COLUMBIA THREADNEEDLE INVESTMENTS

PATTERN-SEEKING BIAS:

WHEN YOU TRY TO PREDICT WHAT'S NEXT IN THE MARKETS

Our human brain is hardwired to recognize patterns and make predictions — it's key to our survival. But sometimes our brains see patterns even when they don't exist, which makes us believe we can predict what happens next. You see this behavior in casinos, even though the logical part of our brains know that chance doesn't have a memory.
This is pattern-seeking behavior.

This bias might make you believe that you can predict the market's short-term ups and downs. But no one can do this. Similarly, you may tend to use recent information as a baseline for what will happen in the future — this is known as recency bias.

? **When the market's down, do you feel the urge to cash out of your portfolio and stick the money under a mattress?** If the answer is "yes," then it's important to talk to your advisor about your biases.

HOW TO TALK TO YOUR ADVISOR ABOUT PATTERN-SEEKING BIASES:

- **Ask if they've ever noticed you demonstrating pattern-seeking behaviors.** Since they're mostly automatic and unconscious, it's sometimes hard to know when you're doing them.
- **Talk about setting realistic expectations for the market's ups and downs.** Ask them to give you a real example from the past to demonstrate how and why people who cashed out missed key opportunities.
- **Restate your long term goals.** The key is to avoid the urge to predict short-term market moves by focusing on what you hope to get out of your investments in the future.

Most importantly, continue the conversation with your advisor. Check in often so you can avoid common investor behaviors like this one, and move closer to reaching your goals.

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