December 2025 Financial Planning Email Update

Recently I realized that I have not explored the investor behaviour aspects of investing in a monthly update since April, 2014. As we have witnessed an overall positive investing experience in the past few years, I feel that reviewing the psychology of investing is overdue. This is to prepare for the inevitable fluctuations which do occur. It isn't just about numbers and charts—it's about human behavior. Listed below are 10 emotional issues and cognitive biases which often override rational analysis, leading to decisions that can derail long-term goals. Understanding these psychological pitfalls is essential for disciplined, successful investing.

---

1. Fear and Greed: The Emotional Extremes

Two dominant emotions drive markets:

- **Fear**: Triggers panic selling during downturns, locking in losses and missing rebounds.
- **Greed**: Fuels chasing high returns, speculative bets, and ignoring risk controls. Both emotions amplify volatility and lead to poor timing decisions. The key is emotional temperance—staying rational when others panic or become euphoric.

---

2. Loss Aversion

Humans feel losses more intensely than equivalent gains. This bias causes:

- Holding losing investments too long, hoping for recovery.
- Avoiding necessary risk, leading to overly conservative portfolios. Result: Missed opportunities and suboptimal returns. Combat this by focusing on long-term goals and diversification.

---

3. Overconfidence Bias

Investors often overestimate their knowledge and ability to beat the market. Consequences include:

- Excessive trading and risk-taking.
- Ignoring warning signs and diversification principles. Reality check: Most active managers underperform benchmarks over time. Humility and data-driven strategies are antidotes.

---

4. Herd Mentality

Following the crowd—especially during bubbles or crashes—creates systemic risk. Fear of missing out (FOMO) drives irrational buying, while panic selling cascades during downturns. Independent analysis and sticking to a plan help avoid this trap.

---

5. Anchoring

Investors fixate on initial reference points (e.g., purchase price), ignoring new information. This leads to poor decisions like refusing to sell underperforming stocks. Solution: Reassess investments based on current fundamentals, not past prices.

---

6. Confirmation Bias

Seeking information that supports existing beliefs while ignoring contradictory data skews judgment. Example: A bullish investor only reads optimistic forecasts. Overcome this by actively considering opposing views and objective data.

---

7. Recency Bias

Recent events disproportionately influence expectations. After a market rally, investors assume gains will continue; after a crash, they expect prolonged declines. This bias distorts risk perception and timing and is referred to as extrapolation.

---

8. Regret and Sunk Cost Fallacy

Regret over past mistakes can paralyze decision-making, while sunk cost bias keeps investors tied to failing positions. Both lead to irrational portfolio management. The fix: Treat each decision independently of past outcomes.

---

9. Analysis Paralysis

Waiting for perfect information before investing delays entry and sacrifices compounding benefits. The market will never be risk-free. Start with a plan, diversify, and adjust over time.

---

10. Emotional Overreaction to Media

Bad news dominates headlines, amplifying fear. Investors often react impulsively to short-term noise instead of focusing on fundamentals. Discipline and a long-term perspective are critical. This has been referred to in the past as focussing on the apocalypse DuJour.

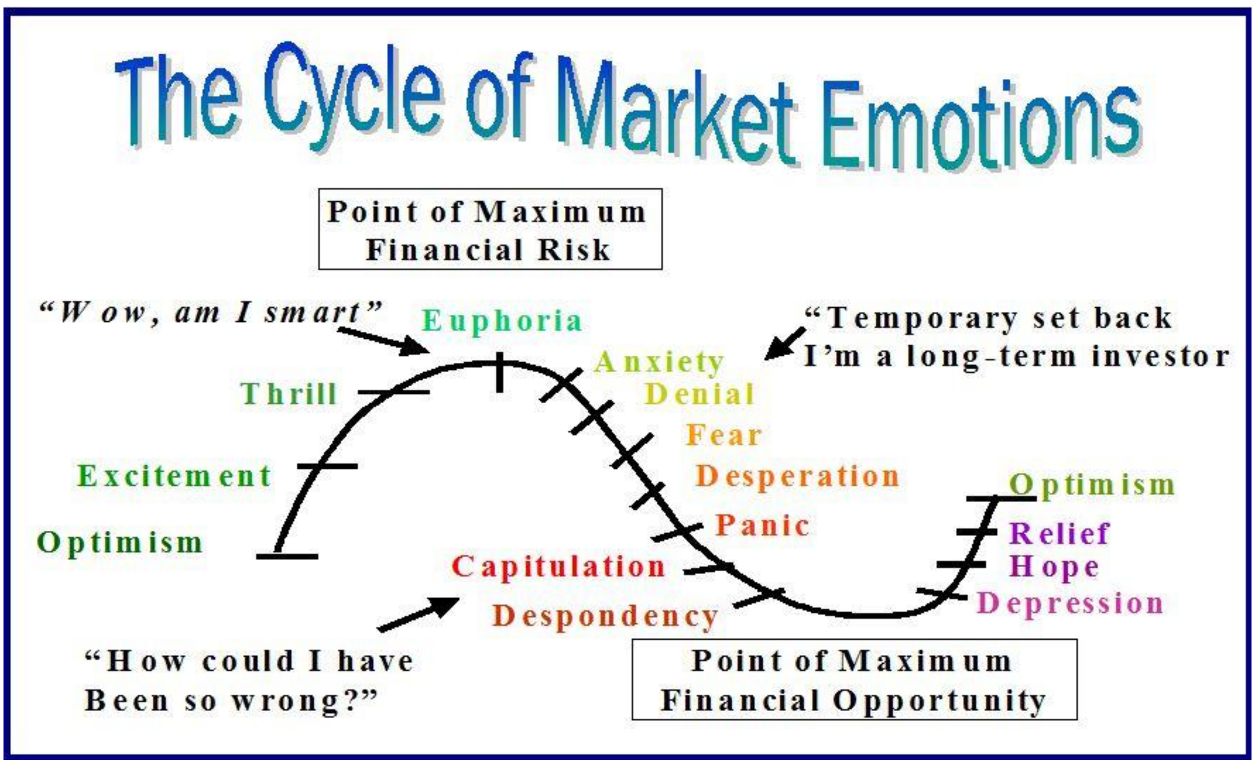
Practical Strategies we follow to Overcome These Issues

- **Create and review a written financial / investment plan**: Define goals, risk tolerance, and asset allocation.

- **Automate decisions**: Use systematic investing (e.g., dollar-cost averaging) to reduce emotional interference.
- **Diversify broadly**: Our high quality professionally managed recommended portfolios based on risk tolerance levels are well diversified by a mix of asset allocation, growth, value and growth at a reasonable price investment strategies. Diversification mitigates risk and reduces temptation to chase trends.
- **Limit portfolio checks**: Frequent monitoring fuels emotional reactions.
- **Professional advice**: Amanda and I provide objectivity and behavioral coaching.

Bottom Line

The greatest threat to investment success isn't the market—it's the investor's own mind. By recognizing and managing psychological biases, you can transform emotional pitfalls into disciplined strategies, ensuring decisions align with long-term objectives rather than short-term impulses. The chart below outlines the market emotions which come out during a full investment market cycle. The point is clear that investing when optimism reaches euphoric levels is the point of maximum financial risk and when the market is in an extremely low level and investors are depressed that this is the point of maximum financial opportunity.



Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary

iA Investia Financial Services Inc.

investia.ca

Gary H. Attack, BBA, CFP®, RFP, RRC®

CERTIFIED FINANCIAL PLANNER®

Investia Financial Services Inc.

203-1601 River Rd. E, Kitchener, ON N2A 3Y4

T: 519-894-2661

TF: 1-800-716-5538

Fax: 519-894-6656

gary@ghafinancial.com

www.ghafinancial.com