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VOLUME 24 | EDITION 03



The Apollo Group at Morgan Stanley Private Wealth Management

Steve Condos, CIMC®, Managing Director–Wealth Management, Private Wealth Advisor

Kenneth Morris, CFP®, Senior Vice President, Private Wealth Advisor

“What can investors do to avoid letting their ‘lizard brains’ take control?”

By Steve Condos

Traditional finance theory assumes investors are perfectly rational beings who make predictable decisions based on maximizing wealth.

However, everyone can pinpoint at least one instance when they, or those around them, failed to live up to that standard when investing.

This failure stems from a variety of cognitive biases—errors in thinking that influence how we make decisions. But is the muddying of rational decision making brought on by these biases inevitable? Or can we mount a defense against their deleterious effects?

There are a number of ways investors can attempt to control the biases that afflict them. The first, and perhaps most important, is to have a plan. At some point every investor should have sat down and developed an investment plan which incorporates, among other things, the investor’s time horizon and risk tolerance.

Presumably, this plan was developed with a rational, long-term perspective in mind, which is important to remember during periods of market turmoil. In the midst of volatility it is imperative to trust your more

rational self. Stick to your plan—you had it right the first time. If you do not have a plan, make one.

Second, ignore the investing-related “noise” that permeates our everyday lives. This noise takes many different forms: the multitude of talking heads clamoring for sound bites on television, news reports about the “death” of whatever asset class is doing poorly on a particular day or even a co-worker boasting about his or her own “incredible” returns.

All of this serves to scare or entice investors—to generate fear or greed. *Am I missing out on the next big thing? Is my golf partner’s portfolio performing better than mine? Is the market going to crash?* These are the questions this deluge of irrelevant information seeks to elicit. Those who buy into the questions may believe action needs to be taken immediately in order to avoid disaster or ensure they participate in the latest investment trend. This is precisely when reason is abandoned and poor investment decisions inevitably follow. Ignore what we like to call the cacophony of dunces.

The third piece of advice is to avail yourself of someone who can provide

sound, objective advice during periods when you may be succumbing to your biases. This individual does not have to be a financial advisor, though we’ve conveniently provided our own contact information on the next page. It simply needs to be someone who can think rationally about your finances when you cannot. This person, or group of people, can provide valuable advice when your biases take over and lead you down the path of fear or greed. Sometimes you just need someone who can save you from yourself.

In his book, *Mean Markets and Lizard Brains*, Terry Burnham, PhD, used the term “lizard brain” to describe the emotional and instinctual parts of the human mind. **While this part of the brain is helpful in other facets of life, it proves harmful for making financial decisions, since this is where our cognitive biases originate.** These biases are part of being human and therefore cannot be completely eliminated. However, investors do not have to be ruled by them. Sticking to a plan, ignoring the noise and asking for help can protect investors from their own “lizard brains.”

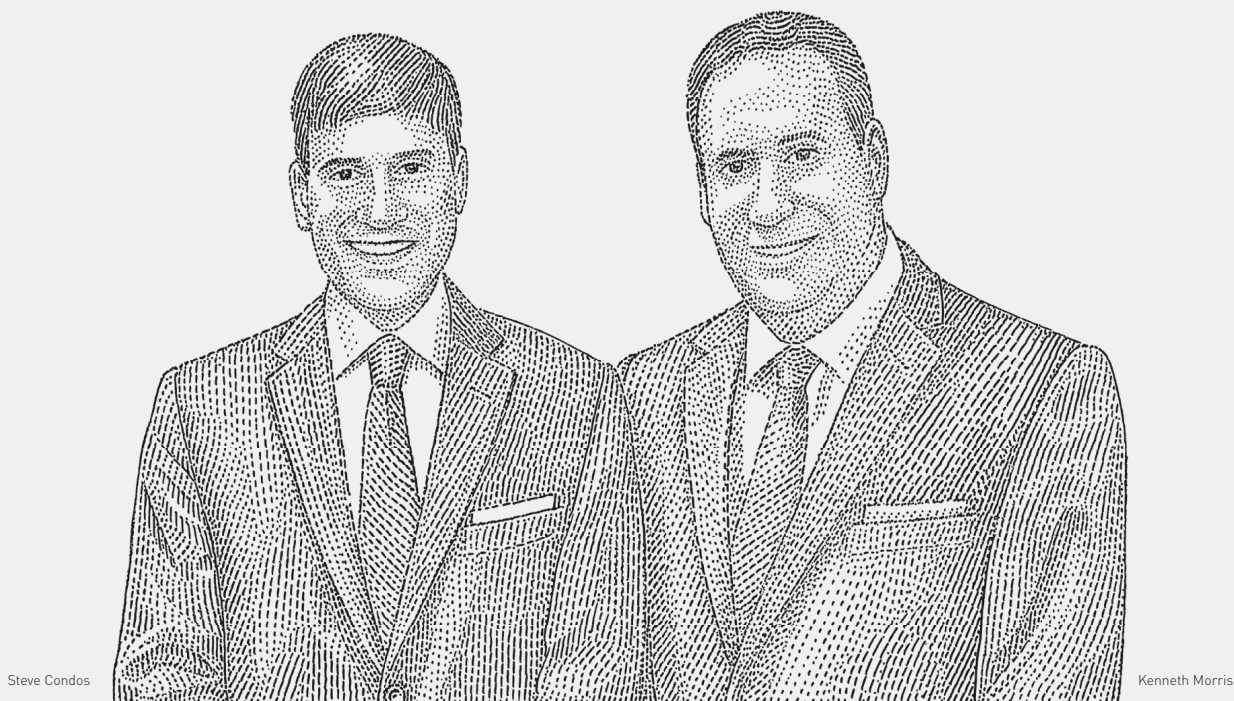
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—Steve Condos

How to reach **The Apollo Group**

We recognize that your family's dynamics, goals and risk tolerance are unique, and we will tailor our process to meet your personal and financial needs and objectives. To learn more about our approach and capabilities, please contact Steve or Ken at 800.495.6844.



Steve Condos

Kenneth Morris

About The Apollo Group

The Apollo Group at Morgan Stanley Private Wealth Management is an experienced team that provides valued clients with an exceptional wealth management experience through an unwavering commitment to objectivity, dedication to simplicity and transparency, and a highly personalized level of service. The Apollo Group was started with two simple goals: objectivity and an aim to embrace clients' perspectives. The group's approach is comprehensive and holistic—team members are active participants in the financial lives of their clients and approach all objectives creatively and resourcefully with thoughtful analysis, sound judgment and relentless follow-through.

Assets Under Management
Available on request

Largest Client Net Worth
Confidential

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$10 million

Website
www.morganstanleypwa.com/apollogroup

Financial Services Experience
Condos, 25 years; Morris, 15 years

Compensation Method Asset-based fees or transactional fees

Primary Custodian for Investor Assets Morgan Stanley Smith Barney LLC

Association Membership
Investment Management Consultants Association

Professional Services Provided Financial planning, investment management, risk management, family office services

Email theapollogrouppwm@morganstanley.com

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Steve Condos, CIMC®

Managing Director—Wealth Management, Private Wealth Advisor

Kenneth Morris, CFP®

Senior Vice President, Private Wealth Advisor

The Apollo Group at Morgan Stanley Private Wealth Management

1290 Avenue of the Americas, 13th Floor

New York, NY 10104

Tel. 800.495.6844

theapollogrouppwm@morganstanley.com

www.morganstanleypwa.com/apollogroup

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