



How Is Successful Investing & Recovery the Same

There are several fundamental principles I preach that are required to building a life that you love.

When you listen to me speak or read The Daily Choice you hear them repeatedly.

One of them we will discuss today is that – how you act is consistent across all you do.

That is, how you act in IOP is how you will act at work, in relationships, in fun situations and in stressful one.

Tonight, I plan to prove this theory through comparing successful investing techniques with successful recovery techniques.

When emotions drive investment decisions, over the long-term the results are well below average. The do it yourself investor performs well below the market averages because they don't know what they don't know. These outcomes are very similar to the do it yourselfer in recovery. They fail miserably because they don't know what they don't know.

Why does the do it yourselfer investor do so poorly?

1. Loss aversion: the pain of losing something is greater than the pleasure we feel by gaining something equivalent. The pain of losing \$5 is 2x more powerful than the happiness of finding \$5.
 - a. In investing loss aversion shows up with investors selling too soon or holding onto losers too long.
 - b. We avoid losses more than we pursue gains.
 - i. Fear of failure
 - c. We like to stick with the status-quo even though the status-quo sucks.
 - d. We tend to stick with what we know even though there is pain associated with it:
 - i. We are more comfortable with what we know.
 - e. There is fear in change – when trying to change we think more about what we might lose than what we might gain.
 - f. Are you stopped because of the negative thoughts associated with past attempts at change?
 - g. You spend more energy trying not to do something than when trying to do something

2. Narrow framing: Missing the big picture – making decisions that do not take into account all factors. Narrow framing can keep you from seeing all your choices.

- a. When you are making decisions are you dealing with all the facts or only your personal opinions – your perspective – your biases

Does our addiction cause narrow framing – addiction = greed – greed gets us singularly focused – gets us close minded

Example: I have been to treatment before and it did not work thus it will not work this time.

Example: My last sponsor sucked so the next one will too.

Example: It will be different this time if I use.

Example: The person who changes job every few months and when asked why they blame they boss – it might be time to look internally.

- a) The fact is, the older I get then less I know. The world is that large, opportunity is that abundant – don't close yourself off to it.

3. Anchoring – lack of adaptation – using irrelevant information – not accepting what has happened – Example - Kodiak

- a. Our biases are our anchors – when we make judgements, we are anchored by there presence.

i. If you have been to treatment before, what biases are you bringing to treatment this time that are limiting possibility.

ii. What biases do you make when you hear me speak or any of the other presenters that join us.

- b. What are you anchored to that prohibits progress: What anchors provide comfort even though they are harmful.

i. Social networks – that still use or are triggers

ii. Family – are we anchored to family that lead us to the same outcomes

iii. Same hobbies – are we developing replacement behaviors to alleviate the negative emotions of your addiction.

iv. Going back to the same places to live/hang-out/work where you use to use

- c. What are you not accepting that is the new reality? Fighting it rather than accepting and building from it.

- d. What information are you basing decisions on that does not matter anymore:

i. What are you not cleaning up because you don't want to accept the reality it will bring – legal, financial, relationship – cannot move forward unless you clean them up.

4. Mental accounting versus true performance measurement

- a. Using subjective criteria to judge performance. What is subjective criteria – emotion/rationalization – what feels good.
- b. Not confronting reality/results
 - i. Rationalizing why your behavior is okay.
- c. Using partial information to measure outcomes.
- d. Having to justify outcomes or behavior.
- e. Honesty is absent

Not looking at all the facts. I am sober today, but I have only done a third of what my therapist/sponsor is telling me to do. How prepared are you for the life events we know will pop-up unexpectedly?

- 5. Lack of Diversification: Believing a portfolio is diversified when in fact it is a highly correlated pool of assets.
 - a. Life diversity – don't let yourself become stagnate
 - b. Don't get your identity from one thing – who your significant other is/job
 - c. Is your relapse prevention plan diverse – To you have many tools to use because triggers/cravings come from a variety of different sources. One tool for relapse prevention may not be effect against all sources of cravings/triggers.
 - d. Have a full continuum of tools to approach life with.
- 6. Herding – buy high/sell low – following the crowd. Allowing external influencers to dictate decisions.
 - a. Everybody is using so there must be something wrong with me for not. Want to fit in. Must be right if everyone is doing it.
 - b. Following the crowd rather than honestly looking at or understanding the facts/consequences
 - c. I saw it on Social media/reality tv so it must be true – a good idea.
 - d. Even in IOP – well that person only did XXX so that is all I am going to do.
 - e. In your recovery, all that matters is that you are following your plan – it rarely matters what anyone else does.
- 7. Regret – not performing a necessary action due to the regret of a previous failure – sold a stock that was decreasing. However, after I sold the stock turned out to be a big gainer – thus, these next time stock decreasing you don't sell regardless of what the facts are.
 - a. Regret is a negative cognitive or emotional state that involves blaming ourselves for a bad outcome, feeling a sense of loss or sorrow at what might have been, or wishing we could undo a previous choice that we made.
- 8. Media bias –
 - a. Allowing the stereotypes of society to dictate who we are as recovering addicts.

- b. Believing there is something wrong with me because of what I have heard, seen, or read.
- 9. Optimism – overly optimistic assumptions tend to lead to rather dramatic reversions when met with reality. The market is never going to end.
 - a. Things are not good or bad – they just are

The biggest impediment to long-term investment success is emotion.

Allowing emotion to drive decisions typically leads to poor outcomes. Develop a relapse prevention plan with your therapist and stick to it no matter what that voice in your head is saying.

Build a list of core principles that can guide your thoughts, words, and decisions/actions even when emotion is at its highest.

Live your purpose

Establish life goals/objectives

Determine what your priorities are today and make sure they get done. And do it again tomorrow.