

# Try a New Approach for the New Year



I love a good New Year's resolution.

It's not so much about specific goals, for me. It's about the opportunity to reflect on what's gone well in the last year, what hasn't, and most importantly... what I'm willing to do to make the upcoming year even better.

The most pivotal resolution I've ever made was to become a *systematic investor*.

I made the switch in January 2010 – after a year of trading foreign currency markets on a discretionary basis, and after watching my clients' buy-and-hold resolve fail them miserably the year prior to that.

I didn't fully appreciate the impact that “going systematic” would have, at the time. But I now realize that one important decision freed me from the hamster wheel of decision-making that most investors are trapped in.

I've always struggled with making decisions. I guess it just doesn't come naturally to me.

I blame it on my mother, who was loving and good-intentioned, but a little heavy-handed in the parental decision-making department.

My brothers and I never heard anything like, “What do you *feel* like for dinner tonight?”

Everything was always already decided for us. “Tonight's

spaghetti! Could you set the table for me?"

Needless to say, when I was grown and on my own, I had to figure out how to make decisions. And as I struggled through that process, I learned about the negative effects of what psychologists call "decision fatigue," and how to overcome them.

The more I learn about decision fatigue, the more I'm convinced that it's one of the primary reasons why most investors struggle to meet their financial goals – whether they (cough, *you*) realize it or not.

And I'm also convinced that **systematic ("rules-based") investment strategies are the perfect solution to the damaging effects of decision fatigue.**

But before I make my case for systematic strategies, let me show you proof that decision fatigue is real (and really harmful)...

The most popular story used to explain decision fatigue is about hungry judges.

In 2010, Stanford researchers studied judges and their decisions to either grant or deny parole to prisoners coming before the court. They analyzed over 1,100 individual decisions, made throughout the course of a year.

In total, judges approved parole appeals in about one-third of the 1,100 cases studied – in line with known proportions. But the researchers discovered that ***time of day* was a significant factor in the judges' decisions.**

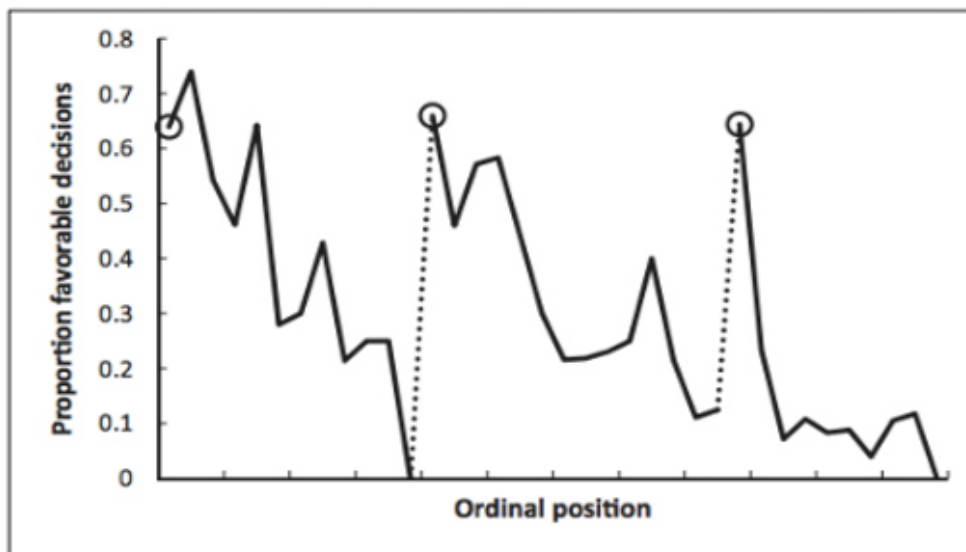
Essentially, prisoners who appeared before the court *early in the day* tended to get more favorable parole decisions, while those appearing *just before lunch* were more often than not denied parole.

Then, *after lunch*, the number of paroles granted jumped back

up to the early-morning levels. But then throughout the afternoon, the rate of paroles granted trended down, hitting a low by the end of the day.

Here's the chart (with the dotted line indicating *food breaks*)...

### How Decision Fatigue Impacts the Rulings Made by Parole Judges



**Fig. 1.** Proportion of rulings in favor of the prisoners by ordinal position. Circled points indicate the first decision in each of the three decision sessions; tick marks on x axis denote every third case; dotted line denotes food break. Because unequal session lengths resulted in a low number of cases for some of the later ordinal positions, the graph is based on the first 95% of the data from each session.

Source: Proceedings of the National Academy of Sciences, vol. 108 no. 17

Now, if judges were robots – unaffected by hunger, fatigue, or mood – this chart would not exist. Instead, you'd see *one steady rate* of favorable parole decisions, *regardless the time of day*.

But judges aren't robots. Judges are people.

And even though judges are generally smart, well-intentioned, and ethical people... they still get tired, hungry, and moody,

like the rest of us. And, *clearly*, those subtle “fatigue” factors have a dramatic impact on the decisions they make.

In the simplest terms, **decision fatigue is the observation that people tend to make worse decisions the more decisions they make.**

Decision fatigue affects *everyone*. It taints decisions we’re faced with in *all* aspects of our daily lives – everything from what to make for dinner and, of course, what to do with your investments.

The decisions you must make *about your money* are endless.

Do I spend or save? Cash or T-bills? Stocks or bonds? Passive or active? Diversified or concentrated? Growth or value? Google or Amazon?

Sell for a *loss* or hold?

Sell for a *profit* or hold?

You get the idea...

As an investor, every decision you make can be hugely consequential to your investment portfolio and to your family’s financial goals. And you’ll be up against decision fatigue every step of the way.

Now, to *avoid* the downside of decision fatigue... you’ve got to *avoid* decisions. Or, at least, you’ve got to greatly minimize the number of decisions you have to make.

And *that’s* where systematic investment strategies come into play.

Systematic, or “rules-based,” investment strategies minimize your role in the decision-making process. Therefore, they minimize the number of opportunities you have to make a foolish decision, caused by decision fatigue.

And that's why I love systematic investment strategies.

I *don't* have to make decisions all day long... I don't have to face the same decision – “Do I buy? Do I sell? Do I hold?” – each and every day. I don't have to second-guess myself.

Truly, committing to *systematic* investing is one of the best things I've ever done for myself. It's taken the monkey of continual decision-making off my back – and with that, I've seen dramatic improvements in both my *wealth* and *health*.

It's my sincere hope that you, too, will join me in appreciating the many benefits of systematic investing. That's really what my trading services – *Cycle 9 Alert* and [10X Profits](#) – are all about.

We implement a “rules-based” strategy with discipline. And that allows us to avoid the pitfalls of decision fatigue, cognitive biases, and our tendency to make “irrational” decisions with money.

Is this approach right for *you*?

Well, that's something only you can decide. But it's a new year... and you have the opportunity today to try a new approach!

You should certainly give it a try. I'm pretty confident that once you get the hang of it, you'll never go back to discretionary investing again.

I know I won't!

A handwritten signature in black ink, consisting of a stylized 'A' followed by a large, loopy 'O'.

Adam O'Dell  
Editor, *10x Profits*

**P.S.** My *10X Profits* strategy is 100% systematic, 0% discretionary – and has generated a 94% total return since we went live in December 2016. [Click here](#) to gain access to our current position.

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