

# Psychology of investment decisions





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A

B





## Инвестиционная игра





Mental traps



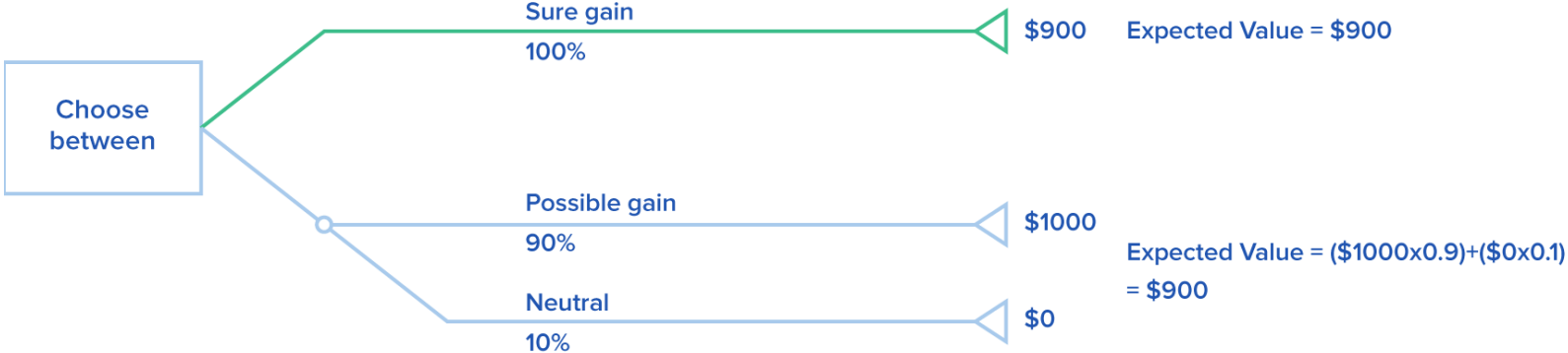
# Familiarity Bias

~~UNKNOWN~~

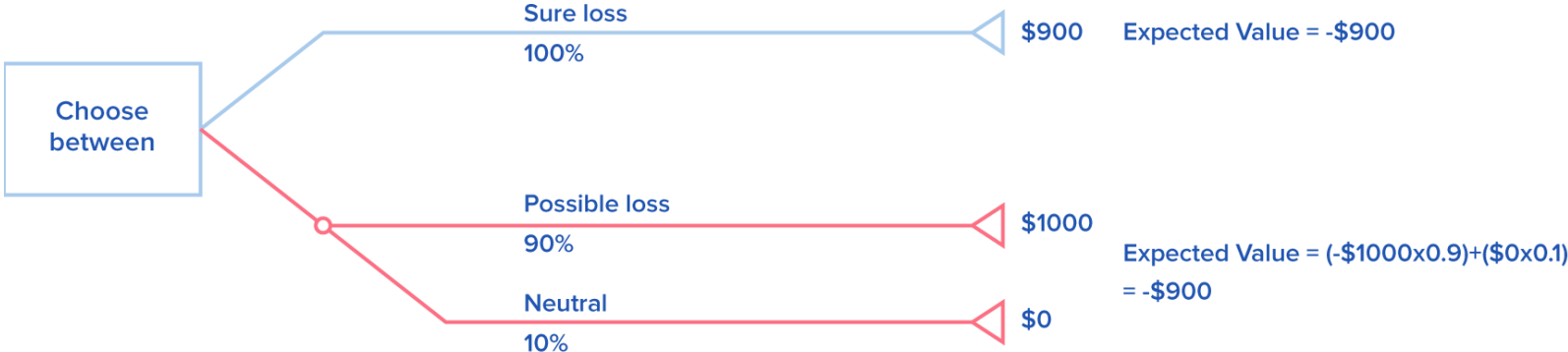




# Loss aversion



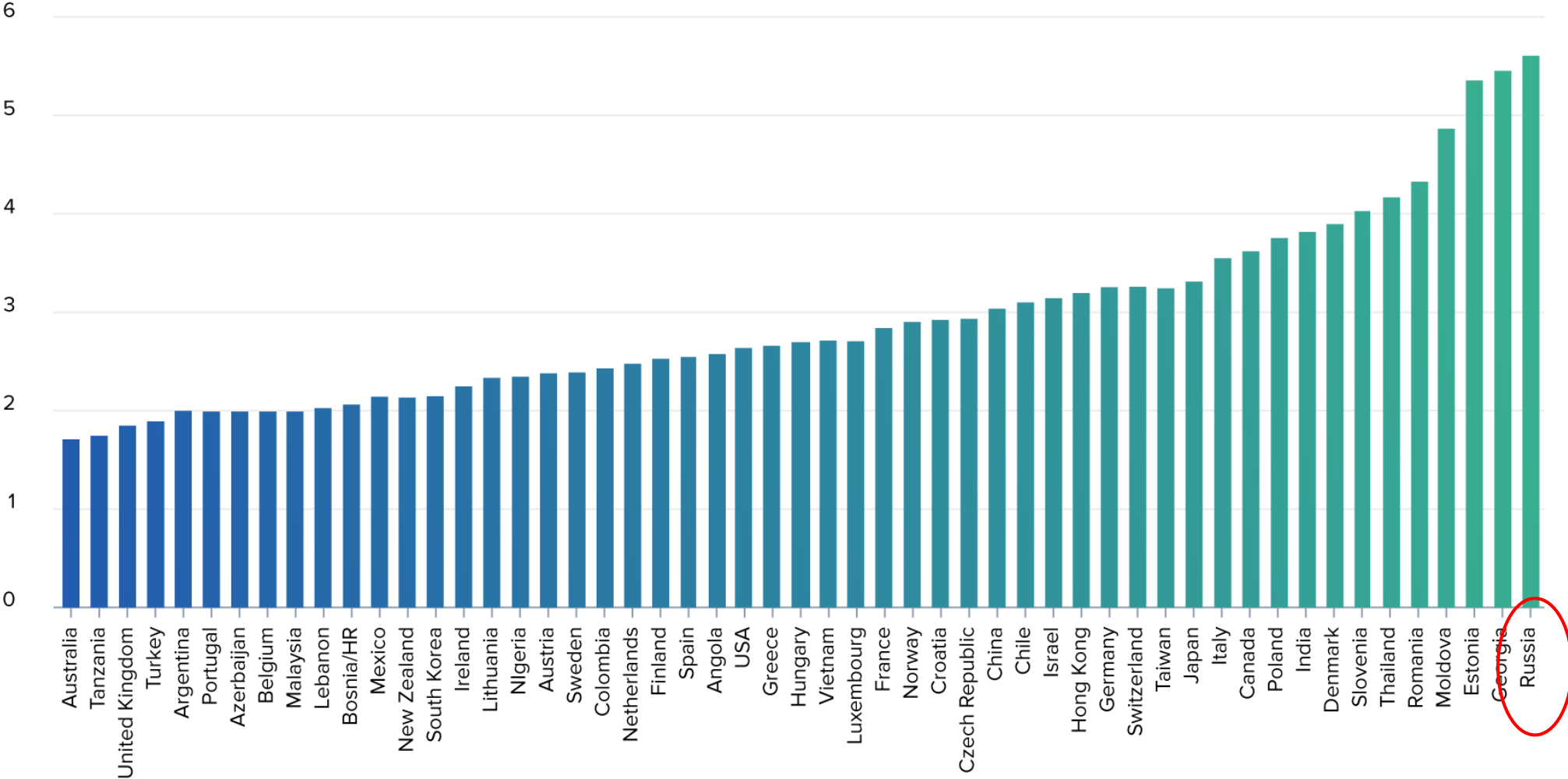
*Note: When dealing with gains, people are risk averse and will choose the sure gain (denoted by the red line) over a riskier prospect, even though with the risk there is a possibility of gaining a larger reward. Note also that the overall expected value (or outcome) of each choice is equal.*



*Note: Losses are treated in the opposite manner as gains. When aiming to avoid a loss, people become risk seeking and take the gamble over a sure loss in the hope of paying nothing. Again, both options have equal expected values.*

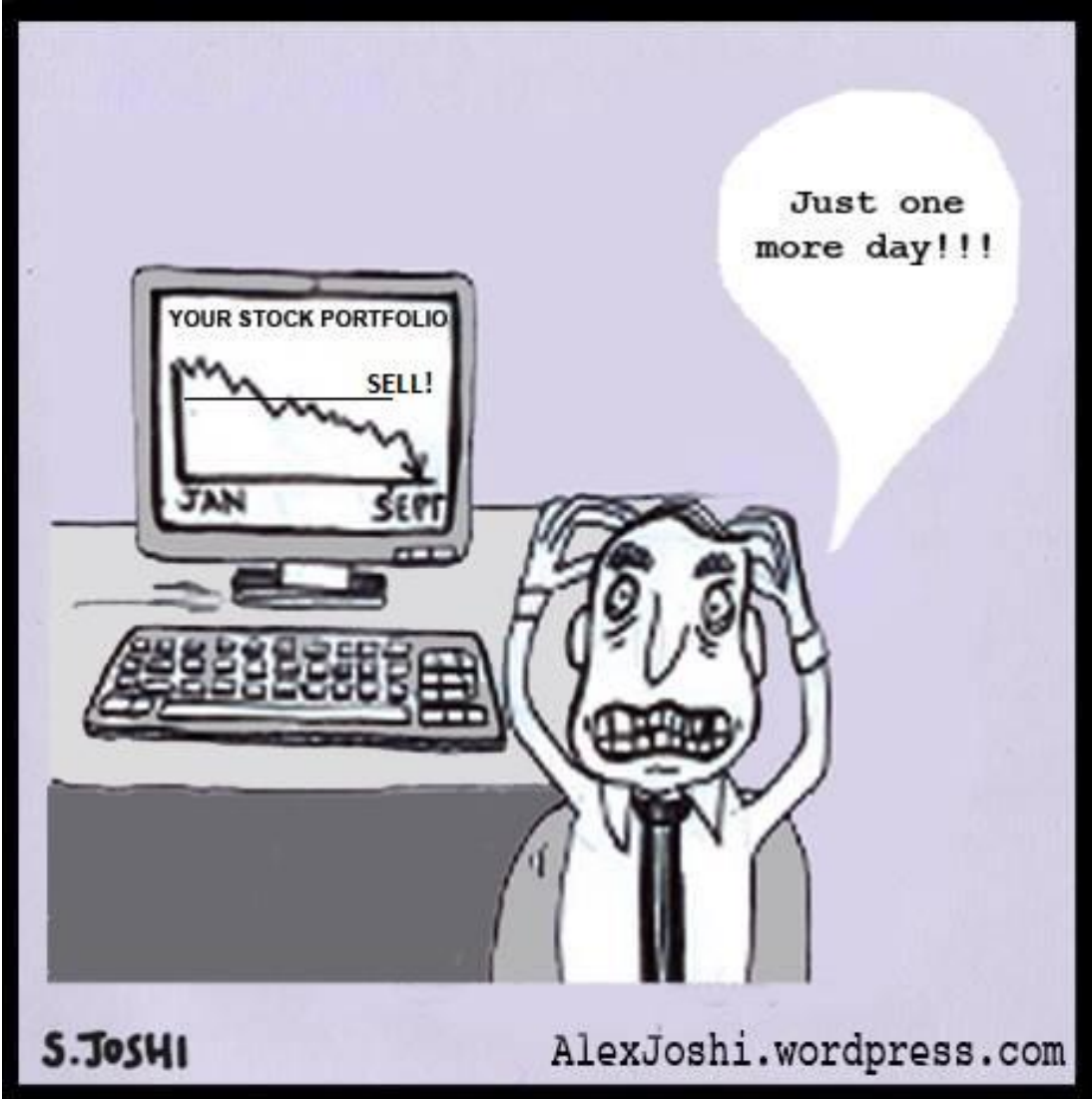
Source: Nielsen Norman Group

# Loss aversion



Source: Credit Suisse

# Disposition Effect



# Overconfidence





# Active trading

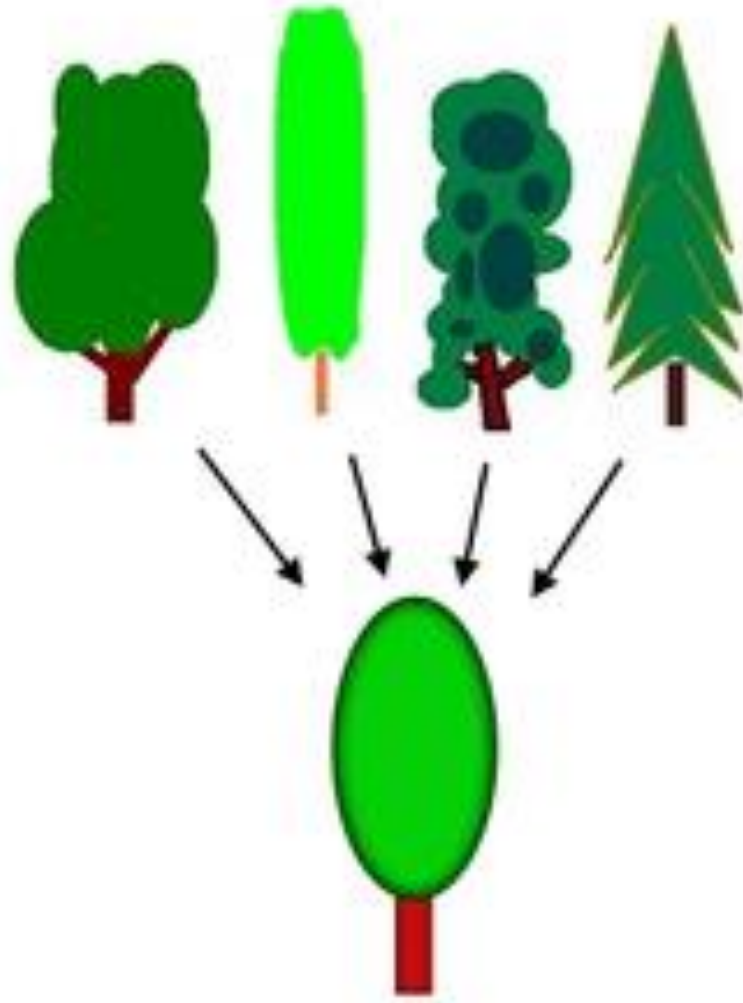
	Mean Monthly Turnover	Average Annual Portfolio Return
<b>20% Least Active Traders</b>	0.19%	18.5%
<b>20% Most Active Traders</b>	21.49%	11.4%

Source: "The Courage of Misguided Convictions," 1999, Financial Analysts Journal

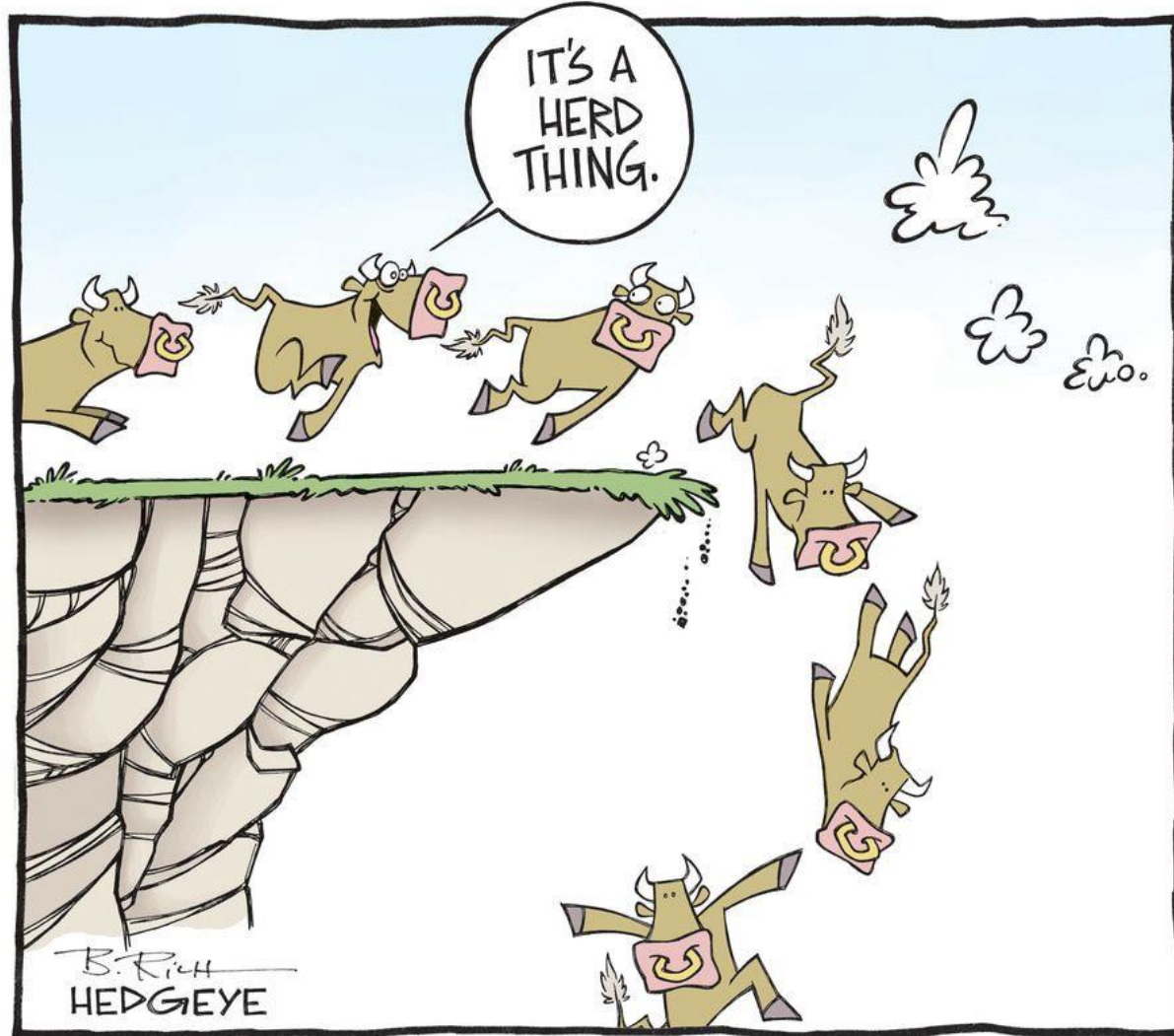
# Anchoring



# Representativeness



# Herd mentality







<http://fintelelect.com/>