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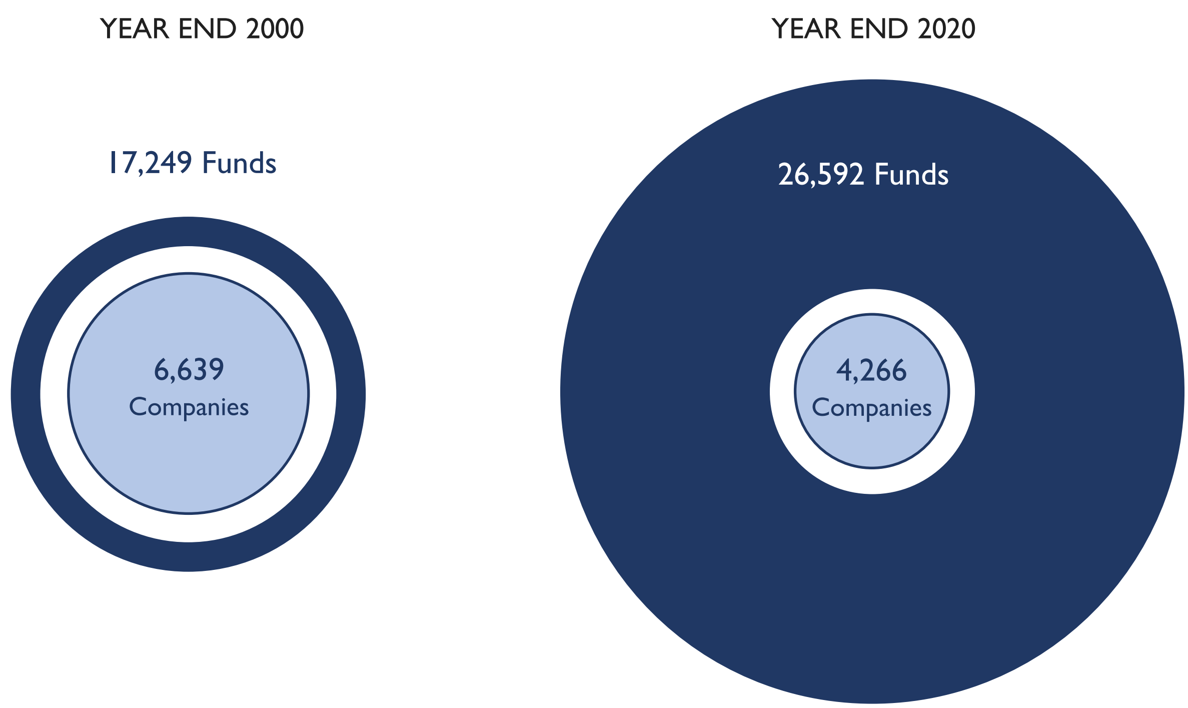
More Choices, More Confusion

Volume 46 | October 2021

There has been an overwhelming growth in the number of investment choices over the last 20 years, as asset managers compete for investment dollars. As a result, many investors are easily overwhelmed by the sheer volume of investments and confused about what investments they should have. The chart below highlights this explosion in today's marketplace.

NUMBER OF US REGISTERED FUNDS AND US-LISTED COMPANIES



Source: The World Bank, ICI 2021 Investment Company Factbook. Number of Registered Investment Companies exclude funds that invest primarily in other funds.

From 2000 to 2020, the number of funds increased from 17,249 to a whooping 26,592, while the number of companies decreased from 6,236 to 4,226. We now have more than six funds for every company! With more funds chasing fewer investments, the asset management industry has become bloated and a drag on investor value creation.

With the enormous number of choices, massive marketing efforts and constant media chatter, it is easy to see how we might be convinced that we need some of everything to be a successful investor. Fear of missing out can be a powerful emotional driver.

At this point, it can be helpful to get back to basics. The primary source of value creation and performance for building long-term wealth comes from the underlying companies and their earnings compounded over time. As long-term investors, we can do quite well with a straightforward portfolio consisting of a handful of thoughtfully selected funds that pursue different strategies, resulting in a well-managed equity portfolio. Simple but not easy.

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From the Behavioral Viewpoint

What is going on?

1. **Herding, Fear of Missing Out** and **Social Validation** can create a strong desire to go along and fit in which can lead us towards trendy ideas and away from our long-term plans and strategic investments.

2. With so many investment choices we can become overwhelmed with what is known as **Choice Paralysis**. This can lead us to do nothing, buy a little of everything, or jump from one idea to the next.

3. We can suffer from **Emotional Overload**, amplified by **Availability Bias** and **Information Overload**. We may be compelled to act simply to relieve the emotional stress.

What can we do?

1. Realize there is no “Must Have” or “Silver Bullet” investment. You don’t need to invest in everything to succeed.

2. Have a financial plan and make sound investment decisions based on a disciplined investment process. Learn that progress toward goals is often more important than a good story or short-term performance.

3. Build a long-term portfolio diversified by investment strategy to benefit from different ways of generating returns over time. Remember strategies and managers do well at different times and in different market conditions.

4. Work with a professional financial advisor who can provide valuable guidance to help you stay on track.

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