

Survive the market by knowing your limits

Anthony Keane

OVERCONFIDENCE is rampant among investors and can damage their financial returns, Vanguard Investments Australia head of retail Robin Bowerman says.

While confidence in the share market remains shaky, people's confidence in their own abilities is still as strong as ever, as most people think they are above average.

"For example, how many people think they are a below-average driver," he asked a recent Marinis Financial Group briefing in Adelaide.

"People who tell you they are 100 per cent sure of something are usually wrong 20 per cent of the time."

Bowerman says there is an "illusion of control" among investors, with most seeing themselves as a driver rather than a passenger.

We remember our investment winners and downplay the losers, he says. Overestimating our control over results leads to excessive trading and reduced performance.

"We have to accept the fact that we are investing in an uncertain world and understand the risks."

Just before the global financial crisis, the only risk people could see was the risk of missing out.

Marinis Financial Group financial strategist Theo Marinis says investors need to know their limits.

"People don't like being told the truth. As Colonel Jessup said in *A Few Good Men*: 'You can't handle the truth'," Marinis says.

"I realise I can't add value to a client by trying to beat the market – you can't predict it with tea leaves and crystal-ball gazing," he says.

"We add value with the strategy. It's almost like a personal trainer. We make sure people don't get over-exuberant, don't follow emotions, but stick to a long-term strategy.

"Don't worry about it on a day-to-day or week-to-week basis. Look at the market over five, 10, 20 years."

Marinis says anyone who knew how to beat the market "would be telling nobody".

