

# Don't Let Emotions Guide Your Investment Decisions



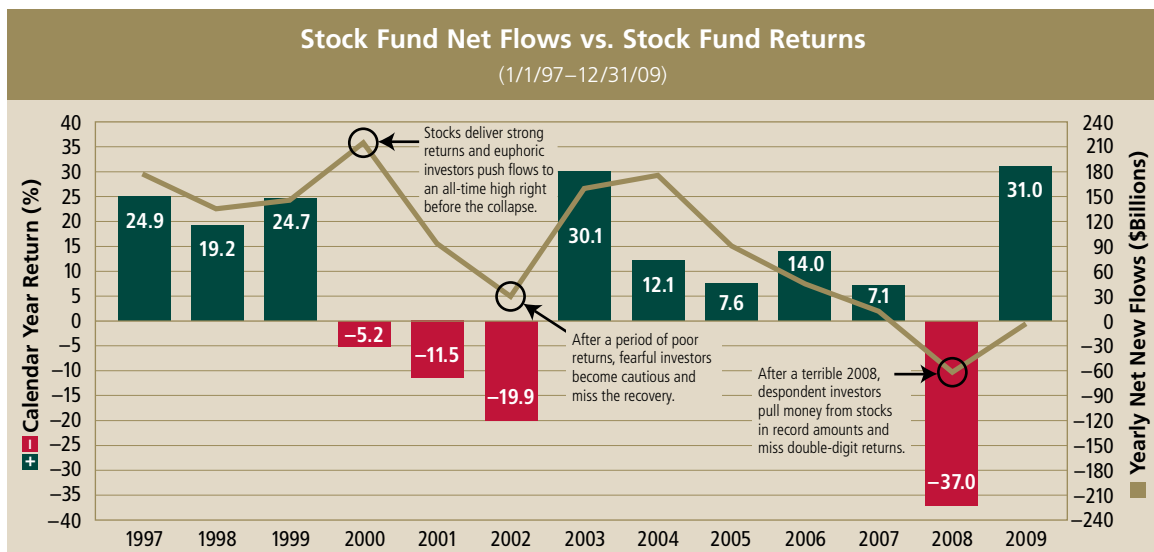
“Be fearful when others are greedy.  
Be greedy when others are fearful.”

Warren Buffett. Chairman, Berkshire Hathaway

Building long-term wealth requires counter-emotional investment decisions—like buying at times of maximum pessimism or resisting the euphoria around investments that have recently outperformed. Unfortunately, as the study below shows, investors as a group too often let emotions guide their investment decisions.

The line in the chart below represents the amount of money investors added to domestic stock funds each year from January 1997–December 2009, while the bars represent the yearly returns for stock funds. Following three years of stellar returns for stock funds from 1997–1999, euphoric investors added money in record amounts in 2000, just in time to experience three terrible years of returns from 2000–2002. Following these three terrible years, discouraged investors scaled back their contributions to stock funds, just before they delivered one of their best returns ever in 2003 (+30.1%). After stocks delivered a terrible return in 2008, fearful investors became cautious and pulled money from stock funds in record amounts, missing subsequent double-digit returns.

Great investors understand that an unemotional, rational, disciplined investment approach is a key to building long-term wealth.



Source: Strategic Insight and Morningstar as of December 31, 2009. Stock funds are represented by domestic equity funds.  
**Past performance is not a guarantee of future results.**

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