

Rewarded by inactivity, punished by fear



Fear is a common emotion in our lives and in many instances, it protects us from danger. However, investors' fear may be more punishing than protective, writes JOYCE CHUAH.

I HAVE often said this in my seminars: "Many of us want to invest but a few of us are NOT prepared to be investors."

The common question among investors is often "How much are we making?" True, profits are after all the benchmark we set for a successful investment plan. However, many often choose to forget that in the process of seeking profits, there will be times of unrealised losses and times of unfavourable returns due to events beyond anyone's control.

Even if it is an event which one tries to predict (such as the

general election date!), many forget that such events are just temporary and not catastrophic, where total and irrecoverable loss cannot happen. The test of a successful investor is when the 'rubber hits the road' – that is, when faced with a loss position, can you prevent yourself from reacting and allowing fear to push you to sell your loss positions?

Fear protects us from danger, as in a fight or flight situation. But investors' fear may be more punishing than protective because it prepares us to react and changes our perspective of the external events.

I have often said that the acronym

"If you're going to be this way each time your shares drop by one sen, you might as well just sell them off!"



Illustration by HAFIDZ MAHPAR

nym F.E.A.R. stands for "False Evidences Appearing Real", as fear deletes, distorts and generalises events which may be not as adverse as they seem or as we are told.

It is no wonder that Warren Buffett is one of the most successful investors in the world. He practises what he termed as "inactivity" as an investor. Instead of reacting to fear, Buffett says, investors should learn to be calm and inactive.

His thoughts are best summed up in four of his famous wise quotes:

- "The stock market is designed to transfer money from the active to the patient."
- "Stop trying to predict the direction of the stock market, the economy, interest rates, or elections."
- "I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for 10 years."
- "My success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell."

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