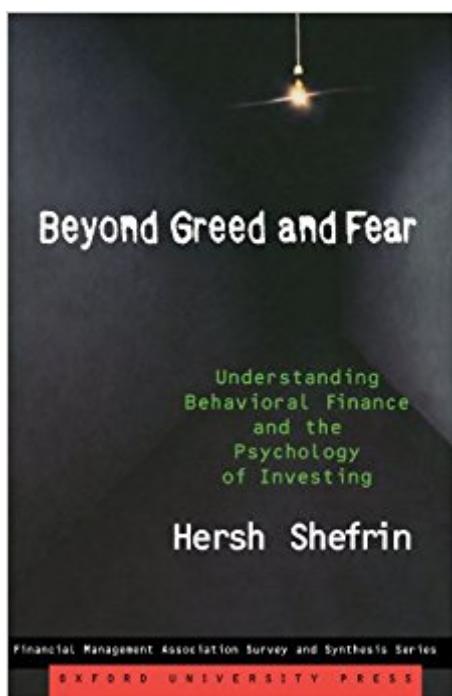


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Beyond Greed And Fear: Understanding Behavioral Finance And The Psychology Of Investing (Financial Management Association Survey And Synthesis)



Synopsis

Even the best Wall Street investors make mistakes. No matter how savvy or experienced, all financial practitioners eventually let bias, overconfidence, and emotion cloud their judgment and misguide their actions. Yet most financial decision-making models fail to factor in these fundamentals of human nature. In *Beyond Greed and Fear*, the most authoritative guide to what really influences the decision-making process, Hersh Shefrin uses the latest psychological research to help us understand the human behavior that guides stock selection, financial services, and corporate financial strategy. Shefrin argues that financial practitioners must acknowledge and understand behavioral finance--the application of psychology to financial behavior--in order to avoid many of the investment pitfalls caused by human error. Through colorful, often humorous real-world examples, Shefrin points out the common but costly mistakes that money managers, security analysts, financial planners, investment bankers, and corporate leaders make, so that readers gain valuable insights into their own financial decisions and those of their employees, asset managers, and advisors. According to Shefrin, the financial community ignores the psychology of investing at its own peril. *Beyond Greed and Fear* illuminates behavioral finance for today's investor. It will help practitioners to recognize--and avoid--bias and errors in their decisions, and to modify and improve their overall investment strategies.

Book Information

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Customer Reviews

I am a behavioral economist with a deep belief in the notion that human decision-makers deviate in important ways from the scientific principles laid down in modern rational choice theory. There is no doubt but that very many investors hold erroneous notions of the dynamics of price movements, and having a correct understanding will, on average lead to better returns on one's portfolio. Sheffrin presents the evidence for this position in an interesting and accessible manner. Sheffrin's main advice for investors is absolutely correct, and would improve the asset positions of many poor souls with idiotic notions of stock dynamics. His advice is that if you are not a gifted and dedicated stock expert, you should invest in a low-maintenance cost array of mutual funds, and above all, do not churn your stocks. It doesn't help to be smart, lucky, a stud with the girls, or blessed by God. Moreover, if you think you have one of the "gifted analysts" for a broker, you are to be counted as among the suckers who are never given an even break. Sheffrin has another thesis which he presents with great verve, but which is on very shaky grounds. This is that "gifted stock analysts" can on average, significantly out-perform the market. He believes this MUST be the case if a significant fraction of investors are behaving irrationally. However, there is another possibility, which is that stock brokers as a group gain from the excessive churning that irrational investors permit or ask them to do, but that it is impossible to "beat the market" except by pure luck or by personally studying firm fundamentals and future prospects. Sheffrin's data in favor of the "gifted analyst" is episodic and anecdotal, and there is plenty of data on the other side.

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