Prudential Investment Managers
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# The psychology of a good investor

If you're just starting as an investor, it's easy to be put off or intimidated by all the statistics and calculations. Every investment comes with its own set of graphs and charts, and it can feel like every article you read is packed with unfamiliar investment terminology. The truth is, investing has less to do with maths and numbers, and far more to do with temperament over the long term. Even if you're a wiz at mathematics, you won't get the returns you're hoping for if you lose the mind game.
In this article, we look at the personality traits of a good investor, and unpack the psychology behind smart decision-making.

Proactiveness

If you're a natural self-starter, you're already a step ahead of the rest of the pack. By starting early, you're extending your time horizon and giving your investments more time to grow and enjoy the benefits of compounding. Remember, the best time to start investing was 10 years ago. The second-best time is now. Forget the investment myths that would have you believe that only rich people can invest, and that you don't earn enough to save. Start small. Start now.

Patience

The key to investing is not about knowing when to buy and sell, but rather about starting early and staying the course for the long term. Simply put, it's about time in the market, not timing the market. There is no shortcut to growth. By exercising patience, you'll unlock the power of long-term thinking, which forces you to consider how a short-term action can influence a long-term plan. You'll also save yourself from the stress of worrying about short-term market volatility, allowing you to focus your energy on the future. Most of all, though, patience lets you take advantage of the effects of compounding, where your money multiplies itself by earning a return on its returns.

## Self-control

Set a goal. Consult a financial adviser. Devise a plan. Invest and then wait. Investing can really be boiled down to those four simple steps, yet you'd be surprised how many investors either skip a step, or get distracted or derailed along the way. Poor impulse control is part of the problem. If you panic every time you hear the market has taken a dip, if you allow emotions to cloud your strategy, or if you change your long-term plans on the whim of a social media newsflash, you'll only sell yourself short. Stop. Breathe. Remember your plan. Speak to your financial adviser, who really earns his or her fee by keeping you on the right track.  They will tell you if your plan needs changing.   Your job is to  be patient.

## Curiosity

You may not be a natural maths genius, and you may not have a head for numbers, but that's no reason to not take your time to research the basics of investment. Understand the fundamental concepts, so that when you speak with your financial adviser, you know what they're talking about. Read up about risk, and wrap your head around the fact that caution can be good, but it can also rob you of good returns. Understand what diversification means in an investment context, and dig into the details of how it can work for you. The more informed you are, the more likely you are to make wise choices, and the less likely you are to be taken in by scams or get-rich-quick schemes.

Ready to start investing? Understanding these four psychological basics should go a long way toward preparing you. If you aren't already investing with us, contact your financial adviser or our Client Services Team on 0860 105 775 or at query@prudential.co.za.