

# Anchoring Bias

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Let's discuss a common behavioral bias that can significantly influence your financial decisions – anchoring. Think of it like a catchy tune that gets stuck in your head, but with numbers instead of lyrics.

It happens when you fixate on the first piece of information you come across and let it steer your future decisions.

Let's say you buy a stock at a certain price and it begins to drop. It might be sensible to sell, but you hang on and hope it will rebound to that initial value.

Or on the other hand, let's say you own a stock that's performed really well. By fixating on past gains, you could overlook the stock's actual value and hold for too long.

We see this in retail as well. By putting a "sale" price alongside the "regular" price, retailers want you to perceive the sales price as a steal, even if it's selling for its actual value.

So, how do you overcome anchoring bias? It starts with being aware of its presence and taking your research beyond surface level.

It also helps to have experienced financial advisor who can help you navigate the many behavioral biases. This type of outside perspective can prove invaluable.

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