

Behavioral Finance – *Hope* and Investing

Webster's defines the noun *hope* as a *desire accompanied by an expectation*. The editors of Wikipedia define *hope* as a **feeling**; *that what is wanted can be had or that events will turn out for the best*. These are both passive views of hope. Imagine if we viewed hope not just as a feeling but as **energy**. The concept of hope as energy was proposed by an Italian minister in a treatise on meditation. It ties in nicely with a friend who recently mentioned that she has pledged to "take a fast from cynicism."

The world around us grows cynical. Cynicism can be a default condition. A person who expresses hope today is often portrayed as being a step away from naiveté, futility and irrational decision-making. At your next social engagement, conduct your own test and mention the words *hope* and *stock market* in the same sentence and see whether you are perceived as being naïve. If you ask what thoughts come to mind, likely the dates of 1929, 2002 and 2008 will be mentioned with a heavy dose of cynicism.

Between the despair of cynicism and the mere feeling of hope, consider what the **energy** of hope can accomplish when it is combined with vigilance and strategy. Hope moves from a passive state to an active way of living. The minister's treatise depicts hope as the energy of vigilance that strengthens the night watchman. You can see the impact of hope as the energy of vigilance in those healthcare professionals whose duties require them to remain awake all night to watch over their patients. Their vigilance requires extraordinary energy, fueled by hope.

In financial decision-making, hope does not have to be a feeling of last resort. It can be the positive energy of vigilance, combined with strategy. Vigilance does not mean staying up all night placing trades as that may be a symptom of overconfidence, a topic for another column.

The watchful eye of vigilance discerns that the stock market moves erratically but with a positively sloping path. During the last decade, beginning and ending points can be identified where the market declined by 57%. But two other beginning and ending points can be selected during the same decade that reflect a market increase of 95%. Vigilance matters.

The advantages of hope as the energy of vigilance in financial decision-making far outweigh results caused by our tendency towards cynicism. Vigilant observance of goals and timelines is critical. I appreciate a financial team driven by the energy of hope, energy that powers vigilance and strategy. In these interesting times, what are your thoughts?

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