

# How to stop group mentality

## FROM WRECKING YOUR FINANCES

*Seeing others pursuing self-improvement encourages us to do the same. In January in particular, many people tend to make positive resolutions, such as getting fit. It always tends to start well, and the gyms are full during January and February. Halfway through the year, though, many once-eager Gym Bunnies rarely make it to the treadmill anymore.*

Similarly in finance, and particularly the stock exchange, investors typically move in groups and trust the herd almost completely. Tip-offs and predictions often lead to mass movements towards or away from certain stocks. In that way, investment markets give us a glimpse into the behaviour patterns of large numbers of investors.

Using the masses as your investment compass doesn't always lead you in the right direction. Sometimes trends and fads in the financial world come dressed as credible ventures because of how much buy-in they receive. This is especially the case when the group we're following is made up of people we know and trust. Unfortunately, many of these businesses crash after a short period of impressive returns, leaving groups of investors worse off than if they hadn't followed the crowd.

**You can protect yourself from making big investment mistakes by remembering these important tips:**

- Make your decisions as rationally as possible rather than being swayed by emotion. Always remember to focus on your long-term goals rather than responding to impulses.

- If it sounds too good to be true, it usually is. Investments that promise high returns during a very short period should always be investigated thoroughly.
- If you're on the fence about an investment, begin with a small amount and watch its performance over time. Only commit once you have enough evidence to make an objective decision.
- Do as much research as possible, regardless of how promising an investment opportunity looks. Get your information from several credible sources rather than only trusting word-of-mouth.
- Speak to a financial advisor if you're unsure about a prospective investment. Spending a little bit for professional advice can save you from mistakes that could ruin your long-term financial goals.

It's understandable to want to cash in on an opportunity for sudden wealth. Trends such as influencer marketing can convince us that the group's collective decision is always the right one. However, we can still fight the fear of missing out by focusing on our retirement goals and plans. A venture's popularity and public appeal doesn't always guarantee returns. Stay on track with your retirement plans by researching, getting professional advice and investing in line with your time horizon.

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