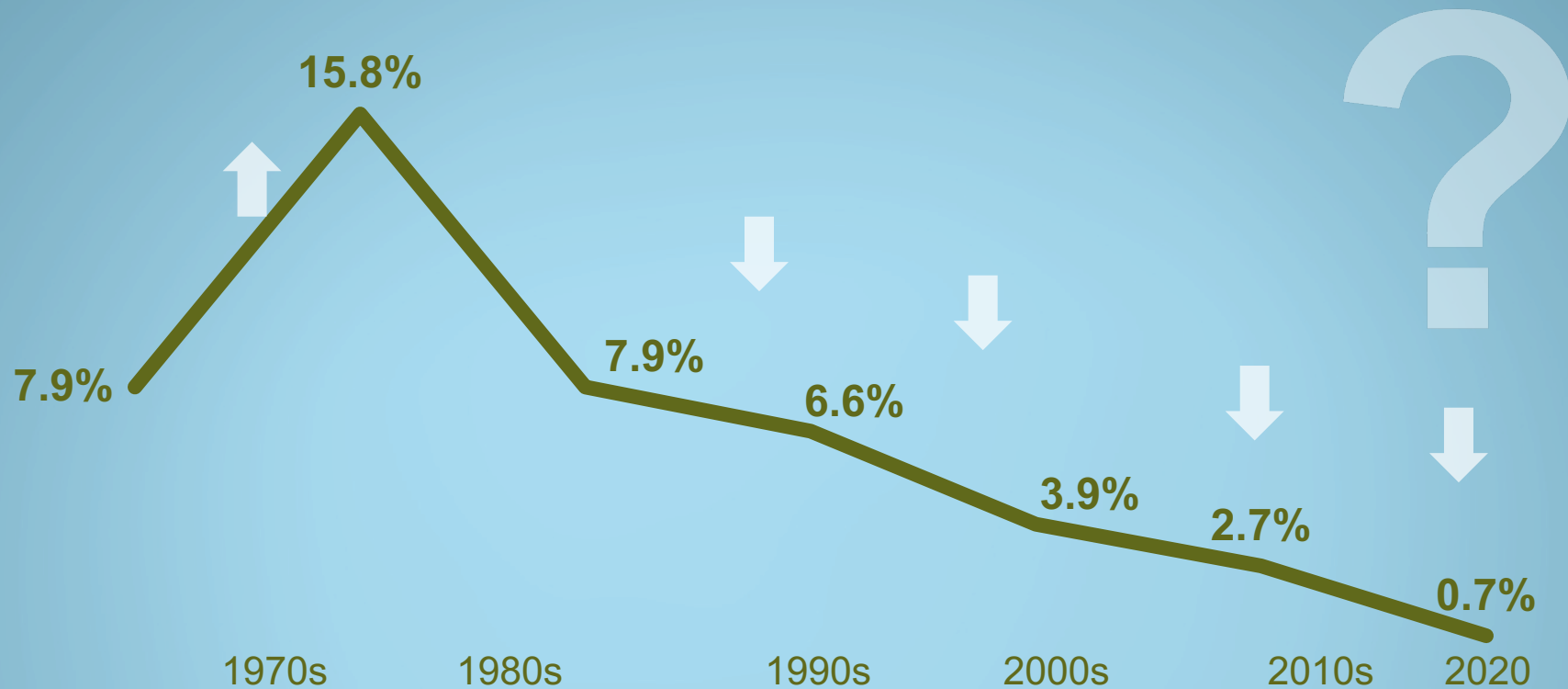
Source: UN World Population Prospects, The 2017 Revision.



# PATTERN-SEEKING BEHAVIOR



# GUESS THE PATTERN



Source: Columbia Threadneedle Investments as of 06/30/20. Represents 10-year Treasury yield as reported by the St. Louis Federal Reserve. 15.8% represents the peak on 9/30/81.



# FIXED-INCOME INVESTOR RESULTS



Source: DALBAR 2020 QAIB report as of 12/31/19. Bond market return represented by the Bloomberg Barclays Aggregate Bond Index.

# REPRESENTATIVENESS



**A.**

Susan is a librarian.



**B.**

Susan is a librarian  
and a member of an  
environmental organization.



**C.**

Susan works in the  
banking industry.



A photograph of several young children sitting at wooden desks in a classroom, focused on writing with yellow pencils. The child in the foreground is a girl with curly hair and glasses, wearing a blue and white polka-dot dress. Other children are visible in the background, some wearing green shirts. The scene is brightly lit, suggesting a sunny day.

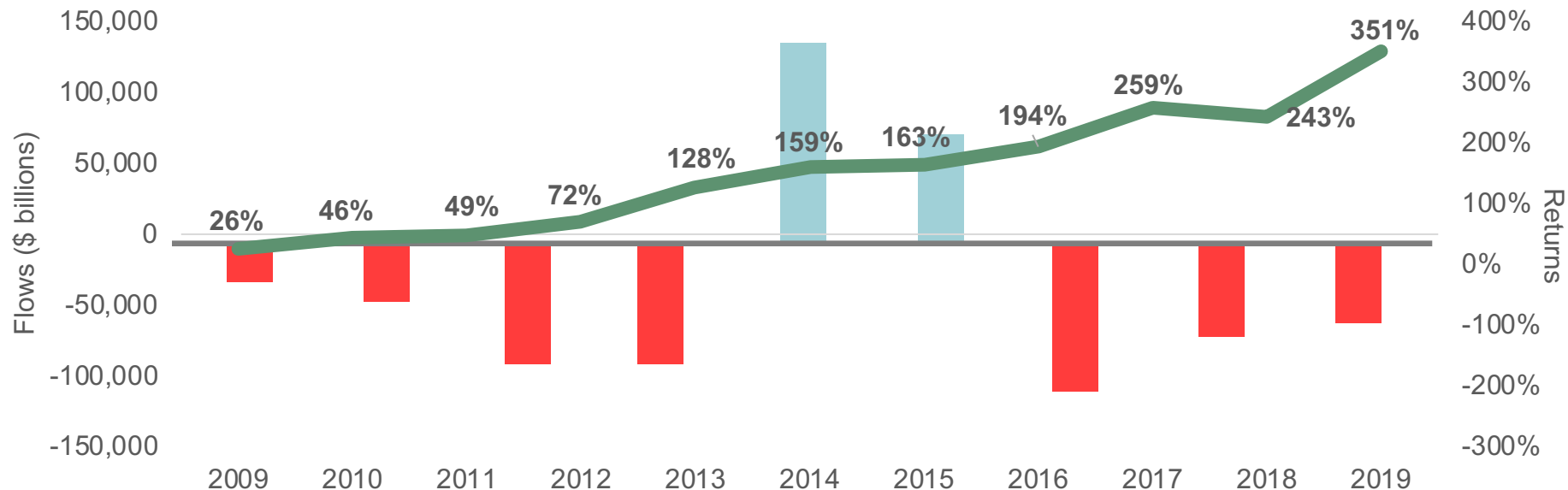
✓ POVERTY  
✓ HOMELESSNESS  
✓ VIOLENCE



# RECENCY BIAS



# MEMORIES OF THE 2008 FINANCIAL CRISIS KEPT INVESTORS OUT OF THE MARKET



Source: Investment Company Institute and Columbia Threadneedle Investments as of 12/31/2019. Flows represents net new cash flow to and net share issuance of domestic equity mutual funds and ETFs. Equity market return represents S&P500 Index cumulative returns.

A person is seen from behind, sitting on a red beach chair on a sandy beach. They are wearing a white shirt and a white hat. The ocean is in the background, and the sky is a warm orange color from the setting or rising sun. The text "VACATION SYNDROME" is overlaid on the right side of the image in a large, orange, sans-serif font.

# VACATION SYNDROME

# WOULD YOU BE HAPPY HOLDING THIS STOCK?

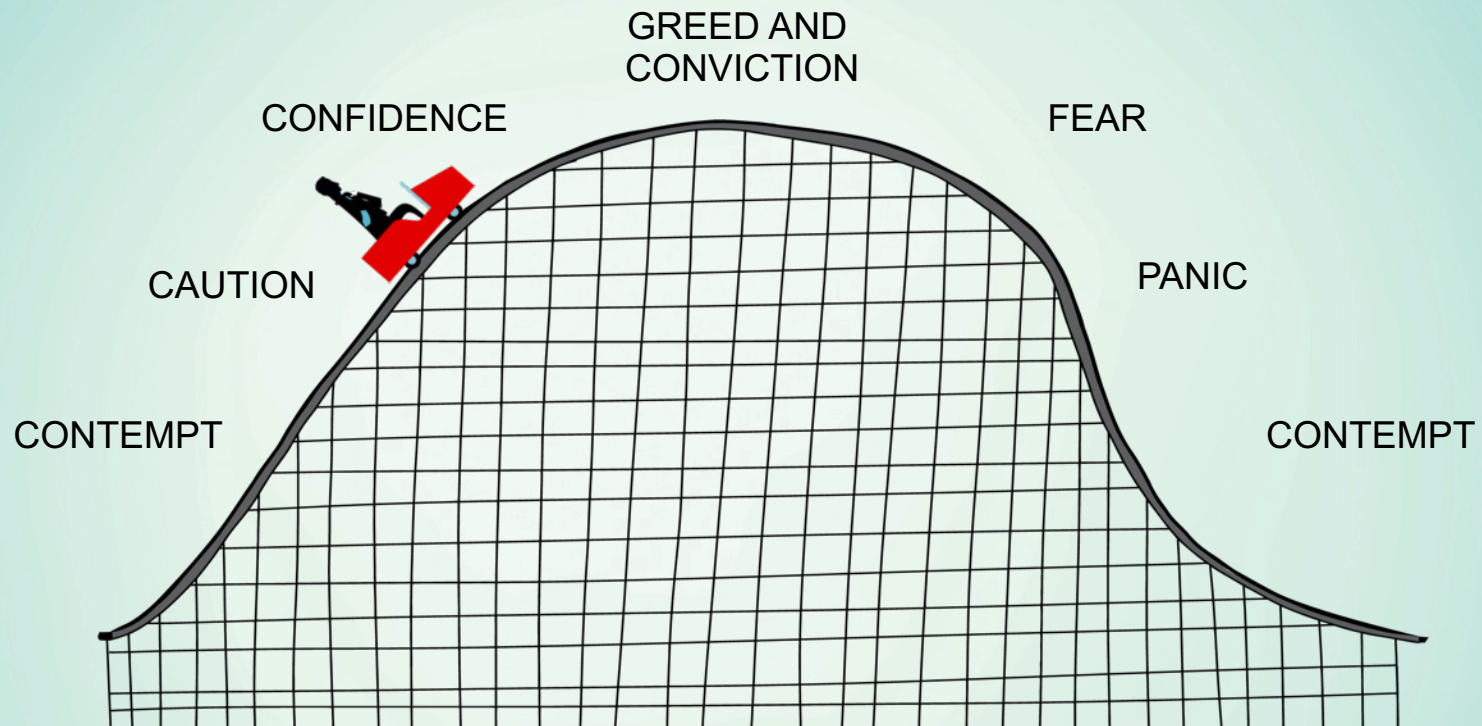




# ARE YOU AS HAPPY WITH THIS STOCK?

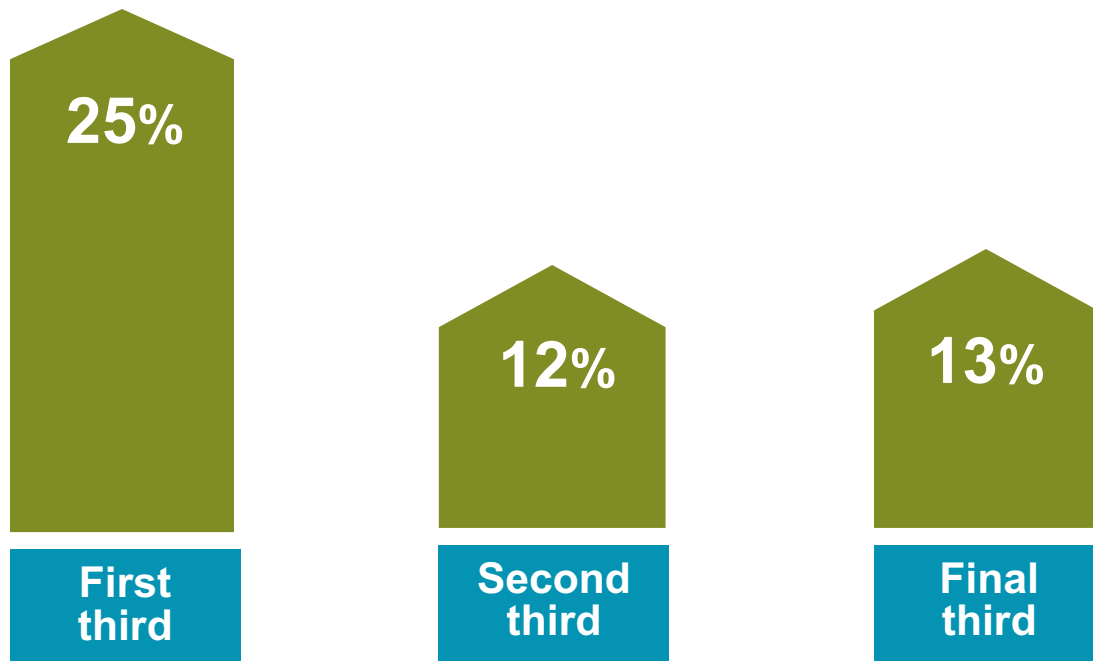


# THE INVESTOR PSYCHOLOGY CYCLE



Source: investmentpostcards.com "Investor Psychology Cycle – Are We "There" Yet?," Dr. Prieur de Plessis, April 25, 2010.

# BIGGEST GAINS ARE IN EARLY BULL MARKET



Source: Ned Davis Research as of 07/31/20. Bull markets calculated using Dow Jones Industrial Average index.



Average  
investor return

Market  
return

**Equity**

**9.43**

**13.56**

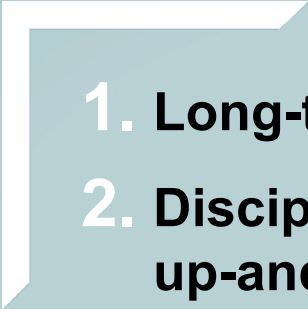
**Fixed income**

**0.63**

**3.75**

Source: DALBAR 2020 QAIB report. Returns displayed for a 10-year period as of 12/31/2019. Equity benchmark returns represented by the S&P500 Index and fixed income represented by the Bloomberg Barclays Aggregate Bond Index.



- 
- 1. Long-term focus**
  - 2. Discipline through up-and-down markets**
  - 3. Tax awareness**
  - 4. Emotional objectivity**
  - 5. Education and guidance**

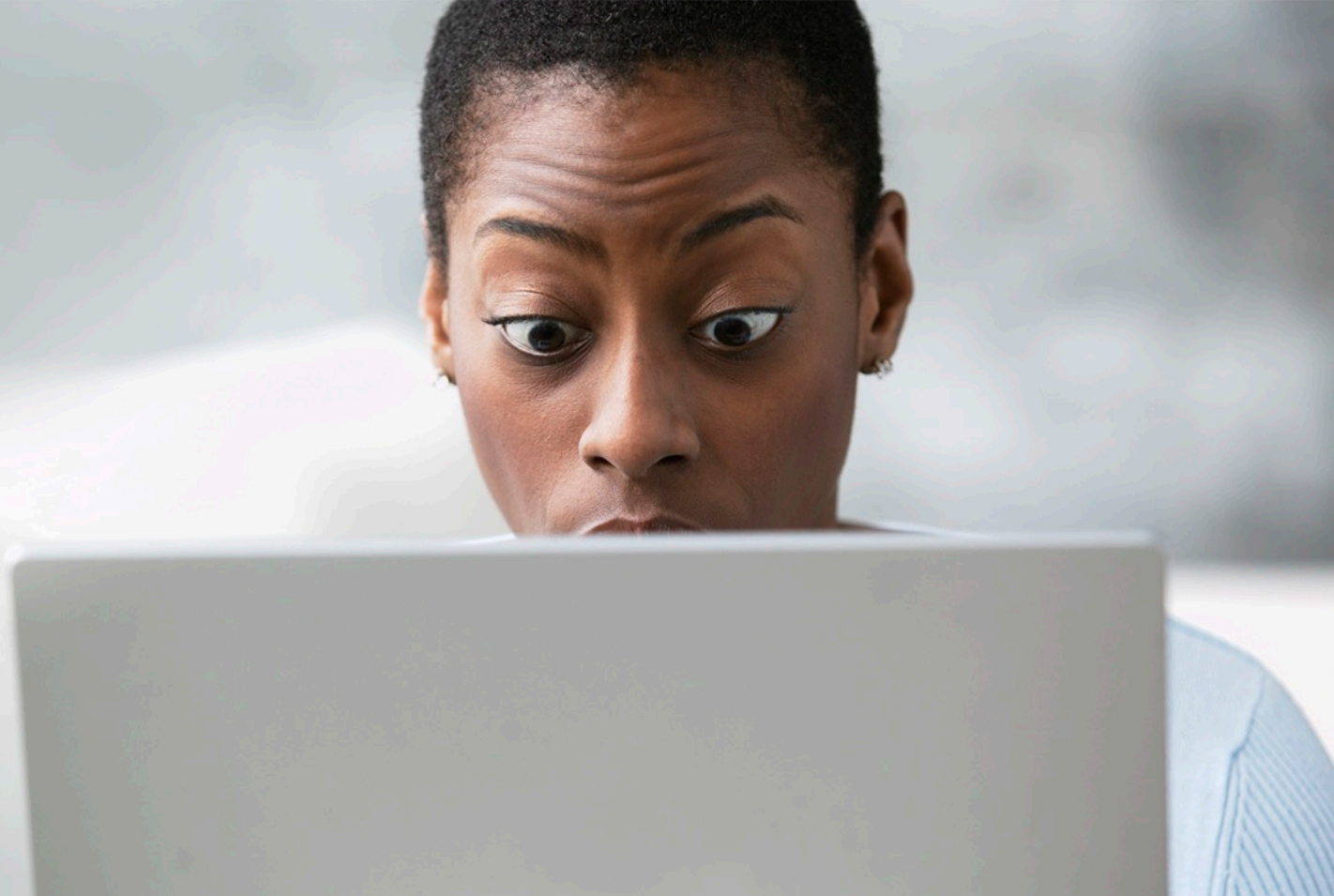




“THE INVESTOR’S CHIEF PROBLEM —  
AND EVEN HIS WORST ENEMY —  
IS LIKELY TO BE HIMSELF.”

— BENJAMIN GRAHAM  
Father of Modern Security Analysis

PROTECT  
YOURSELF  
FROM  
YOURSELF





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Diversification does not assure a profit or protect against loss.

It is not possible to invest directly in an index.

Past performance is not a guarantee of future results.

The S&P 500 Index tracks the performance of 500 widely held, large capitalization U.S. stocks.

The Bloomberg Barclays Aggregate Bond Index is an unmanaged index of bonds generally considered representative of the bond market.

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