

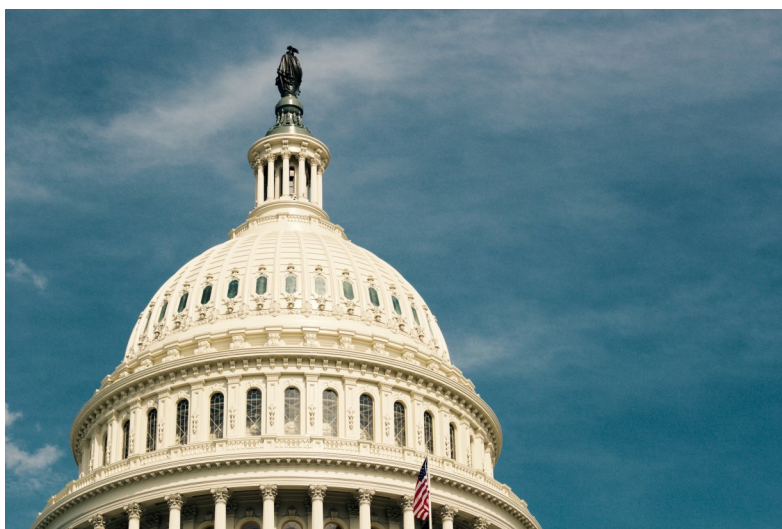
Swedroe on Political Biases

Are your political views affecting your financial decisions? Our political views may unintentionally influence our investment choices, possibly causing us to make emotional decisions with negative consequences. In the article “Swedroe: Political Biases Can Impact Your Investing,” Larry Swedroe cites research that shows investors tend to assess the current economic climate in a more favorable light if the party they prefer is in office. This inaccurate optimism may lead investors to take on too much risk.

Conversely, Swedroe writes that when the opposite party is in power, an investor’s perceptions about the market are more negative. A negative bias may cause investors to jump ship and sell, potentially missing a bull market. In addition, they are faced with the challenge of trying to figure out the right time to get back in market.

Swedroe offers some sage advice to try to avoid the pitfalls of our own political biases. The first step is to become aware of how our views influence our financial decisions and subsequent outcomes. Swedrow writes “just as you shouldn’t let the latest economic news cause you to abandon a well-developed financial plan and shift your asset allocation, you shouldn’t let the political climate do so either” (Swedroe, 2017).

The best way to avoid our own biases is to develop a strategic, long-term financial plan incorporating the principles of evidence-based investing that will be likely to stand the test of time.



Source: Jomar Thomas on Unsplash, Capital Hill, Washington

Swedroe, L. (2017). Swedroe: political biases can impact your investing. Retrieved from <http://www.etf.com/sections/index-investor-corner/swedroe-political-biases-can-impact-your-investing?nopaging=1>

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