



The Enemy Within

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I have occasionally written in this space about the risk we pose to ourselves when managing our investments. The human brain is wired to be defensive and impulsive, which frequently result in negative consequences when it comes to our money. We evolved to sense danger and run away from it. In the modern world of financial markets, panic flight may very well be the wrong move. Recognizing our blind spots and biases can save us from making costly errors.

The financial markets have been volatile, which is unsettling. How much of a decline can we endure before seeing the “danger” and taking flight by selling, which only locks in the loss and requires a further decision as to what to do next. Frequently this results in locking in a loss (at least a mental loss) and passing up a recovery due to hesitancy to dive back in.

These cognitive biases are hardwired into our brains. I will detail a few of these biases that may affect our investment decisions. Incentive bias leads us to find what we are looking for rather than what is actually there. Sifting through information to find what supports our predetermined view instead of facts that refute our position is not in our best interest. We should look for data that leads us to question our predetermined opinions or conclusions before acting. Another bias is social proof, where we tend to follow the crowd. This behavior leads to bubbles, for example, which frequently do not end well. Recency bias leads us to believe that what has just happened will continue.

Bull markets do not go on forever and neither do bear markets. We also suffer from overconfidence, where we think we know more than we do and believe we can control outcomes. This can lead to taking concentrated positions or ill-timed trades, in or out.

Loss aversion is a powerful bias that leads to poor decisions. We feel losses twice as painful as the pleasure we get from a comparable gain. This is supported by a number of psychological studies. Because of this we may rush into an investment decision, when patience would serve us better. We may take a position that has appreciated nicely and then make a decision to sell after a downward move, when the position is still in the money.

How do we overcome our human biases when it comes to our investments? Understanding ourselves is critical. Develop the ability to step back and consider what we may be missing or misinterpreting. Question our conclusions or beliefs. Perhaps the most important behavior is to practice patience. Walk yourself through your decision. Delay making a move for a day or so. Look at the big picture and do not get bogged down in details. The best professional investors know themselves, exercise patience, and do more thinking than trading. Learning from them can pay dividends for the rest of us.

Erik Ford is the owner of Fortitude Capital Management in Glen Ellyn, IL. He is a CFP® certificate holder, an Accredited Investment Fiduciary®, and a CDFI® professional. Erik Ford and Fortitude Capital Management do not offer legal advice. Registered Representative. Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Investment Advisor Representative Cambridge Investment Research Advisors, Inc., A Registered Investment Advisor. Cambridge and Fortitude Capital Management are not affiliated. Cambridge does not offer legal advice.

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REAL ESTATE RESOURCE

This is your neighborhood Real Estate Resource page. This information can be useful when trying to compare property values or for just keeping a pulse on the real estate market in our area. For questions regarding the properties listed, or about real estate in general, consult a real estate professional.

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Address	List Price	Sale Price	DOM	Beds	Baths	SqFt	Style
3S078 Blackcherry Ln	\$425,000	\$405,000	12	3	2	2,268	Split Level
596 Lowden Ave	\$419,900	\$420,000	5	3	2	1,196	Split Level
23W234 Woodcroft Dr	\$450,000	\$435,000	15	4	2	1,968	1 Story
3S138 Park Blvd	\$465,000	\$445,000	99	3	2.1	2,133	2 Story
738 Pleasant Ave	\$459,900	\$450,000	9	2	1.1	1,008	1 Story
21W664 Glen Valley Dr	\$460,000	\$503,000	5	5	3	2,979	Split Level
265 N Main St	\$545,000	\$520,000	13	2	2	1,564	1 Story
243 Bryant Ave	\$599,000	\$635,000	4	4	3	1,355	1 Story
331 Lorraine St	\$649,900	\$640,000	22	3	2	1,977	1 Story
534 Western Ave	\$700,000	\$700,000	26	3	2.1	1,450	1.5 Story
610 Pleasant Ave	\$675,000	\$720,000	5	3	3	1,970	1 Story
21W405 Walnut Rd	\$750,000	\$750,000	13	3	2.1	1,957	Split Level
504 Newton Ave	\$799,000	\$760,000	34	4	2.1	2,376	2 Story
462 Fairview Ave	\$819,000	\$819,000	3	4	3	2,864	2 Story
233 N Park Blvd	\$685,000	\$840,000	3	3	1.1	2,120	2 Story
562 Summerdale Ave	\$1,675,000	\$1,585,500	47	5	4.1	5,766	2 Story
569 Fairview Ave	\$1,925,000	\$1,865,000	1	5	6.1	6,285	2 Story
670 Revere Rd	\$2,250,000	\$2,250,000	5	4	5.2	5,368	3 Story

Meet the team

team purdom & co

CHERYL GRAHAM
Wheaton Resident
Raised in Glen Ellyn
Military Spouse

DONNA PETERSON
Professional Stager

CINDY PURDOM
Team Lead
Over 40 years experience
Long time Glen Ellyn Resident

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client-first

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