

BEHAVIORAL BIASES

Checklist

Use this before you make a money move, especially when emotions are high.

Step 1: Pause (30 seconds)

Before you act, answer these.

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- What decision am I about to make?
 - What is making me want to make it right now?
 - If I waited 72 hours, would I feel differently?

Step 2: Name the Bias That Might Be Driving This

Pick the section that feels closest.

A) Overconfidence Bias Check

Overconfidence is when past wins make you believe future results are more predictable than they are.

Warning signs

- I feel very certain I am right.
- I am assuming recent success means I have a “feel” for markets.
- I want to make a quick change without reviewing the full plan.

- I am trading or switching frequently.

Guardrails

- What data or objective research supports this decision?
 - What are the fees, taxes, and transaction costs created by this move?
 - If this goes wrong, what is the downside and how would it affect my plan?
 - What am I not accounting for?
 - Health event
 - Disability
 - Long term care
 - Estate updates
 - Have I asked someone who disagrees with me to pressure test this.
 - If you checked 2 or more warning signs, slow down and review the full plan before acting.***
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B) Familiarity Bias Check

Familiarity bias is leaning too heavily on what you know or recognize.

Warning signs

- I prefer this because it is a well known company or brand.
- I am heavily invested in U.S. assets, my employer stock, or one sector.
- I avoid strategies or investments because they feel unfamiliar.
- I equate “I’ve heard of it” with “I understand it.”

Guardrails

- Why do I own this. Is it familiarity or fit?
- Does this increase concentration risk in my overall portfolio?

- What role is this holding supposed to play. Growth, income, stability, diversification.
 - What would an objective research view say about risk, correlation, and downside.
 - Am I ignoring alternatives simply because they are unfamiliar.
 - If you checked 2 or more warning signs, review diversification and concentration before making changes.***
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C) Loss Aversion Check

Loss aversion is the instinct to avoid losses, even when it creates worse outcomes.

Warning signs

- I refuse to sell because it would “make the loss real.”
- I am waiting to get back to even before I make a change.
- I am avoiding investing because of a past crash or bad experience.
- I feel the urge to take bigger risk to “make it back.”

Guardrails

- If I were starting from scratch today, would I still buy and hold this?
- Is this decision about protecting my plan or avoiding discomfort?
- What does long term market history suggest about similar periods?
- Does this still match my true risk tolerance and income needs?
- Is there a strategy that can help reposition more thoughtfully, including tax planning, rather than staying stuck?

If you checked 2 or more warning signs, take a fresh eyes review of holdings and confirm risk tolerance.

D) Mental Accounting Check

Mental accounting is treating money differently based on where it came from or what “bucket” it sits in.

Warning signs

- I treat bonuses, tax refunds, or inheritance as more spendable than my paycheck.
- I am hyper focused on one goal while neglecting others.
- I am paying down low rate debt aggressively while keeping cash earning little.
- I am saving in low risk vehicles while carrying higher interest debt.

Guardrails

- If this money came from my paycheck, would I treat it the same way?
- Does this decision improve the full plan, or just one bucket?
- Am I ignoring the net effect. Taxes, debt rate, expected return, liquidity needs?
- Are my goals balanced. Retirement, emergency reserve, debt, family planning?
- Have I clarified my wishes with heirs so wealth is understood, not treated like a lottery win?

✓ *If you checked 2 or more warning signs, zoom out and run the decision through the full plan.*

Step 3: Big Picture Alignment Check

No matter the bias, confirm these before you act.

- Does this decision support my top 3 goals?
- Does it create new tax issues?
- Does it affect my income plan or withdrawal strategy?
- Does it increase concentration risk?

- Does it create gaps in insurance or estate planning?

Step 4: When to Get a Sounding Board

Consider a second opinion if:

- The decision is large.
- You feel rushed.
- You feel fear, regret, or certainty.
- You are making the change because of headlines or recent market movement.

A good planning conversation is not pressure. It is clarity.

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