Behavioural patterns and fears in investor psychology.

Cristian Păuna

cristian@pauna.biz

Pre-abstract. *This paper is the result of a long activity in the field of sales and of a detailed analysis longer than ten years of the profile of investors who are faced with the situation of purchasing a computer service meant to automate their investments. The paper is written during a doctoral research activity in the field of economic informatics. As engineer, economist and computer scientist, I do not have an official status of psychologist. For this reason, the paper has been rejected from publication by several psychology journals. As I was aware of the usefulness of the article and without having any explicit will of affirming myself, I chose to publish it in the online environment, in order to be accessed by those who will find it useful. I dedicate this work to all my marketing and sales collaborators, both past and present or future, with the hope that they will find here an answer for parts of their success or failure.*

Abstract. *It is well-known that the receipt of information by any person undergoes transformations, modifications and distortions depending on the personality, the experience, the level of education and culture and the habits of each person. In the activity of promoting and selling a computer service for investors, one can notice that there are several behavioural patterns. Thus, while for some clients the presentation of a capital evolution chart is a decisive factor, other investors can make a decision only after analysing the figures in the investment plan, and some others only after hearing a verbal presentation of the respective service. After a significant number of observations in this area, we were able to develop a collection of investors' behavioural patterns. The present paper presents all these psychological types of behaviour, in the investment context, accompanied by observations on the particularities of each pattern, the identification method, the appropriate manner of transmitting information and, perhaps most importantly, the elements that can positively influence the investor's decision, depending on the typology they belong to. As we are talking about an investment activity, which of course involves taking a risk, the fears that the investor is facing represent a special topic. Poorly addressed in the research literature, investor's fears are the topic of the second part of this paper. We will present you the different types of fear that investors face, the ways in which these can be identified and especially the actions by which these fears can be eliminated or controlled, so that they do not produce negative emotions during the investment. The present paper covers two important topics that are hardly addressed in the research literature. The article addresses equally to both those who work in the field of marketing and promotion of services for investors, as well as to the investors themselves, who can identify themselves as party of different typologies and thus explain their reactions and especially the fears they face. They can also identify the different ways by means of which the investment process can become stress-free.*

1. **Introduction.**

Probably one of the most difficult activities in the first decades of the third millennium is the promotion and sale of services destined for investors. Although financial investments are an increasingly important activity in the overall turnover of business, the existence of risk and the possibility of choosing unprofitable investments may lead to difficulties when it comes to choosing the investment or separating the legal activities from the illegal or unprofitable ones.

For this reason, the sale of profitable and real investment services is a real challenge

nowadays. In order to raise awareness of the psychological processes that take place during the activity of promoting and contracting services for investors, the present paper identifies different patterns of psychological behaviour, the main characteristics of the individuals that are part of each typology, the modalities of receipt of information and elaboration of the decision and the way in which a favourable decision can be positively influenced by the one providing the information.

At the same time, as this is an investment process, that is, an activity that involves taking a risk, the investor's fears play an important role in analysing the offer, in accepting the contract conditions and especially during the performance of the contract. The fears are in direct correspondence with the negative emotions of the investor, which may lead to decisions of reducing or stopping the investment at unprofitable times, often prematurely, before being able to evaluate the long-term profitability. In addition, negative emotions create stress, which is an unprofitable factor in this area. The stress elimination becomes a long-term profitability factor.

The identification, explanation and elaboration of informational measures that can manage the effects of fears and the emotions of the investor are essential issues in the investment process, a process that by definition is carried out throughout a long time. Identifying fears and informing the investor correctly can lead to a stress-free activity. Basically, this is one of the explicit purposes of the present paper. By promoting an honest investment service, we want to identify the measures by which we can develop a stress-free activity, although the risks assumed are substantial, risks meant to achieve the purpose of the activity, which is singular, namely profit.

Some of the conclusions presented in this article can be explained and confirmed by addressing the language and behaviour profile (Language and Behaviour Profile) developed by Rodger Bailey ever since the 1970s. The special contribution made by this paper is the adaptation of the principles to the investment activity. The identification and elaboration of the control measures of the investor's fears represents the coverage of a gap in the research literature. The names given to each behavioural pattern are original and have the purpose to easily identify the repetitive type, in an investment context. Also, the names given to the fears have the purpose to easily identify these, in direct correspondence with the investment activity.

2. Behavioural patterns.

During several years of observations, the presentation of the same investment offer to several types of investors has generated different reactions and, at the same time, different needs for the transmission of information, both in terms of the mode of transmission and of the content requested by them. After successive modifications of the presentations, certain types of investors could be identified, with several subjects having the same type of requests, although they were part of different social groups. Hence the idea that the investment offer must depend on the psychology of the individual and not on the technical characteristics of the service offered, which, of course, is the same for all clients.

Below we present the behavioural patterns of investors identified in this research, the ways in which these can be recognized, the way in which the typology determines the investment decision and methods by which the information provider can positively influence an investment decision making. The conclusions to be presented are personal conclusions, confirmed during an activity of more than ten years of study. After the elaboration of this typology list, all the subjects were included in one of them, without the need of further classifications.

2.1. The active and passive investor.

In terms of the action, we found that there are two distinct patterns. The former is that

of the active investor, with initiative, who analyses the offer and makes a decision. The latter type is that of the passive investor, the one who waits for others to take the lead or waits until others make a favourable decision.

The active investor.

The typology of the active investor corresponds to the determined people, who already have the purpose of making an investment and who are looking for the right offer, often having already elaborated a list of performance criteria. Initially, we had called this pattern the bold investor. The people included in this typology do not need the opinion of others, they can analyse and understand the investment offer themselves and are proactive, decisional people, looking for opportunities. Past experiences can be decisive factors, as these people are the most suitable to make the difference between several investment plans.

The active investor can be recognized based on the structure of the phrases. He/she has a clear speech, with short sentences to the point. He/she talks about concrete actions, about his/her goals and sometimes about the conditions that would cause him/her to make a decision. He/she is the kind of direct person, who says what he/she wants and who, once he/she gets the desired offer, makes a decision, most often on the spot. The active investor is often impatient and asks for concrete information that he/she wants to receive immediately. He does not like delays or evasions as these may cause him/her to become suspicious. A clear offer coming on the spot can determine him/her to make a decision.

The favourable decision of the active investor can be positively influenced by a direct, frank approach, by a clear and prompt offer. His/her initiative can be stimulated by the existence of a momentary opportunity, of a discount or of a favourable situation at the moment. The pattern of the active investor can be positively influenced by the actions of having complete control of the activity, of being able at any time to make decisions regarding the investment itself and by the possibility of obtaining an additional advantage for the simple fact that he/she can decide quickly.

The passive investor.

In total opposition to the active investor, the pattern of the passive investor corresponds to that of the people who need to wait and evaluate the offer received several times in several moments of time. They need other people to take the initiative or to recommend the offer received. Passive investors will analyse the investment plan for a long time and involve a number of other people in the analysis and decision-making process. They need others to tell them that the offer is worth the attention. There have been cases where the analysis process lasted more than a year, during which time, of course, the profit was obtained only in the accounts of others.

The passive investor can be recognized on the basis of his/her long or incomplete sentences, from which the subject or verb is often missing, because most often the conjugation should be made using the third person. The passive person uses passive verbs, which do not denote a clear action, or verbs turned into nouns. They will not say "I will analyse the offer" but will say "after the analysis will be performed", avoiding to specify who will perform the analysis. The long, twisted and incomplete sentences of the passive investor often refer to scenarios not related to the offer and which often explain that he/she would like to accept the offer but that for the moment “no decision has been made”.

Without being accused of bad intention, the passive investor simply postpones the decision until someone else suggests to him/her what to do. What is often missing in this case is the correct and complete information process of those other people who will participate in the decision making. Moreover, if they have a particular interest for the investor not to decide favourably on the offer, they will proceed accordingly. Many times, third parties involved in making investment decisions for others come to ask for a commission to "support the

situation". For deontological reasons, our answer is invariably: no.

The decision of the passive investor can be positively influenced by the seller through phrases that invite one to analyse the offer in detail. The active participation of the seller in the process of informing third parties can lead to success. In addition, the investor may become aware of certain particular aspects of the offer about which he/she may think for a longer time and which he/she can compare to other offers. It has been proven that these criteria suggested by the seller become the evaluation criteria of the investor, which are explicitly requested from his/her third parties who analyse the different offers.

Another decision factor that works positively in the case of the passive investor is that of the occurrence of a favourable event, independent of the seller, which can strengthen the decision making. For example, after a major stock market crash, when investment risks are minimal, a passive investor may consider that the situation is good enough to make a decision. In these cases, the prompt information coming from the seller can determine the investment.

Although in this subchapter investors are divided into two clear patterns, active and passive, it must be understood that there are people who oscillate or have characteristics specific to each of the two typologies. In this paper, I have chosen to present the extreme patterns but without excluding the possibility of interference. However, I noticed that there is always a preponderant typology and that the decision is best influenced by the dominant characteristic of the individual's personality.

2.2. Motivated investors.

When I started selling services to investors, I thought their only motivation was profit. Over the years, I was greatly surprised to find that before making a profit, other factors are more important for some people, and which in time become factors that influence the decision. From this point of view, we identified four distinct typologies of investors, as follows. The patterns below refer to the identification of a specific objective for each pattern. Of course, there are people who can have common characteristics from several typologies, but each time it has been found that the decision-making factor depends mainly on one of them. Typology names use several negative adjectives to highlight the pattern feature.
These adjectives do not, of course, characterize investors as individuals, but only their investment plans, reactions and specific information needs.

The profiteer investor.

This typology corresponds to the people who are willing to take the risk of the investment and to obtain a maximum profit, taking advantage of every opportunity where they can speculate market conditions. These are the people who take advantage of every opportunity to make a profit. Usually, they are experienced investors, accustomed to taking risks and who have clear profitability criteria that they want to achieve. Investors of this typology are people who are used to make several simultaneous investments and will always compare their performance.

The profiteer investor can be identified by means of the fact that he/she asks clearly about the cost of risk and the annual return on the investment. Often, for this type of investor, the details don't matter. Usually they are part of the profile of active investors. The favourable decision can be positively influenced by the seller by means of the presentation of the efficiency obtained in case of other investors depending on the risk assumed. In case of the profiteer investor, one can often find the will to obtain a maximum profit with a lowest possible risk assumed. Also, this category usually includes people who want to make a profit but for the risk to be taken over by someone else, something that is not possible nowadays.

The lazy investor.

In the typology of the lazy investor, the effort that he/she has to make in order to achieve and follow-up the investment comes first. Although the level of profit is important, the most important thing for the lazy investor is for him/her not to have to do something. He/she is willing to take the risk but wants the profit without making any other effort.

The pattern of the lazy investor can be detected from the discussions during which he/she does not want to know details of the investment, but he/she seeks the clauses that bind him/her to various actions. Once he/she realizes that he/she doesn't have to do much, he/she asks about the level of profit and about the risk assumed. The lazy investor is usually part of the passive typology, has the experience of other investments and fears the obligation to follow the efficiency or to perform actions that determine the efficiency of the investment. Most often, the lazy investor owns other businesses that keep him/her busy and looks for opportunities to diversify his/her investments without effort.

The investment decision in case of the lazy investor can be positively influenced by the emphasis of the advantages that would confirm him/her that the investment does not consume time or other resources. Very often, in case of lazy investors, the reading of the contractual obligations convinces him/her if the investment does not imply for the investor to do something in particular for the contractual duration. He/she just wants to be informed about profitability and will appreciate the simplicity of the offer.

The apprehensive investor.

The apprehensive investor is the person who constantly wants to have a controllable investment, in which the risk is precisely dimensioned and limited. The general fear of this typology is that of losing more than he/she is willing to do. The apprehensive investor will first be interested in risk measurement and management measures before finding out what the expected profit level is. This typology can be recognized based on the long discussions about risk, about the technical possibilities of risk limitation and about the ways in which he/she can control the risk.

The apprehensive investor's decision can be positively influenced by a clear offer in which all those aspects that determine the limitation and risk management are presented. The clear technical solutions for capital and risk management will come first in its analysis, before considering the profitability or efficiency of the investment. The apprehensive investor will usually want to be convinced that all those technical means are working. Often, the apprehensive investor would start detailed technical discussions or would want to talk to other investors who have already benefited from those systems.

The fearful investor.

This typology is identified by the existence of the main fear in the field of financial investments, namely the fear of losing money. The fearful investor wants to make a profit, he/she wants to take a risk but he/she is afraid of losing the money invested. The fear usually comes from other known cases of unprofitable or dishonest investments that have existed over time. The fearful investor needs to convince him/herself that nobody and nothing can steal his/her money.

The typology of the fearful investor can be easily detected in the discussions in which he/she states that the offer received is too good to be true. It is a kind of generalized mistrustful person who considers that, before a serious confirmation, the offer received is meant to deceive him/her. From the point of view of the seller, the typology of the fearful investor is the most difficult to manage, all the more so since the investor may have had negative experiences in the past.

The decision of the fearful investor can be positively influenced by presenting him/her a transparent offer, in which the capital is deposited in his/her personal accounts,

where only he has access and from which nobody and nothing can withdraw capital or profit. The fearful investor is the person who needs the most confirmations before making a favourable decision. Most of the time, the insistence and the length of time needed for the fearful investor to make a decision may lead to failure, simply because the seller loses his/her patience after having offered him/her all the information several times in a row.

2.3. **Incident and avoidant investors.**

In terms of the justifiable action, it has been found that the decision of an investment may depend on two major typologies. There are people whose main purpose is to reach a goal. For example, that of making profit. This is the typology of the incident investor, who is willing to perform an action to obtain profit. The second pattern is that of the avoidant investor, the person for whom the justification of an action comes from the will to move away from a certain problem or to prevent something in particular. For them, a convenient offer will outweigh another that could involve for example an uncontrolled loss.

The incident investor.

This typology corresponds to people who understand to take action in order to achieve certain objectives. They are usually active people, accustomed to the investment conditions that measure efficiency and make decisions because they want to achieve a certain objective, in this case the profit.

The incident investor can be recognized from the discussions during which he/she asks what has to be done in order to achieve a certain purpose. The incident investor usually has one or more goals already formulated, which he/she states and discusses. Most of the times the incident investor states the situations by which he/she would get a certain satisfaction, coming for example from a certain level of investment efficiency.

The decision of the incident investor can be positively influenced by the presentation of a clear offer, with clearly formulated objectives, objectives that can be achieved under conditions that are also presented in detail. The incident investor is usually an experienced one, who knows the risks taken. Discussions with the incident investors should be directed towards achieving the goals, towards obtaining the favourable conditions that determine the efficiency increase. Usually the inclusion of the incident investor in the investment decision-making chain can positively influence his/her decision. Once the efficiency criteria are met, the incident investor will re-analyse the investment, usually being the one who has the initiative to grow the business in order to achieve new objectives.

The avoidant investor.

This typology is characteristic of people who consider that a decision is good enough if it avoids a certain problem or because it prevents the emergence of an unwanted situation. This typology is primarily determined by the situation of preventing certain situations before deciding to perform an action. In fact, most of the avoidant investors are part of the passive typology and will make a decision only after considering that it is justified in avoiding an unwanted situation.

The avoidant investor can be recognized from the discussions during which he/she asks how certain situations can be avoided or resolved. His/her phrases are usually complicated, and not often the situations he/she wants to avoid are purely hypothetical situations, without relevance for the investment considered. The avoidant investor is the person who requests the inclusion in the contract of certain conditions meant to avoid certain situations, situations that are often not related to the actions to be taken.

The decision of the avoidant investor can be positively influenced by including all the measures he/she needs to make sure that the situations he/she wants to avoid are excluded from the activity.

The seller will have to assure the avoidant investor that together they will eliminate, avoid, prevent and exclude all the cases that he/she wants to solve verbally and in writing. In this context, an investment decision will be justified. The study carried out during more than ten years of activity in the field of sale of services to investors shows that more than half of investors have an avoidant nature.

2.4. **Internally or externally motivated investors.**

It is found that there are people who find the motivation of an investment decision internally. They are their own thinkers, analyse the information received and decide on their own. Equally, the second category of investors is that whose motivation comes from outside, following a feedback coming from people they trust.

The internally motivated investor.

This typology includes those who ask for information in order to analyse and make a decision. They are their own analysts, masters of decisions, ready at any time to assume the consequences of decisions. For them, the motivation of an investment is triggered by their own analysis of the information received. They will make a favourable decision if everything fits their own rules, principles and ideas.

The internally motivated investors can be recognized in discussions where they show what they know, how they think and what they want to identify in the offer. They evaluate the performance based on their own criteria and are usually against when someone else suggests them what to do. All the indications from outside regarding the taking of the investment decision are treated as pure information. The personal decision based on one's own analysis and thinking will be a defining factor.

The decision of the internally motivated investor can be positively influenced by offers in which he/she is invited to decide alone, by means of options in which he/she is invited to take into account different positive aspects and by including him/her in the elaboration of the final investment plan. His/her belongingness in the decision-making chain can often be a sufficient reason for a favourable decision.

The externally motivated investor.

The second category is that of investors who find motivation outside of them. This fact is not due to their impossibility or inability to judge the offer received, but only to the fact that they have an intense psychological need to obtain confirmation of the truthfulness of their conclusions from other people they trust. The motivation of the decision is triggered by the feedback received from outside. Usually the externally motivated investor does not have a clear set of rules or standards, most often adopting the analysis criteria of the third parties invited in the decision.

The externally motivated investor can easily be identified in a discussion during which he/she states that other persons will be informed and invited to say their opinion on the offer received. Most of the time those other people are either part of the family, lawyers, economists or simply friends whom the investor trusts, although often the people invited to express their opinion are completely uninitiated in the investment field. The externally motivated investor will always make comparisons between the offer received and universally known profitability quotas or standards. For him/her, the information received from third parties will be treated with a higher dose of certainty than the offer received. In a poorly oriented context, the externally motivated investor will draw the conclusion of an inappropriate offer caused by the fact that he/she just invited in the analysis inappropriate people.

The decision of the externally motivated investor can be positively influenced by the

seller by the presentation of the different criteria that the others must identify, by analyses and discussions based on the feedback received from the external persons. A constructive method is that of suggesting that the investor receive feedback from more appropriate persons, more connected to the field discussed, even if they are not initially part of the investor's circle of acquaintances.

2.5. **Organized and disorganized investors.**

The human typology generally has two broad categories, when we consider the criterion of respecting rules. From this point of view, the investors are also divided into two main personality types.

The organized investor is the person who enjoys the existence of clear rules through which the investment is made. On the other hand, the disorganized investor is the one who does not want to obey a predetermined set of rules, the one who will try every time to change something, often starting from the idea that things can be done in a better way.

The organized investor.

This pattern includes the investors eager to follow a set of rules already established. They accept the conditions of the offer and the contractual conditions, once they have established that all these conditions have a justification and fall within the personal limits of acceptability.

The organized investor can easily be identified in discussions where the rules of the game are presented. He/she is the one who informs on the lists and criteria of operation, on the opportunities, options and choices existing in the offer, which have already been tested and can be easily included in the activity.

The motivation and decision of the organized investor comes from the comparative analysis of several existing options. His/her decision can be positively influenced by the seller by means of the presentation of a comparative analysis of the options in the offer. When it comes to choosing between multiple offers, all you have to do is show him/her the undeniable benefits of your offer.

The disorganized investor.

The disorganized investor is the person who obeys a set of rules with difficulty. He/she is the one who, once aware of the existence of strict rules, will try to make all kinds of proposals outside those rules, believing that in this way he/she will obtain profit sooner or that he/she will achieve greater investment efficiency.

The disorganized investor is recognized in the presentation discussions by means of the fact that he/she always asks "why" when a new rule is presented. He/she is the one who will always make proposals, even if the proposals could often put him/her in the situation of accepting an exaggerated risk. For this type of personality, it is important that no one else imposes rules on him/her.

The decision of the disorganized investor can be positively influenced by means of the presentation of an already established procedure that has given the best results, the procedure being chosen from several possible variants. Often, after accepting an offer and making an investment, the disorganized investor wants to change the rules of collaboration. These situations can significantly decrease the efficiency of an investment. These can be avoided by signing clear contracts, in which all the functional details are clearly stipulated. The practice shows that the typology of the disorganized investor also includes bad payers who, although they have reached their investment purpose, delay the payment of invoices on time, for the simple reason that they do not want to comply with the rule regarding the payment term. From experience, the most unprofitable investments are made by the disorganized investors.

2.6. **The detail and overview investor.**

Experience shows that attention to detail is important in identifying more investment patterns. Thus, we can talk about the investor who pays attention to detail, the one who will analyse the daily activity and will pay attention to all aspects of the activity itself. At the same time, as they are more experienced investors with an overview will appreciate the activity through a long-term analysis, without being attracted by the details that are so costly to analyse.

The detail investor.

The detail investor is the one who follows the activity in the smallest detail, although he/she has an overview. They measure the profit obtained daily and are very pleased when the balance of accounts increases, even if by only a cent. However, when they encounter a day or a period when a loss is recorded, by using the extrapolation and generalization of the phenomenon, they panic. The panic is bigger if they have never participated in a stage where losses or negative positions are recovered and closed on profit.

The detail investor can be recognized from the beginning of the investment in discussions in which he/she pays a lot of attention to all the elements of the business plan. Although he/she has been informed that the profitability of an investment is estimated at intervals of months or years, he/she pays attention to what happens daily with his/her money. His/her speech includes many adverbs and adjectives and delves into details that often have nothing to do with the activity itself.

If he/she loses the logical sequence of the discussion, he/she will resume the logic of facts from the beginning, rarely being willing to continue from where he/she started.

The solution in case of the detail investor who can positively influence his/her decision and especially the one which can cause the fear not to turn into negative and destructive emotions for the investment itself is that of presenting him/her an overall plan with as many details as possible. Their decision can be positively influenced by the seller by using a precise language, rich in details that matter to the investor, a plan meant to explain in detail what is still incomprehensible for the investor.

The overview investor.

This category is usually made up of experienced investors, who are waiting for long-term results, for whom previous events have already shown that day-to-day detail analysis is not a good indicator for the annual investment efficiency. The overview investor is recognized in discussions by means of the fact that he/she can present the activity in a random order of facts, without focusing on the details, following the overall long-term results of the investment. They often bring up general concepts and ideas related to the investment process, ignoring the insignificant details. The discourse of the overview investor is simple, without too many adjectives and adverbs, being concentrated on verbs that describe the activity as such.

The danger in case of the overview investor is that of setting unrealistic expectations. Without paying much attention to details, they can often expect a certain efficiency and be disappointed if they do not obtain it. Therefore, the most important aspect when submitting an offer to an overview investor is to set realistic expectations, in direct connection with the results which will come.

The decision of the overview investor can be positively influenced by means of the presentation of a long-term investment plan. The main and essential ideas of the offer must be explicitly presented, the long-term estimated yield being a significant criterion for evaluating the offer. As a general rule, overview investors are active persons who hold control over their own decisions and who will agree to that offer, once they identify a coherent long-term plan.

A particular aspect of the overview investor, especially in case of investments with time-varying efficiency, is that once an increasing efficiency is obtained, he/she sets his/her expectations so that the efficiency will increase in the next year of activity too. Without paying attention to details, the overview investor can hardly understand that the variation in efficiency may depend on detail factors, stock market developments, different particular events that occur only in certain periods, etc. They would always ask for explanations in relation to the cases showing decreased investment efficiency.

2.7. **Logical and emotional investors.**

From an emotional point of view, two major types of behaviour can be distinguished. The first pattern is that of the sentimental investor, who has positive and negative emotions related to the development of the investment. The second pattern is that of the logical, thinking investor, who analyses the evolution by means of the figures and the market conditions and who is neither overwhelmed by the negative emotions nor enthusiastic about the positive ones. Of course, people in the middle or who have different proportions of these two patterns can often appear. The presentation of the extreme patterns will allow the analyses of each characteristic separately, those in the middle having usually one of the features as dominant.

The emotional investor.

The pattern of the emotional investor refers to the person who has emotions in relation to the development of an investment and lets him/herself driven by these emotions. Positive emotions are generated by the significant profit increases, which are also the reason of the enthusiasm that some investors display and share with the people they know. Investor’s enthusiasm is probably the best advertisement the investor can make to the investment itself.

However, negative emotions, those caused by the loss of profitability or, in cases of crisis, by possible losses or opened negative positions to be recovered, can cause the emotional investor discomfort, worry or even panic. I often receive messages with the subject "panic" or "concern" from emotional investors, especially in case of those lacking the experience of such a loss episode in the past. While positive emotions are somehow shared by emotional investors to a certain extent, negative emotions are transmitted much more strongly. Very often the emotional investors seek to calm themselves down by estimating other criteria, by looking for hopes in various news or public opinions, forgetting of course the strict rules of the carrying out of the investment they take part in.

The emotional investor can be recognized at the stage of presentation of the offer by the fact that he/she often asks "what do you do if a certain situation arises?". They are very eager to know beforehand about the cases in which losses can occur and how these are kept under control and recovered. During the investment, emotional investors are easy to recognize, especially during crises. As far as I'm concerned, the record is held by an investor who, during a one-month financial crisis, wrote to me and sent more than 1200 messages expressing his/her concern, although after the first five days the balance of his/her investment account had already begun to grow. I have often found that positive emotions last at most 3-5 days after they are installed, while negative ones linger in the mind of emotional investors for weeks, although the causes that generated those emotions have long been extinguished.

The decision and especially the experiences of emotional investors can be positively influenced by the clear explanation of the investment plan. They need to understand that losses are an integral part of an investment activity and that, as long as there is a functional loss recovery plan, they should wait calmly and estimate the efficiency of the activity after the crisis periods passed. It has been found that in a proportion of almost 100%, emotional investors transmit negative emotions. Although the support contract does not include psychological services, they often expect someone to shatter their worries. One of the main

measures in support of solving such situations is to instruct these investors not to invest amounts of money that they cannot afford to lose. I mention this criterion not because those losses are very possible, but because in this way, negative emotions will not cause stress. A specific language will also be able to mitigate the emotional impact of the losses. Adjectives such as interesting, extraordinary, intense, unique will emphasize the emotional realignment of ideas, all the more so as these are accompanied by results that show an improvement of efficiency.

The logical investor.

The second extreme category from an emotional point of view is that of the logical investors who do not allow themselves to have any emotions in relation to the development of the investment. Usually, these are mature, experienced investors, who have thoroughly analysed the investment plan and who are fully convinced of its functionality. The logical investor is the one who has been through crisis situations several times, the one who knows that the recovery of any losses is only a matter of time. In addition, the risk of the amounts that the investor allows him/herself to lose ensures him/her an emotional separation.

The logical investor can be easily recognized during crises. He/she simply looks at the phenomenon without allowing him/herself to feel emotions which would affect his/her thinking. Experience clearly shows that the best results are obtained by logical investors. Most often, crises involve the transfer of ownership at low prices from panicked people, to those who keep their temper. The logical investor is well aware of the investment system in which he/she is involved and is convinced of its functionality.

The decision of the logical investor can be positively influenced by means of the presentation of the concrete facts, of the results obtained in similar cases, of the statistics and of all the aspects and particularities that lead to profit. The logical investor is the person most eager to look into the accounts of others the results obtained during the previous crises. At the same time, once he/she has joined a new investment plan, the logical investor will wait for the first crisis to be convinced of the veracity of the new investment method.

2.8. **Independent and cooperating investors.**

Another differentiating aspect is related to the professional independence of the investor. Thus, one can identify independent investors who invest their own funds and investors who are in various ways of interdependence with other persons or institutions, whom we will contextually call cooperating investors.

The independent investor.

The pattern of the independent investor refers to the person who invests his/her own capital, is the master of his/her own decision and is willing to answer for the risk assumed. Not to make a confusion: an investor who comes alone to the negotiations but makes the investment decision at home in a family council where the wife has the last word is not an independent investor. The example is eloquent, since the identification of the independent investor is not always so obvious. Usually a clear discussion about the profile, intentions and goals of the investment can elucidate the investor's belongingness to the pattern of the independent or cooperative one.

The manner of presenting the information and the attention towards the decision makers differ substantially between the two typologies.

Independent investors are usually part of the active typology, internally motivated and, if they have significant experience in the field, they are overview investors. The action of the seller in case of approaching an independent investor is to present the entire offer clearly, whenever it is needed and to follow the development of the discussions in the direction requested by the latter. As a rule, once they have accepted the continuation of the

discussions about the investment offer, the independent investors have a real interest, which greatly increases the chances of finalizing the marketing activity and signing the contract, especially if the conditions offered are in line with the investor's acceptability levels.

The decision of the independent investor can be positively influenced by means of the presentation of the performance, efficiency, advantages and disadvantages of the investment and by the clear invitation for him/her to compare the various offers and to make the decision most appropriate for his/her own pocket on his/her own. In terms of the use of an artificial intelligence system able to manage investments, in case of the independent investor, switching the responsibility to a software system is an easier matter than in the case of the cooperating investor, as we will see below.

Once the independent investor is convinced of the increased utility, efficiency and performance of the automatic system as compared to the way in which he/she made the investments until then, he/she will readily accept the change. Of course, he/she will follow the performance achieved for a while and compare it with other known investments, the duration of this process depending on the limits and the acceptances of each one. However, after the results obtained are up to or exceeded expectations, the independent investor will consider the activity as normal, will introduce it in his/her own investment policy. He/she will seek to increase the amounts invested once the profit obtained exceeds the efficiency of older investments and will appreciate that the use of software eliminates his/her effort and work.

The cooperating investor.

This typology includes all those investors who are not alone in the investment framework. The capital invested is not theirs, but belongs to a group of persons (natural or legal) which they belong to. The preceding example is that of a family, in which the decision is made jointly by the members of that family. But the example is not unitary, there may be cases where someone wants to make an investment with the capital of a company which has several associates or with the capital of a group of friends who have jointly put together money to make a larger investment or, in the most complicated case, in which the investment is made by a company that wants to invest the clients' funds, in which case the investment decision is taken by a board of directors which includes both the board of directors of the company and representatives of the associates or of the clients that the fund represents.

It must be understood that the more complicated is the scheme of the group which includes the investor, the person to whom the offer was addressed and who comes to the negotiation table, the more the chances of success in reaching a functional contract decrease. In this case, the offer and the details are presented to a person but the decision is made by two, three or more persons who do not come in direct contact with the seller and who receive only the information that the cooperating investor is willing or able to transmit. This information will undergo processes of elimination, distortion or generalization depending on the culture, the level of understanding, the level of professional training and the will of the cooperating investor. Quite commonly, essential aspects of the offer simply do not reach the decision-making factors, for the simple fact that the cooperating investor did not understand the importance of those factors.

Countless times it has been found that the cooperating investor is more willing to find out information about the number of clients who have already purchased the investment service than to understand the efficiency of the investment. This difference has even become a signal for the identification of a cooperating investor who often hides him/herself intentionally under the guise of an independent investor. He/she knows that a large number of clients is an indicator that can convince a large number of decision makers in his/her group, while the strict presentation of the efficiency of the investment would be an insufficient

detail. For the cooperating investors the herd instinct is primordial, once they themselves are part of a herd. The decision in case of a cooperating investor, even if it is not a decision made by him/her but by the group of which he/she is a part, can be positively influenced by the seller who can find ways to present the offer in the decision group. Once the seller has understood that he/she is dealing with a cooperating investor, attention should be directed towards finding opportunities by which the offer can be presented directly to the deciding persons, no matter how large their number is.

This action substantially increases the chances of contract success. If this is not possible, the seller must ensure that the cooperating investor has kept in mind the important aspects of the offer, the marketing advantages and, if possible, the order in which these should be presented. Quite frequently in marketing meetings I write by hand a list of ideas that I give to the investor. It is the best way to transmit personalized information, written especially for him/her, understood by means of a discussion and easy to be further transmitted.

A lot of complications may arise during the negotiations in case of cooperating investors. There are cases in which the cooperating investor is in fact the representative of another person who, because he/she considers him/herself to be superior to all, does not have the availability to receive the correct information. It is very difficult to transmit new information and for this to be considered as true or functional to the type of person who knows better just because he/she has been making investments for decades. Moreover, if the decision-making forum to which the cooperating investor belongs includes persons with poor professional training or with training in totally different fields, the use of artificial intelligence in capital investments may seem like a science-fiction subject, without the possibility of an interest to be developed because the decision-makers do not understand how the system works.

At the same time, there are positive surprises as well in the case of negotiations with cooperating investors. I saw a case when the husband, convinced of the efficiency of the system and of the opportunity of the offer, after seeing that the wife did not want to employ an artificial intelligence system in his investments, suddenly moved to the independent investor's side and made the investment without telling the wife anything. In such cases the confidentiality of the contracts becomes a motivating factor that can positively influence the decision.

2.9. **The investor who sees, hears, reads or does something.**

Practice shows that the way in which each investor takes their decision is very different. Although the information collection channels are multiple, each investor will have a favourite one. For some, the decision is positively influenced only by the existence of a certain information channel, although all the others can equally provide the same information. There are investors for whom viewing a profitability chart can be a defining factor. For others, hearing an oral presentation causes them to make a decision. Another typology seeks to take their decision on the basis of written offers, and others, more and more from the investment field, need to be involved in the process and do something before deciding. The important aspects for each of these four behavioural patterns will be detailed below.

The investor who sees.

People included in this behavioural pattern need to receive the information in visual format. For them, what they see with their own eyes has an absolute value of truth. Thus, they will ask to see a profitability chart, the results obtained in the accounts of other clients, to see that the company from which the offer comes exists and has the office exactly at the address

written on the offer. The investor who sees is usually a person who pays attention to details, with visual memory, a good observer of differences or inadvertencies. For investors of this type, no information is complete until they obtain a visual confirmation of the respective offer.

The investor from this category can be easily recognized in discussions when he/she explicitly asks to see something. As a rule, to view something that belongs to the tenderer his/her acceptance is needed, which can usually be granted following an explicit request. I was deeply surprised to find that the simple acceptance of the seller to allow the investor access to view different information is a strong motivational factor with great capacities to positively influence the investor's decision. He/she simply feels that the seller has nothing to hide and that the former allows him/her without restriction to view the information requested. Of course, there are limits imposed by the confidentiality of the contracts, but the useful information can be presented in compliance with all these restrictions, without diminishing the quality of the information received.

The ways to positively influence the investor's decision refer to the direct, visual presentation of the various key aspects of the offer and of the results obtained in that activity. Once the visualization request has been formulated, the seller must invite the investor to "show" something to him/her, so that he can "see with his/her own eyes" the images, the graphs, the results, the evolutions, the profit, etc. The most important aspect is for the information presented to the investor to be the authentic one, without undergoing a certain transformation. The veracity of the information displayed is a determining factor in the decision. This is why it is important to present not only the offer in an attractive format, but also the current information meant to be shown at any time to those who request it.

Usually, the investor who sees has, in addition to a pronounced visual memory, a developed imagination. A motivating factor that can be included in discussions successfully is that of the invitation to imagine the evolution of activity in his/her account, or larger amounts of capital, or take into account different hypotheses already present in the discussion. The investor who sees will be very attracted by the possibility of an imaginative extrapolation of the different scenarios in relation to his/her own investment. Another positive motivational factor can be obtained by printing the information visualized by the investor on the spot, so that the graph, image, table, result, etc. can be subsequently re-analysed by the investor in the later stages of the decision-making process.

The investor who hears.

A particular typology is made up of people who need to hear a presentation before making a decision. Although they received all the information they needed, they need a direct meeting where someone could present the offer. Most of the time, this type of investor wants to hear the presentation from the mouth of those who are directly involved in the investment process. In many cases, I found that a motivating factor is not the hearing of these people, but the direct meeting with these people.

The investor who hears is recognized in the discussions in which he/she usually requests direct meetings. The verbal presentations already elaborated do not represent a motivational or decision factor, as these are seen as materials prepared for marketing. In the "business to business" (B2B) field, the auditory presentation must be done ad hoc, with the existing means, without an obvious preparation.

An important part of the typology of the investor who hears includes conscious and psychologically prepared people, with life experience, who simply want to look into the eyes of those involved for the confirmation of the truthfulness of the information in the offer. Marketing meetings in this context have a special motivational load, as the way in which the investor receives the auditory information, the tone and the way in which he/she is spoken to is very important. From this point of view there is no pattern. Each person should be

approached in their own way and people should speak to them based on their training and professional level. This is why marketing presentations often do not resemble one another.

I have found many times during the meetings requested by potential investors that they focus on the way of presentation, on the tone and fluency of the discussion, the information transmitted coming second. It is the confirmation that he/she especially wanted to know the human factors behind the offer, to recognize their motivation and professional quality, the details of the offer often becoming insignificant in those discussions.

Also, the typology of the investor who hears includes those persons who need to hear information about the offer or about the company that elaborated the offer from the mouth of third parties. For them it is not enough what they can read or view about the tenderer, a motivating factor being the discussions with other people, known or not, whom they trust or not, but from whom they are looking for eloquent information. A functional way by which the seller can positively influence the decision of the investor who hears is to put him/her in contact with already existing customers.

The investor who reads

The third pattern in this classification is that of the investors who need to read important information. For them, the written information has absolute value of truth, all the more so as it is written by people who are not related to the tenderer. For the investor who reads, the offer, the professional presentation or the contract have the value of a foundation of the activity to be contracted.

The investor who reads can be easily identified by the fact that he/she abundantly requests information in written form. If the request is not an obvious one, the investor who reads can be identified by means of the verification of certain information already included in the documents sent to him/her. If he/she knows it, it means he/she read, all the more so as the information is in detail. Typically, this typology of investors includes persons for whom the speech has no motivational value. The investor who reads usually pays attention to details and is strongly influenced by the value of truth and of logic of the information read. The figures and graphs included in an information plan will have priority in comparing offers and making a favourable decision. Most of the time, the investor who reads is the first one that identifies the advantages of an offer and can do the analysis of the investment plan by him/herself.

The investor who does something.

The fourth behavioural pattern in terms of gathering defining and motivating information in order to substantiate an investment decision is the typology of the people who have to do something before making a decision. You know of course the example of those who cannot buy a car until they drive it a hundred meters in the yard of the car dealer. Experience has shown that even in the case of the activity of implementing an investment plan, there are investors who cannot decide until they feel through their own experience the functionality of the system, especially since the investment involves the use of specialized software. For them, the testing stage plays a determining factor in making the investment decision. The action investor, as he/she is also called, although he/she has gathered and understood all the information, needs a personal confirmation of the efficiency of the activity. For them, creating the possibility to test the activity becomes a decisive factor.

2.10. **The statistician, extrapolating, distrustful and patient investor.**

After gathering all the information and completing all the important steps in the activity of substantiating an investment, any investor must make a decision in terms of whether or not he/she will make that investment. From the point of view of the way in which an investor becomes convinced of the efficiency, the opportunity and the utility of the

investment, there are four distinct behavioural patterns, as follows:

The statistician investor.

The first type is that of the investor who needs a large number of examples in order for him/her to know that what he/she sees is true. In this case, the visualization of the efficiency of several investments, the visualization of the activity from several capital accounts of several other investors is the decisive factor. Once his/her performance criteria are confirmed by several examples, the truth becomes obvious to him/her.

I noticed that this pattern behaves differently from one person to another. There are investors who need to see the same results in two different accounts, and others who need a greater number of examples to consider that the information received is eloquent. The decision of this type of investor can be positively influenced by showing him/her as many investment examples as possible and insisting on their comparative analysis. The investor will appreciate the transparency and will be ready to make a decision once he/she has received more examples than he/she needed. However, there are cases in which the investor named here statistician has no statistical training whatsoever. For him/her, the easy accomplishment of a comparative analysis by the seller can be a determining factor for the decision.

The extrapolating investor.

The second pattern is that of the investor who uses generalization and extrapolation of information to draw conclusions. For him/her, a small amount of information is sufficient to reach a personal conclusion. Viewing the activity and results in another case will give him/her the opportunity to understand the investment plan more easily. But, the analysis of the activity from a small investment account makes him/her generalize and consider that the results are similar in a large account, which is of course an untrue hypothesis. The higher the invested capital, the higher the profit. That is why the extrapolating investor must be assisted in his/her analysis by the seller in order to draw the right conclusions in relation to the reality of the proposed investment plan.

Often, these types of investors are pleasantly surprised to find that the results that appear in their account are far superior to the ones they have foreseen. Generally, the generalization is proportional, but in this area the profits are significantly higher as the investment is higher. The decision of this investor pattern can be positively influenced by the use of assumptions and generalization methods, in accordance with the reality, examples that extrapolate the longer-term results or examples that present him/her the generalized investment plan. A generalized methodical approach is favourable to the decision of the extrapolating investor, as his/her action is influenced by the clarity of the investment plan and of the offer.

The distrustful investor.

The third pattern identified in the early context of the investment decision is that of the continuously distrustful investor. He/she needs from time to time a confirmation of the service efficiency. For this behavioural pattern, the view of the previous experience is not sufficient. He/she follows the activity step by step and from time to time he/she draws conclusions. If he/she identifies a consistency in his/her conclusions, he/she becomes more and more confident and interested in being part of the investment. However, if disturbances arise and the conclusions they identify are not constant, this type of investor will increasingly follow the service until he/she gets the desired confirmation.

The danger in this type of behaviour is the excessive reduction of the test interval. In capital investments the profit must be measured in intervals of 3, 6, or 12 months. For shorter periods, the profit values become insignificant since we are talking about an investment. I

met so-called investors who apply the periodic model for estimating results daily. In profitable periods they draw positive conclusions but in cases of stock market crashes, for example, they simply become scared of the losses, especially those who have never had the experience of improvement and recovery of the negative positions that appear in such situations.

The decision of this investor pattern can be positively influenced by the regular presentation of the results and by the highlighting of the investment character that implies a long-term profitability. The distrustful investor will be prepared to make a decision once the number of time intervals in relation to which he/she estimated the activity exceeds the minimum number based on which he/she is generally accustomed to follow the economic or life phenomena.

The patient investor.

A particular case of the previous pattern is that of the mature, experienced investor, who needs a long period of time to convince him/herself of the efficiency of the service or investment. He/she will estimate the profitability after one year, two years or more and draw the appropriate conclusions. A positive and increasing evolution will give him/her the necessary motivation to develop a serious long-term investment plan. The decision of this type of investor can be positively influenced by means of the clear presentation of the evolution in time of the activity carried out in other investment accounts, by making parallels and by highlighting the advantages and benefits brought by larger investments over a long time.

2.11. The trader and helpless investor.

The following behavioural patterns are anomalies from the normal investor profile. By anomaly I mean both negative and positive aspects, as you will see. The typologies described below are important for better understanding different behaviours of different people.

The trader investor.

The pattern of the trader investor includes people who identify the opportunity of the investment plan, who have their own funds but which are insufficient and who wish to resell the investment service to third parties, as they are themselves part of the investment. The trader investor can be recognized from the discussions in which the details of the efficiency of the investment come second, after careful analysis of the possibilities of collaboration. Usually, as action people they ask directly "how can we collaborate?". Some of them have a problem with admitting that they do not have significant amounts of capital, even though not having a few hundred thousand dollars can't be a shame. The trader investor is the most suitable person for the development of the business, he/she is the one who understands the activity and can promote it further. Moreover, by being part of the investment, he/she has high chances to convey confidence in the investment offer. The trader investor must be helped by means of a concrete plan of collaboration and by means of the resources necessary for a professional promotion of the service.

The helpless investor.

Do you know the person who has everything because he/she has successful parents and is looking for a profitable activity to prove to themselves and to their family that they are capable of doing something as well? Well, they all form the behavioural pattern of the helpless investor. The profile is a benevolent one, with sufficient capital for investment, who does not know much and who wants at any price to be part of the investment activity. So far nothing wrong. Moreover, the helpless investor is usually part of circles which include many

other helpless investors.

The power of example of such an investor can lead to a massive business development. Again, nothing wrong in that. But, the impossibility of the helpless investor to understand the operation of the activity, the fact that certain risks must be assumed, the fact that financial losses are part of the investment activity, the fact that they only want profit and are afraid of losses, all these make the helpless investor achieve the most complicated long-term investment. Usually the decision is already taken in the case of the helpless investor, the refusal coming from the tenderer in enough cases.

2.12. **The generous and secretive investor.**

After the implementation of an investment plan and the passage of several time stages, although contended with the efficiency obtained, the investor's behaviour is different. You would expect a satisfied person to recommend that profitable service to friends and acquaintances. I do not know what is the right thing to do but I would personally do that. I included all these in the behavioural pattern of the generous investor. But I found that although they are perfectly contended, there are investors who do not tell to anyone about their success. I called them secretive investors and I tried to identify their motivation.

The generous investor.

Once he/she is satisfied with the efficiency of his/her investment, after confirming that he/she receives from the investment service what he/she has contracted, the generous investor makes recommendations. He/she is generous with both the investment service provider as well as with the people to whom he/she recommends this service. I have found that, to become part of this pattern, investors need a longer or shorter time, depending on their own criteria. Regardless of the length of time, the generous investor alone recommends the service once he/she is happy with it. He/she does not need a trigger for recommendations. However, over time, there were people who proved to be more willing to make recommendations, once the provider has offered them a financial advantage. The generous investor is an important part of the organic development of the business. Its actions can be positively influenced by communication, the granting of certain logistical or financial advantages.

The secretive investor.

I was surprised to find out that from certain partners for whom I made investment plans that have brought them substantial profits over time, I did not get any new clients. After testing them in various ways to find out if they were satisfied, I always received positive feedback but no recommendations. This intrigue prompted me to investigate the phenomenon, finding that there are several possible motivations. I found out every time that a negative human trait was paramount and represented a reason for blocking recommendations, whether it was in direct relation with the investor or with the persons to whom the recommendation could be directed.

The first and most common reason is that the investor simply does not want his/her friends to be aware that the investor has money, makes investments and makes a profit. One of them even confirmed to me: "if I do this, all my friends will come and ask me to borrow them money", in the context where he/she has several millions of dollars invested.

Believe it or not, the family secret of the investment made comes second as motivation. Spouses who have made investments without the consent of the wife or spouses who put aside money produced in the couple, are very common cases, which of course cannot generate recommendations. The confidentiality of investment contracts makes these cases

possible and is first and foremost the most important aspect of financial services.

Another reason for recommendations blocking is related to the persons to whom the investor could have made those recommendations. "I could have brought you x here, he/she has more money than me but he/she is such a difficult person that I simply do not want to put you in a complicate situation." Thanking him/her, I got rid of complications. The fourth reason identified in relation to the blocking of recommendations is that of people who simply do not make recommendations. As a result of negative experiences from their past, recommendation is no longer a possible action.

One partner told me: "every time I did something good, I received something bad in exchange, so I stopped." After all, the experiences of each person can determine to a large extent the belongingness to this typology.

2.13. **The investor who is never an investor.**

The pattern of the investor who is never an investor is my favourite typology. The reason is that I would always prefer to never have to deal with these people. This pattern represents the maximum deviation from the profile of an investor. Making an investment means essentially blocking capital, making expenses, taking a risk and, consequently, making a profit after a long period of time. As will be seen as follows, the pattern of the investor who is never an investor involves the removal or nonacceptance of one or more of the above activities.

The first category refers to those who want to invest the capital of others. For some, the reason is clear. They do not own that capital but would like to get the expected profit. For others the motivation is more hidden, they do not want to take the risks of investing with their own capital, so they are looking for opportunities to invest the others' money.

The second category, usually found in people with higher amounts of capital, are those who want to make an investment with their own capital but do not want to accept any expenses. They want to look for third parties or companies to pay their expenses, legally or not. Experience shows that the larger the amounts of capital invested are, the more obvious this trend is.

The third category is that of the investor who owns capital, agrees to make the expenses related to the investment, but does not want to take any risk. For this, he/she seeks all kinds of subterfuges through which others could take over the risk of the investment. I am surprised to find that important names of known investors slip away in the face of risk, thus cancelling without even knowing their status of investor.

The fourth category, in the extreme, is that of the investor who wants to make the investment, has the necessary capital but does not want to make any expenses and does not want to risk any cent. Eager to make a profit from the risk taken by others, these investors represent a large part of business people who have collected illicit profits and are accustomed to illegality.

All the people who fit the above patterns have received the general name of investors who are never investors because invariably they receive from me a negative answer accompanied by a warm thought of "success!"

3. **Investor's fears.**

In this second part of the article, I will identify the main fears of the investor, the ways of recognizing these fears and the measures by which these fears can be removed or managed so as not to produce negative emotions or stress during the investment. Without being misunderstood, the combating of the investor's fears, as presented below, is not intended to hide certain aspects of the investment process, with the proper sizing of all the elements so that the investor can benefit from an investment without any stress or negative emotion.

3.1. **The fear of losing money.**

The fear of losing money is the most well-known of the fears presented in this article, but it is not the most common fear among investors. By definition an investor is the person who owns a certain capital and is willing to take a certain risk, perfectly known and measurable before the investment is initiated. In other words, the investor is by definition a person already willing to lose an amount of money in order to benefit from the possibility of making a profit.

The fundamental principle that basically underpins the solving of all investor's fears is the one according to which *an investor never invests more than he/she allows him/herself to lose*. The notion of risk involves assuming the possibility of losing the money invested. As long as the risked amount is lower than the amount that the investor can lose without suffering emotional or other kind of consequences, the fear of losing money should not settle in and consequently should have no emotional effect. However, very often there are cases of investors who risk more than they can lose, driven by the promise of a higher profit, obviously, directly proportional to the risk measure.

The fear of losing money may exist in the initiation and contracting phase of the investment, if the investor wishes to risk amounts of capital higher than his/her psychological or even material and logistical possibility of loss. An experienced mature investor will not do this. But beginners, by thinking only of the desired level of profit, often have a tendency to risk more than they afford. A service for investors must identify this fear before contracting the investment itself and guide the investor towards the investment option that falls within his/her limits of affordability.

The fear of losing money can easily be identified in direct discussions with the investor during which he/she is presented with the possibility that the X amount of capital may disappear from his/her account due to the depreciation of the investment, under unforeseen market conditions. This direct approach will instantly produce negative emotions in the investor's mind, emotions that can be immediately detected in the dialogue. However, it should be noted that no one wants to lose money. That is why the investor's emotions in such a test must be carefully measured. Most of the time, his/her answers to questions like "what would you do if you lost the X amount in an unfavourable situation?" Investors who do not have an answer or scenario to this question may be in difficulty. Those who respond after the pattern "well didn't you say I can't lose?" also show specific signs of the fear of losing money. They would gladly pass the risk into the hands of another in cases of loss, while enjoying only the profit.

The fear of losing money can also occur during the course of an investment. There are cases where, after appropriate periods of accumulation of profit, investors increase the percentage of risk by thinking through extrapolation and generalization that the good period will continue for a while. In such cases the investor loses focus on the amount of capital he/she allocates to the risk. In such cases, when markets evolve unexpectedly, investors may find themselves facing exaggerated capital exposures, greater than their chances of losing. The fear of losing money settles in instantly and most of the times the investor can no longer think logically and clearly. Most often he/she is looking for quick solutions to resolve the situation which may usually lead to higher losses. In order to avoid such situations, the investment assistance service must constantly inform the investor about the amounts of capital associated with the risk.

The fear of losing money as a result of the risk assumed in the investment is higher if the investor's experience is smaller, if the unexpected situations he/she has gone through are less numerous and if he/she understands less the functionality of the investment plan. Therefore, the functional measures to reduce the fear of losing money are based on informative actions in relation to the investment system itself, and on the results obtained by

him/her in similar episodes from the past.

Experience shows that the fear of losing money completely disappears after about 2-3 years of investments in which the risk has been properly sized. Thus, experienced investors will watch the passage of crises and mitigation of risks as an action movie with an already known ending. Not infrequently, experienced investors who seek to cover losses in functional financial investment plans benefit from positive and constructive emotions, which increase the return on investment each time. We note that in this paper, the fear of losing money was associated only with the losses caused by the assumed risk. Obviously, in case of financial investments, capital losses can occur for other reasons, all of which being subject to other categories of fears presented below.

3.2. **The fear of being deceived.**

From my point of view the fear of being deceived is the main fear in the field of financial investments. This fear refers to the hypothesis that the investor could be fooled by being drawn into a hypothetical investment and someone else could simply run away with his/her money. Fear is justified, as long as such events have taken place over time.

In order to eliminate this fear, we paid attention only to those financial services that are carried out with the capital deposited in the investor's accounts. Thus, nobody and nothing can reach the working capital, the investor having complete control over his/her funds. In these investments, where the capital is in the investor's account, the fear of being deceived is excluded from the beginning.

3.3. **The fear of hidden costs.**

The fear of hidden costs refers to the situation in which the investor would be attracted to an activity in which the expenses that he/she must bear are not clear from the beginning. This fear can be identified during the discussions in which the investor insists on what he/she has to pay. The fear is justified, especially since the banking system nowadays hides a whole series of costs from the initial offer presented to the clients.

To eliminate this fear, we have always recommended a clear offer, in which each element of the chapter on costs and obligations of each party is explained in detail. The reading of the contract assisting the investment must bring light to the investor’s mind, each of the costs being explicitly presented. When it comes to collaborations involving other institutions, such as banks or brokerage houses, the total costs of the collaboration will of course depend on the commissions and fees charged by them. As banks or brokerage houses can modify commissions without problems, such changes must be taken into account because they can significantly affect the efficiency of the investment. This is one of the reasons why brokerage houses that have a low level of commissions and that do not usually change the fees related to the activity will always be preferred.

3.4. **The fear of unprofitability.**

The fear of unprofitability appears in case of investors who have not understood exactly how the investment works, where the profit comes from, namely what is the balance of income and expenses of the activity and what risk is involved to achieve efficiency. First of all, the fear of unprofitability stems from misinformation and misunderstanding. After several stages of information, it is found that the fear of non-profitability continues in case of certain subjects. Although from a logical point of view they understood how things were going and what would be done during the investment, as a result of unpleasant experiences from the past, the fear of unprofitability caused them to always think about questions like "and yet, what if we won’t make a profit?”. For some, the fear of unprofitability turns into the fear of the unknown, discussed below: "what if something unexpected happens?"

The fear of unprofitability can be easily recognized by the fact that, in the information

stages, the investor is very careful about the efficiency level and about how the efficiency has changed in time in case of certain investments made by others under the same conditions. In the best case, quite rarely encountered actually, the fear of unprofitability can be recognized by means of the fact that the investor is more concerned with the level of risk than with the profit that could be achieved.

Such a case denotes a substantial life experience and is probably the position in which each investor should be brought before the implementation of the investment plan. In this position, the investor judging the level of risk will reach much easier the situation in which he/she does not risk more than he/she can lose. Be careful! This sentence does not refer to the amount of capital that the investor owns and could invest, but to the amount of money he/she can lose without suffering negative emotions that would cause him/her stress.

Experience shows that the amount that each individual can lose without stress is different from one person to another, depending on the value of the wealth but not directly proportional. Each individual has his/her own emotional criteria and measures, his/her own negative experiences from the past, and individuals with the same amount of available capital certainly do not have the same amount they could lose without developing destructive emotions. One of the hardest things to estimate before an investment is this amount, the capital that the investor could lose without suffering any significant stress. There are mathematical methods for calculating the level of risk aversion, but their applicability undergoes subjective transformations.

I found many times that investors who claimed that they could easily lose 10% of their invested capital, in the event of stock market crashes, although they knew clearly that the risk was limited to the value indicated by them, began to express negative emotional manifestations when the exposure exceeded 3-4%. In such cases the level of the risk assumed by them exceeded the limit of the amount of capital that investors could lose without developing stress. At the same time, I found that every investor, regardless of their experiences, certainly has a psychological threshold below which he/she can lose money without suffering significant negative emotions.

3.5. **The fear of the unknown.**

As I stated in the previous paragraph, the fear of the unknown may arise primarily due to noninformation or incomplete information about the investment plan and the activity to be carried out. However, it has been found that even after careful information, there are investors who still show a fear of the unknown. This is especially the case of the inexperienced, who did not have the previous experience of a profitable investment of the same kind. "What if something that you didn't think about comes up?" they ask themselves.

The implementation in the business plan of functional measures for the protection of the capital which, in any unforeseen case, would offer the possibility of limiting or recovering the possible losses is a measure that helps to control the fear of the unknown. But the mere existence of these measures is sometimes not sufficient. For some investors, the fear of the unknown disappears only after they go through an experience in which a certain unforeseen factor causes a disturbance in the investment activity, and by applying the prepared measures, the system manages to limit or even recover the possible losses. After such experiences, the fear of the unknown is diminished significantly, and not infrequently, after such positive experiences, the investor even gives up the detailed analysis of the investment, reaching an overview mature approach.

3.6. **The fear of lack of control.**

The fear of lack of control refers to the anguish of some investors who imagine that they may be caught in an investment and forced to be part of the activity although at one

point they do not want this anymore. The main reason why they would not want this is usually the unprofitability of the investment. The investor generally wants to have complete control over the investment, to decide alone on the actions he/she takes with his/her capital.

We all know that large investments, for example in the real estate field, involve the blocking of the capital for a long time. This would not necessarily be a problem, since we are analysing the case of some investors, but the investor's inability to sell that real estate whenever he/she wants would cause him/her a stress that could even be a negative motivational factor when discussing the investment plan.

In case of financial investments, the fear of lack of control refers to the fact that certain contractual clauses may block or restrict the investor to exit the investment for some time. Such limitations are the most unproductive possible clauses that can exist in an investment plan. That is why I always recommend concluding unconditional contracts, where the investor can exit the investment at any time, obviously assuming the related risk and the costs, if any.

3.7. **The fear of crises.**

The fear of (financial) crises is a common fear of the investors. At first glance it can be considered part of the fear of the unknown and/or part of the fear of unprofitability. Moreover, it can be considered a consequence of the fear of losing money. However, the practice shows that the fear of crises is a fear by itself.

To explain you, let us consider an investor for whom the risk level has been granted based on his/her own psychological stress threshold, he/she is well informed, knows that the risk is limited and that the losses can be recovered, has the experience of similar events from the past and suddenly wakes up in the middle a crisis caused by a new, unexplained reason, which causes panic in the markets and which makes the evolution of prices unprecedented. The best example: the crisis caused by the Covid- 19 virus (ironic Koliva-Virus), a crisis during which I finish writing this material.

In these conditions the prices are at an all-time minimum level, all the mathematical indicators show an unprecedented probability of increase in all prices, therefore the artificial intelligence system that I administer buys massively. The phone rings incessantly. In the multitude of messages coming from the investors I collaborate with, I can read: "your software buys!", "It is an unprecedented crisis, could we not close the investment plan for a while?", "Everyone sells, could we not sell too? why do we buy?" and so on. I reaffirm that most of us are experienced investors who have gone through crises, which were caused by other reasons.

After 2-3 days, when profits between 0.6 and 1.9% entered the accounts, depending on the capital invested and the risk assumed, the messages stopped coming. I found that experienced investors show symptoms of fear of crises every time a new crisis occurs. We get rid of the fear of crises if we only look at mathematical truths. Crises are usually generalizations of human panic and fear. At such times logical thinking disappears. I often ask in the midst of a crisis: when everyone sells, isn't someone buying everything that is sold? And those who buy, might they have another reason than the fact that they can buy very cheaply? In crises, the transfer of ownership is made at low prices, from those who are scared, to those who keep calm. Profitability is achieved by those who manage to control the fear of crises.

3.8. **The fear of artificial intelligence.**

I identified this kind of fear in the investment activity assisted by an artificial intelligence software. There are experienced investors who have obtained significant profits over time but without the involvement of the computer. They have an anxiety about the investment software, all the more so as they do not understand the principles based on which

this software operates. "What if the software gets crazy?"

I often explain that we use algorithms precisely because they always give us the same result. As it is a logical sequence of mathematical formulas, an algorithm will always produce the same response, as long as it receives the same input data. "I see! What if one day the algorithm receives incorrect data? Let's just say that one day the internet works badly and gives you the wrong prices. I explain that we never trust data and data sources, that many validations are done before an artificial intelligence software generates a purchase order. Before sending the order to the brokerage firm's computer system, the volume of shares to be purchased is again validated according to the available capital of each account.

The only functional way to mitigate and control the fear of artificial intelligence is to test the software and to demonstrate that the respective software has worked properly years before. When an investor sees the results of the last five or ten years, he/she can conclude that the software is functional.

3.9. The fear of a too low risk.

The fear of too low risk is a funny anguish from my point of view. It is a fear that does not produce dysfunctional negative emotions, but rather the frustration of the investor, who thinks that part of his/her capital is unused while he/she could make a higher profit. I do not know if this is a sign of avarice, but the fear of too low risk is more often seen in case of those with higher capital. The investment system I manage uses fifty investment channels. The software divides the working capital into fifty parts and looks for opportunities on several capital markets, in order to allocate to each part of the capital thus divided a profitable activity. Depending on the risk assigned by the investor, there may be 10, 20, 30 or even 50 simultaneous transactions. Of course, there are days when only 5 opportunities are identified, as there are days when 40 opportunities are identified. On the days when the system uses a small number of investment channels, some investors are worried that the risk used might be too low.

Psychologically speaking, they think they have capital that produces nothing. Basically, the existence of a small number of open transactions shows that on all the other available channels, the opportunities identified would have involved a greater risk than the one admitted by the investor. This is the main filter that holds the unused capital. We prefer not to gain anything, instead of assuming an exaggerated risk. There are three investor actions in relation to financial investments. He/she can buy, sell, or wait for a better time to identify a lower risk.

Experience shows that the fear of a too low risk never disappears for certain investors. Although involved in an investment managed by artificial intelligence, they are trying in parallel to make other investments, initiating positions exactly when the software is waiting. I have sometimes been asked to find solutions to cover such positions that have become unprofitable.

Instead of conclusion: *don't risk more than you can lose.*