Financial Hypochondria:

The Downside of Investment Vigilance

Plan sponsors invest much time and effort in improving employee financial literacy. They offer educational content, provide opportunities for group and individual consultation and encourage participants to approach retirement planning proactively by staying on top of their investments. But what happens when workers go overboard with well-intended advice?

Stock Market Data One Click Away

Today, stock market data, is available 24/7 with just a few clicks. And this development, in many ways, has been a double-edged sword. While it has made investing a lot more accessible for many, it's become all too easy to fall into a pattern of checking portfolio performance daily—or even multiple times a day—especially after "doomscrolling" clickbait financial headlines that paint a dire picture during periods of heightened market volatility. This isn't helpful.

Hypervigilance Can Lead to Poor Decisions

According to Frank Murtha, Ph.D., cofounder of MarketPsych, such behavior can create a myopic focus that may blur an investor's long-term perspective. It could also lead to a state of heightened anxiety and the kind of cognitive errors that may result in faulty short-term financial decision-making. When a health coach is working with a client, they motivate healthy behaviors, but not in the extreme. For example, the coach might recommend working out several times a week, though not several times each day. Similarly, participants should be encouraged to have a healthy amount of investment awareness, while avoiding hypervigilance.

On the other hand, prescriptively dictating how frequently participants should check their 401(k) or 403(b) or government plan balances without addressing their underlying fears is shortsighted. It's also unlikely to be effective, as such financial fears rarely stem from a mere lack of information. When an investor acknowledges and comes to terms with their uncomfortable emotions, they're often better positioned to find healthier coping mechanisms for the uncertainty and risks that inherently come with investing.

Plan Participant Education Can Help Ease Concerns

At that point, things like providing a broader historical context for stock market performance and explaining how asset allocation and dollar-cost averaging can help mitigate risk become much more helpful. And it goes without saying that so long as investment strategy does not match up with investor risk tolerance, such work can remain a stubbornly uphill climb for plan sponsors. But once participants accept that a certain amount of risk and uncertainty is necessary to reach financial goals, it becomes much easier to put a plan in place to help them better manage financial stress—whether that includes meditation, taking a walk or turning to a trusted friend or wealth advisor.

In the end, it's important to remember that investing decisions can become emotional ones—centered on hopes and dreams for the future.

RPS Team Offers Participant Education

The Retirement Plan Solutions team at Mariner Wealth Advisors is here to work with plan sponsors on educating employees on topics including investing for the long-term, avoiding timing the market, and contributing the maximum they are able to their employer-sponsored retirement plan for a more secure retirement.

For more information visit: marinerwealthadvisors.com

Source:
"Speaking of Psychology: Stock Market Anxiety"