Past performance can get us in trouble in so many ways.

 Let’s say you bought an investment for $10,000 and it is currently worth $7,000.

 Buyer’s remorse is understandable, but some investors might therefore avoid selling as this would confirm the loss.

 If they wait, the thinking seems to go, the value may get back to $10,000 at which point they can sell and at least break even.

 Here’s the problem with this understandable, emotional approach: your purchase price is irrelevant to other investors.

 And it is ‘other investors’ who determine the value of your investment.

 This is an example of anchoring where the investor bases her decision on a personal data point (her cost).

 (A near cousin of anchoring is the sunk cost fallacy where, for example, a municipality feels it must complete a bridge project even though the added expense exceeds the value of the finished project simply because “we’ve already invested so much in this bridge”.)

 The data point that matters a lot to you, the amount you paid, matters not at all to others.

 After all, would you pay more to someone because they did?

 When it comes to investing, I encourage you to follow a discipline where your own spending plan directs how you invest.

 Then, if you have a reasonably sized fixed income buffer for near-term withdrawals, you may be able to resist behavioral mistakes like anchoring.

 Good luck.

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