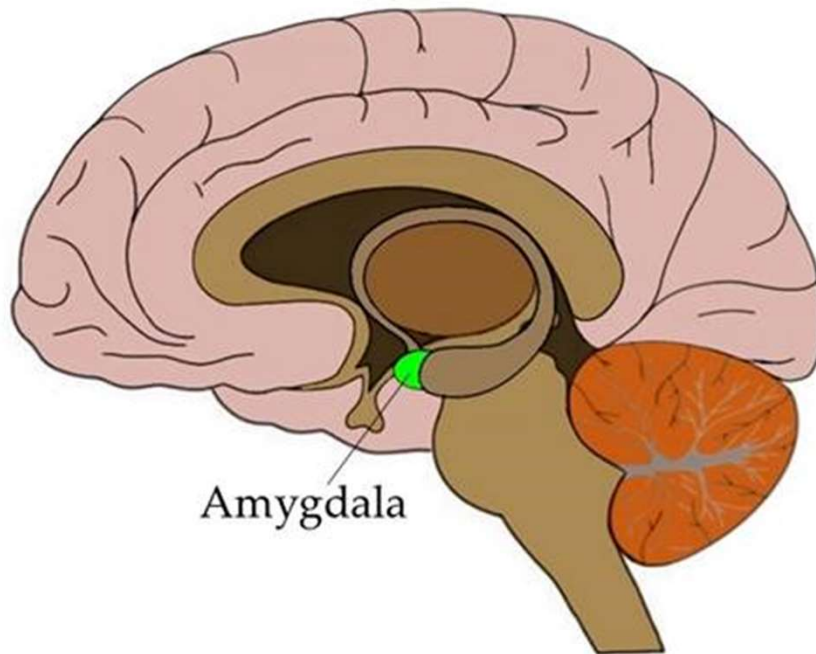


Battling Our Brains

In an increasingly hectic world, it's always a good thing to get some perspective on what's happening with our brain.



In particular, let's talk about the part of the brain called the amygdala.

This bit of the brain commits our experiences to memory - it's like the "save" button when you're working.

And actually, we have two amygdala - one on each side of the brain. The amygdala in the left hemisphere of the brain deals with both positive and negative events. But the one on the right only processes negative events.

Which skews our memories. If every positive event is only recorded by half of the brain, we end up needing **THREE TIMES** as much good things to happen to us as bad things, just for it to seem balanced!

This negativity bias in the way we view the world keeps us cautious. Which is pretty sensible in some aspects of our lives - keeping us from walking down dark alleyways, or petting angry-looking dogs, or standing too close to an edge.

The problem is the 21st century! There are so many things which aren't life-threatening in the same way as physical danger, but are still extremely scary.

And nowhere is that more true than in finance. There's ALWAYS something to worry about, ALWAYS a Dr Doom forecasting a recession or a crisis.

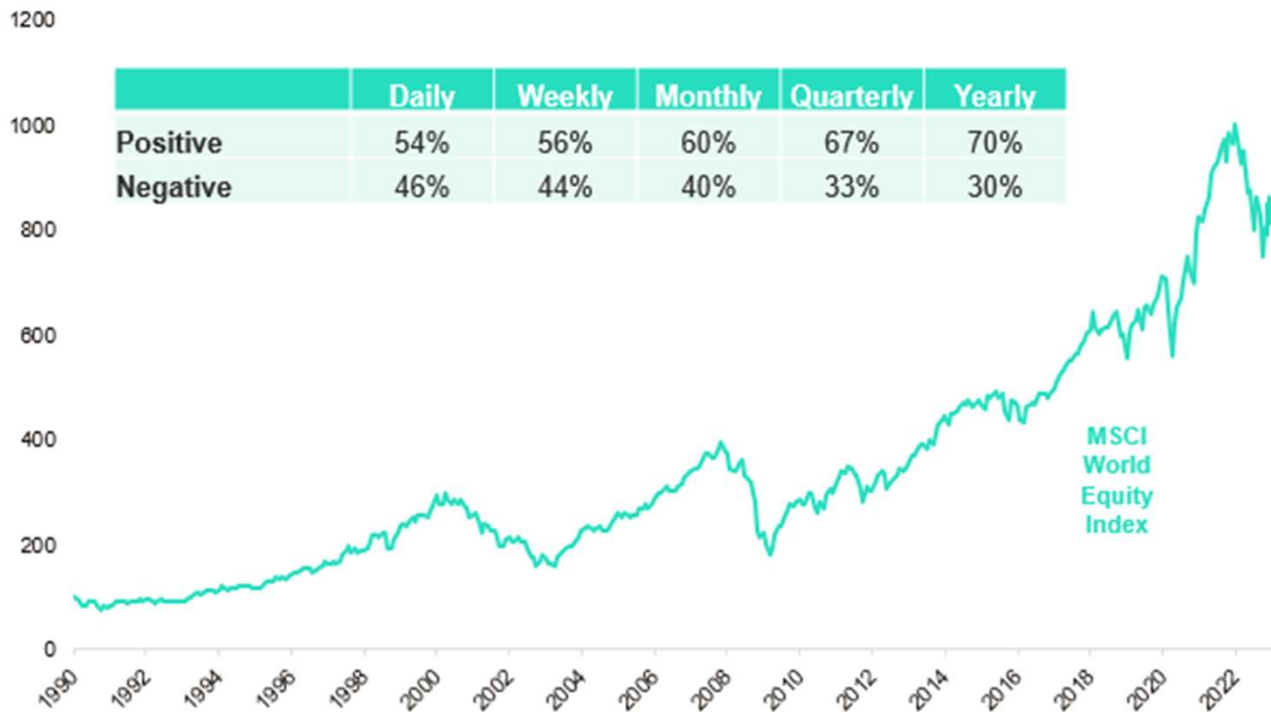
So how do we manage our brains in an environment that is stacked against us? We have to play the numbers - look for ways to view the world which undo the negative skew.

Just LOOKING LESS at the market is a great way to do that.

Left to their own devices and without a proper plan, people are inclined to feverishly check what's going on in their portfolio, especially when there's bad news around.

If you'd have done this daily with the world equity index since 1990 it's basically a coin toss between whether you have a positive (market going up) or a negative (markets going down) day. Yet over that period, the index is up by more than 700%!

On any given day the market is as likely to be down as up. And that will terrify your amygdala!



BUT. Zoom out and the picture is different. If you only check returns annually, markets will have been positive nearly three-quarters of the time.

We can't change our biology, but with the right framing and guidance, we can change how much we let it affect us!