

RETAIL INVESTOR MISTAKES DECODER by

WealthWise Guide

15-Point Self-Audit Checklist with Scoring System

Instructions:

Rate each statement from 1-5 based on how often it applies to you:

- 1 = Never (0 points)
- 2 = Rarely (1 point)
- 3 = Sometimes (2 points)
- 4 = Often (3 points)
- 5 = Always (4 points)

SECTION A: EMOTIONAL & PSYCHOLOGICAL BIASES (Questions 1-8)

1. Overconfidence Assessment

"I believe I can consistently outperform market indices through my stock picking abilities"

Score: ____/4

Common Issue: 64% of investors overestimate their abilities (FINRA Study)

2. Loss Aversion Check

"I hold onto losing stocks much longer than winning ones, hoping they'll recover"

Score: ____/4

Common Issue: Losses feel 2.5x worse than equivalent gains

3. Emotional Decision Making

"I make investment decisions based on fear, greed, or market headlines rather than analysis"

Score: ____/4

Common Issue: 91% of F&O traders in India lose money due to emotional trading

4. Herding Behaviour

"I often buy stocks that everyone else is talking about or that are trending on social media"

Score: ____/4

Common Issue: 39% of new fund money chases last year's top 10% performers

5. Anchoring Bias

"I fixate on the price I paid for a stock or recent high/low prices when making decisions"

Score: ____/4

Common Issue: Past prices become reference points 70% of time

6. Disposition Effect

"I tend to sell my winning investments too quickly to 'lock in gains'"

Score: ____/4

Common Issue: Investors sell winners 50% faster than losers

7. Confirmation Bias

"I seek out information that confirms my existing investment beliefs while ignoring contrary evidence"

Score: ____/4

Common Issue: Leads to 15-25% poor entry/exit timing

8. Recency Bias

"Recent market events heavily influence my investment decisions more than long-term trends"

Score: ____/4

Common Issue: Causes 20-30% increase in portfolio volatility

SECTION B: STRATEGY & EXECUTION MISTAKES (Questions 9-15)

9. Excessive Trading Frequency

"I trade frequently, believing more activity will lead to better returns"

Score: ____/4

Common Issue: Frequent traders underperform by 5-8.6% annually

10. Market Timing Attempts

"I try to time the market by predicting when to buy at lows and sell at highs"

Score: ____/4

Common Issue: Need 74% accuracy to break even vs buy-and-hold

11. Lack of Diversification

"I concentrate my investments in a few stocks or sectors I 'know well'"

Score: ____/4

Common Issue: Results in 30-50% higher portfolio risk

12. Chasing Past Performance

"I invest in funds or stocks primarily based on their recent strong performance"

Score: ____/4

Common Issue: Hot funds underperform by 2-4% annually

13. Inadequate Research

"I make investment decisions without thoroughly researching company fundamentals"

Score: ____/4

Common Issue: Only 23% of active funds beat passive strategies over 10 years

14. No Investment Plan

"I don't have a written investment plan with clear goals and risk tolerance"

Score: ____/4

Common Issue: Leads to 3-5% annual return reduction

15. Ignoring Costs

"I don't pay attention to brokerage fees, expense ratios, and tax implications of my trades"

Score: ____/4

Common Issue: High costs can reduce returns by 1.5-3% annually

SCORING INTERPRETATION

Total Score: ____/60

0-15 Points: DISCIPLINED INVESTOR

- You demonstrate strong investment discipline
- Continue following systematic approach
- Minor areas for improvement only

16-30 Points: MODERATE RISK

- Some behavioural biases present
- Focus on identified weak areas

- Implement systematic rules-based approach

31-45 Points: HIGH RISK 🚫

- Multiple concerning behavioural patterns
- Seek professional guidance
- Implement strict investment rules and monitoring

46-60 Points: EXTREME RISK 🚨

- Severe behavioural bias issues
- High probability of significant losses
- Urgent need for professional help and systematic overhaul

TIJORI FINANCE SOLUTION MAPPING

For Overconfidence (Q1):

- Use Tijori's Performance Analytics to compare your returns vs benchmarks
- Access professional research through Tijori's company analysis tools

For Loss Aversion (Q2):

- Set up Tijori Alerts for stop-loss levels
- Use Portfolio Tracker to maintain objective position sizing

For Emotional Decisions (Q3):

- Follow Tijori's systematic screening filters
- Use Timeline feature for fact-based company updates

For Herding Behavior (Q4):

- Utilise Tijori's contrarian screening tools
- Access independent research vs social media hype

For Poor Diversification (Q11):

- Use Tijori's sector analysis and risk metrics

- Monitor portfolio concentration through tracking tools

For Market Timing (Q10):

- Implement systematic investment plans
- Use Tijori's long-term fundamental analysis