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"Buy low; sell high." If only it were as easy as it sounds.

October conjures spooky thoughts, not limited to goblins and ghouls. Ghosts of stock market crashes past float in the ether this time of year. The original "Black Monday," the impetus for the crash of 1929 and the subsequent "Great Depression," was October 28, 2029. The second Black Monday came a little more than a year into my first adult job, on October 19, 1987. More recently, the "Great Recession," tied to a mortgage market crisis, began with a precipitous fall for U.S. stocks on September 29, 2008, and securities prices continued to tank through October and November of that year.

So far, this year has been a good one for many investors. Over the most recent six months, the S&P 500 index has risen by 27.5%, the growth-and-technology-oriented NASDAQ 100 is up 37.7%, and the price of gold has increased by 27.4%. These are big gains.

We have a running joke in my house. When I mention how well an investment is doing, Jenna replies quickly and jokingly, "Cash it out." Then we discuss why doing so would be sub-optimal, and we do nothing. For many reasons – tax consequences, few compelling alternatives, inertia – it's hard to take profits when things are going well.

Buying low seems relatively simple. A sharp market downturn grabs public attention and stokes collective fear, which leads to additional selling and even lower prices. But, if global population increases over time (and it does), and productivity increases over time (and it does), asset prices must go up. You have more people competing for increasingly scarce things, and we get better at making those things. So, if you buy things when they're beaten up, you'll do fine in the long run.

Determining a good time to sell and pocket gains is considerably harder than buying low, at least it is so for me. Why? Human psychology is hard to circumvent. There are well-researched cognitive and emotional biases that cloud our thinking. Chief among them is FOMO, Fear Of Missing Out, which is closely connected to the greed impulse. Greed can lead investors to believe robust returns are "guaranteed" and will continue forever, or at least a very long time. Similarly, the fear of missing out on future profits, even small ones, can prevent investors from taking a profit today. Investors tend to have short, selective memories, which leads to a thing called "recency bias." People place excess importance on recent events, assuming that what is happening now will continue. When a market is trending

upward for an extended period, recency bias can cause investors to ignore the signs of a potential downturn. As humans, we are emotional creatures, which leads to attachment. An emotional connection to a company or asset can cloud judgment, leading to non-economic pride of ownership and suppressing instincts to sell. And there's a concept called "anchoring bias," where investors fixate on a particular target price, perhaps an asset's previous all-time high. Absent reaching this price, investors won't seriously consider a sale; but anchors aren't necessarily correlated to current market realities, as macro- and microeconomic conditions continuously evolve. And, perhaps illogically, we frame the forfeiture of potential future gains as a prospective future loss, enticing us to hold on and enjoy the ride.

Even if we will fight the FOMO and consider selling, it's likely we'll do so too soon. Finance theorists note the "disposition effect." This is the tendency to liquidate something that has run up really far, really fast. "Prospect theory" tells us that the pain of financial loss generally outweighs to pleasure of an equivalent gain. So, as rational actors in our quest for self-preservation, we are inclined to proactively attempt to avoid pain – sell when prices are falling (not a great strategy), while are bias is inaction when times are good.

So, what am I going to do? I'm not sure. I'd love to sweep some of my chips off the table, but that runs contrary to the adage, "Cut your losers and let your winners run." Ideally, I'd implement a strategy that locks in most of my gains but allows me to continue to participate in market appreciation. But who wouldn't want to do that? If it were easy, or even possible, everyone would.

There are basic truths about money: If you don't spend everything you have, you need to put it somewhere; more is generally better than less; and risk and return are directly correlated to one another. So, it becomes question of which among a vast universe of investments suit your personal objectives. The first step in solving that calculus is developing a true understanding of what those objectives are. If you match your investment ideas to your goals, the angst of trying to predict the apex of prices dulls a bit. Nevertheless, I'm still probably going to sell some gold soon.

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