

## Behavioral Finance and Investor Types: Managing Behavior to Make Better Investment Decisions

By Michael M. Pompian

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### Behavioral Finance and Investor Types: Managing Behavior to Make Better Investment Decisions By Michael M. Pompian

#### Achieve investing success by understanding your behavior type


This groundbreaking book shows how to invest wisely by managing your behavior, and not just your money. Step by step, Michael Pompian (a leading authority in the practical application of Behavioral Finance concepts to wealth management) helps you plan a strategy targeted to your personality. The book includes a test for determining your investment type and offers strategies you can put into use when investing. It also includes a brief history of the stock market, and easy-to-comprehend information about stocks and investing to help you lay a solid foundation for your investment decisions.

*Behavioral Finance and Investor Types* is divided into two parts. Test Your Type, gives an overview of Behavioral Finance as well as the elements that come into play when figuring out BIT, like active or passive traits, risk tolerance, and biases. The book includes a quiz to help you discover what category you are in. Plan and Act, contains the traits common to your type; an analysis of the biases associated with your type; and strategies and solutions that compliment and capitalize on your BIT.

- Offers a practical guide to an investing strategy that fits both your financial situation and your personality type
- Includes a test for determining your tolerance for risk and other traits that will determine your investment type
- Written by the Director of the Private Wealth Practice for Hammond Associates—an investment consulting firm serving institutional and private wealth clients

*Behavioral Finance and Investor Types* offers investors a better sense of what drives them and what puts on their breaks. By using the information found here, you'll quickly become savvy about the world of investing because you'll come to understand your place in it.

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**Behavioral Finance and Investor Types: Managing Behavior to Make Better Investment Decisions** By Michael M. Pompian **Bibliography**

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### Editorial Review

From the Inside Flap

The essence of being a great financial advisor is to be a great people person. While you must be technically competent, to really excel, you must understand how people behave in order to build lasting relationships and ultimately improve your clients' investment outcomes.

From Michael Pompian, the bestselling author of *Behavioral Finance and Wealth Management* comes the next-step resource for achieving investing success by understanding your individual client's behavior type. As Pompian explains, there are four basic Behavioral Investor Types (BITs) that define an investor's personality and help advisors make an insightful and accurate assessment of their clients in order to better serve them.

**Preservers:** Noted for financial security and preserving wealth rather than taking risks to grow wealth. They are guardians of their assets and take losses very seriously.

**Followers:** Lack direction with their money and investing. They follow the lead of their friends and colleagues or a general investing approach to make their investment decisions.

**Individualists:** Engaged in the financial markets and may have unconventional views on investing. This "contrarian" mind-set may be helpful at times but may also cause this group to get irrationally anchored to their views.

**Accumulators:** Interested in accumulating wealth and are confident that they will be successful investors. They like to adjust their portfolio allocations and holdings but may not wish to follow a structured plan.

Engaging and informative, this reliable resource offers an overview of behavioral finance concepts and an introduction to behavioral biases. It also includes a detailed explanation of Behavioral Investor Type Diagnostic Testing and gives practical advice on capital markets and asset classes, asset allocation, and financial planning and investment advice for the four Behavioral Investor Types described. The author's BIT identification method is a multi-step diagnostic process that can help you zero in on the right plan that fits a particular client's investment expectations.

*Behavioral Finance and Investor Types* provides financial advisors with a better sense of what drives investors. By using the information found here, you'll quickly become savvy about the range of investor behavior types and discover how that knowledge can better position you in your role as a trusted advisor.

From the Back Cover

Praise for *Behavioral Finance and Investor Types*

"Michael has done yeoman's service in taking years of academic research and his own practitioner insights to illuminate the mandatory need to understand the virtues of the physiological implications of choice. He is bringing these essential findings to the forefront of untangling everyday investment thinking with the clear mandate of implementing sound investment decisions. His combined knowledge of the inherent drivers of

investor behavior, and years of careful observation, clearly illuminates that shoe sizes, so to speak, vary a great deal."

—**Arnie Wood**, CEO, Martingale Asset Management

"Pompian brings something new to the field of behavioral finance books. By combining insights into our fundamental cognitive and emotional biases with insights into fundamental personality types, he provides concrete, practical action steps to avoid making big mistakes. In classic Pompian style, he does it with efficient, easy-to-read prose. You do not want to make important financial decisions without reading this book."

—**Stephen Horan**, Head, University Relations and Private Wealth, CFA Institute

"For centuries, great thinkers like Hippocrates and Plato have sought to explain the distinct personality types that drove human behavior. *Behavioral Finance and Investor Types* extends their constructs and identifies unique Behavioral Investment Types that help explain why investors have such difficulty in achieving their long-term goals. This book provides an outstanding road map for understanding our individual behavioral biases, embracing our unique investor personality, and allocating our portfolios to capitalize on our individual strengths. *Behavioral Finance and Investor Types* is required reading for any investor who wants to enhance the probability of achieving long-term investment success."

—**Mark Yusko**, CEO and CIO, Morgan Creek Capital Management

"Personality is linked to investors' cognitive errors, including overconfidence, and emotions, including regret. Michael Pompian contributes greatly to our understanding of investors' behavior as he exposes these important links."

—**Meir Statman**, Glenn Klimek Professor of Finance, Santa Clara University

"Michael Pompian takes investors on a fascinating tour from behavioral finance through personality theory to what he calls Behavioral Investor Types. He manages to simplify the complex world of behavioral investing so that investors and their advisors can get their arms around this large subject. Best of all, Pompian provides clear guidance for how to avoid the behavioral traps that stand between investors and their financial goals."

—**Gregory Curtis**, Chairman, Greycourt & Co., Inc.

"Chock-full of practical applications, this book is an invaluable introduction to behavioral finance, a field of study that will make you a much better investor and advisor. It will certainly be required reading in our practice."

—**Harold Evensky**, President, Evensky & Katz

#### About the Author

**MICHAEL M. POMPIAN, CFA, CAIA, CFP**, is a partner at Mercer Investment Consulting (formerly Hammond Associates) serving institutional and private wealth clients. Prior to joining Mercer, he worked at Merrill Lynch and PNC Private Bank, as well as the investment staff of a family office. Pompian holds the Chartered Financial Analyst (CFA) designation, is a Chartered Alternative Investment Analyst (CAIA) and a Certified Financial Planner (CFP). He is also a member of the CFA Institute (formerly AIMR) and the New York Society of Security Analysts (NYSSA). He holds a BS in management from the University of New Hampshire and an MBA from Tulane University. He is a regular speaker on the subject of behavioral finance and has published numerous articles on the subject. He is married with three sons and can be reached at [mpompian@hotmail.com](mailto:mpompian@hotmail.com).

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#### **Brent Henderson:**

That publication can make you to feel relax. This particular book Behavioral Finance and Investor Types: Managing Behavior to Make Better Investment Decisions was multi-colored and of course has pictures on the website. As we know that book Behavioral Finance and Investor Types: Managing Behavior to Make Better Investment Decisions has many kinds or category. Start from kids until teens. For example Naruto or Investigator Conan you can read and think you are the character on there. So , not at all of book are make you bored, any it offers you feel happy, fun and relax. Try to choose the best book for yourself and try to like reading that.

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