Busting Biases in Volatile Times: A behavioral checklist for investors facing turbulent markets

Our minds take shortcuts when we make decisions (When we aren't sure where to order takeout from, for example, we look to online ratings to help us decide). Usually, these shortcuts are for the better: They help us react quickly, and they help us manage the thousands of decisions we make every day. There are times, however, that mental shortcuts lead us astray—that's when they become biases.

The complexity of our finances means that many of the shortcuts we use in everyday life can take us down the wrong path when we think about money—even more so when we're stressed, distracted, unsure, and anxious, as many of us are today.

There's no way to erase our biases, but we can use tested techniques from behavioral science to prevent them from affecting our decisions. We put together this checklist to help people manage market volatility—and the biases that can come with it—with some straightforward behavioral strategies that can strengthen the decision-making process when it comes to investing.

☐ Get to know your biases

Research shows that understanding our biases can help us spot them in our decisions. Take some time to read about the psychology behind our decisions and emotions. It's not that you personally have "a problem"—we all make poor decisions sometimes, and it's useful to understand the large role our biases have in everyday decisions about our lives and finances.

☐ Turn down the noise

Reading or hearing about frequent price changes can put any investor on edge. Set a schedule for how often you check your portfolio to turn the volume down on that noise. The schedule should focus on the long-term performance of your investments and progress to your goals—not on daily changes. When volatility hits, you may want to create a modified schedule, but still keep it calm and moderate—maybe make a rule that you can only catch up on the news once at the end of the day, or even once a week.

☐ Create speed bumps for decisions

Sometimes, the only thing we need to make a good decision is time. But it can be tough to slow down when our emotions are running awry. To help avoid a hasty decision, try setting up decision-making "speed bumps." One such speed bump could be creating a three-day wait rule (where you can't act on a decision for three days) or deciding that a loved one or spouse has to sign off on any decision before you take action. Installing these speed bumps can help you take a step back from your emotions, take some time to think, and make a more logical decision in the end.

☐ Reconnect with your goals

If you start feeling anxious about your finances, take a break from day-to-day market performance and check in on your financial goals. Reacquaint yourself with what your goals are, why you set them in the first place, and how your current financial strategy can help you reach them. Adopting a long-term focus is never easy amid volatility, but you can try using a three-step process we developed that can help you slow down, take a breath, and redefine your goals.

☐ Be your own devil's advocate

If you're starting to lean toward selling an investment, ask yourself why someone else might buy that same investment. Our minds have an easier time remembering and noticing facts and ideas that support our opinions, and forcing ourselves to take a different perspective before acting can reveal every angle of a decision. This technique can also help you when you're sifting through information online. If you keep coming across evidence that supports your opinion, challenge yourself to find a site that convincingly shows the opposite.

☐ **Thoughtfulness matters**

It's extremely hard to stay calm and wait out the storm when your portfolio's losing value—we all have a tendency toward action. Don't suppress this urge; redirect your efforts. Opportunity can abound during market volatility, and this can be a chance to rebalance your portfolio, when stocks are down and bonds are up, you can maintain your asset allocation by selling high and buying low. You can also increase your savings rate to take advantage of market weaknesses, take advantage of tax-saving opportunities, and capitalize on lower interest rates.

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