Why People Hesitate to Invest in Stocks

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Abstract- The paper focuses on what it is about: supporting your team from discontentment at situations that disappoint you is a part of business and life. Discontents, sorrows, and failures are part of life and business, learning from them is essential. Thinking on a one-way track could be more effective. Instead, focus on the unthinkable and write down all possible solutions. Evaluate each and note its allied aspects for easy identification. Regardless of location, it is achievable. Suppose you have a profound, heartfelt decision. Expressing what we think is beyond our scope; However, if we decide to find a solution, we eventually will.

Index Terms- stocks, invest, positive, negative, plan etc.etc

I. Introduction

When it comes to financial planning and investments, people are sometimes more rational than they think. This article studies and explains our sometimes “strange investing behavior". It throws light on - Why do we hesitate to invest in stocks and where do we, as an investor, fit in?

II.WHY PEOPLE HESITATE TO INVEST IN STOCK

I was surfing the net and came across this story of a scientist who was conducting an experiment on limiting beliefs.

The scientist placed several fleas in a glass jar. They quickly jumped out. He then put the fleas back into the jar and placed a lid over the top. He made little holes into the cover so air could circulate, and fleas could survive. The fleas begin jumping and hitting the glass lids and would get hurt.

After a while, the fleas ensured they didn’t jump too high to hit the lid. The scientist then removed the cover as it was no longer needed to keep the fleas in the jar. The fleas have learned to limit themselves from jumping beyond the height of the lid even if the cover was removed as they have been conditioned to the fact that they cannot escape from the jar. Whether the cover is on or off, the fleas will stay in the jar forever. Even more: When/if the fleas reproduce, their offspring will duplicate the behavior and not jump high.

Unfortunately, we also have been limited to different invisible jars and lids. This is what is happening with us in equity investment. Most of us have never experienced a loss from investing in equity but still think investing in "Equity is Risky”. We have been conditioned with words like "Never Invest in Stocks. “Stocks are nothing but gambling", "You will lose everything in the market", "Equity is risky" etc.

If someone tells you that investing in Equity is risky. Ask why he feels that investing in equities is risky. Probably, the reply will be, "You will lose money," as the risk means loss or danger. He might give numerous examples of people who have lost their money by investing in shares to justify his statement. I am not saying they are entirely wrong; they are correct, however, only up to some extent. Because they have limited knowledge. They have mostly seen or heard stories where people have made loss. They have looked at only one side of the story and not the other side. Some people have made enormous amounts of wealth by investing in equities. Most of these people are short-sighted and concentrate on short-term investments.

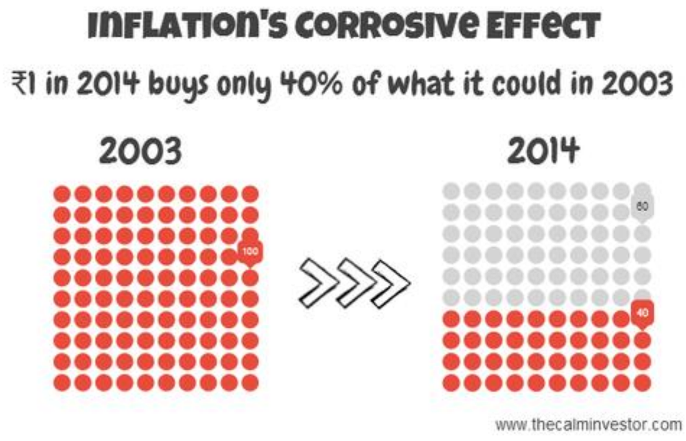
Apart from our beliefs, the other most significant reason people hesitate to invest in the stock market is a Common Behavioral Bias - Loss Aversion.

Generally, when we invest in-
•Fixed Deposits, and we don't bother for 3 to 5 years.
•Real Estate, and we don't even bother for 5 to 10 years or maybe even more.
•Insurance Plans, and we don't even bother for 10 to 25 years.
But the moment we invest in equities, we start checking whether the price is positive or negative from the next day.

This positive cash balance suggests the company has sufficient cash to cover its short-term obligations and continue its operations. However, a more comprehensive analysis of the company's financial health would require additional information and context. The volatility of the stock market in the short term is there for all to see (as opposed to a real estate investment with no running ticker telling you what your property is worth at any given minute). This introduces the possibility that your stocks might lose value soon after you buy them.

An unwillingness to deal with short-term volatility is one of the biggest reasons people avoid stock markets.

Why not investing in stocks is a risk? The prime reason is inflation.



Let us compare last 35 years' data of Inflation, Gold, FD, Sensex, PPF.

Average Inflation 7.52% - Last 35 years.

	GOLD	FIXED DEPOSITS	BSE SENSEX	PPF
Pre-Inflation Returns	11.46%	8.43%	24.83%	10.21%
Post Inflation Returns	3.94%	0.91%	17.31%	2.69%

Here, we have given an example of BSE Sensex, i.e., the Index. However, many individual stocks and mutual funds have given far superior returns than the Index. Stocks are probably the best of all the other poor alternatives for investments in an era of inflation – at least they are if you buy at appropriate prices. "Risk only comes when you don't know what you are doing". (Warren Buffet).Society puts different invisible limits on people who believe many things are unreachable, impossible, and unrealistic. People end up becoming victims of different imaginary lids. As a result, they don't even try to jump high and succeed. We are much more intelligent than the fleas. We are much better than that.

Don't think of limits. Think of the people, who have jumped out of the jar and achieved exceptional things. Be inspired by those who proved that the set imaginary is not accurate. Don’t accept everything you have been told in school or by family or the people around you. Don’t think that many people act similarly; that is the right way. Jump out of the jar and break the non-existent limits; jump higher and succeed.

III.CONCLUSION

Plan your Play and Play your Plan, Don't delay.

Savings will not make you wealthy; only canny investments do that. “Make Investment" to create a second source. By acting more or less "irrationally," don't fall victim to a series of cognitive, emotional, and social forces that force you to make sub-optimal decisions.

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