

BEHAVIORAL & FINANCIAL INSIGHTS

Intellectual Humility

Humility, or the lack of humility, is a quality that is easy to identify in others, yet difficult to see in ourselves. Humility is difficult to develop because it may threaten our sensitive egos. And a healthy ego is important. Our very survival depends on what “I” do or what happens to “me.” A healthy ego gives us a sense of identity, purpose, and confidence.

However, our ego oftentimes dominates our thoughts and decisions as the desire to be right becomes our main objective. And whenever our intellect is on the line, we become even more protective of our ego. This is a completely normal and natural response, but just because it is normal doesn’t mean it is beneficial.

Developing Intellectual Humility

The most important part of developing intellectual humility is to acknowledge and respect uncertainty. This is true in all aspects of life, especially within the realm of investments. This does not mean we can’t have strong opinions; it just means we need to recognize that we could be wrong. Being wrong doesn’t mean we are ignorant or less of a person. It doesn’t have to bruise our ego.

There are many things outside of our control that may influence an outcome. There are the roles of both luck and chance in outcomes. Information we rely on may also be incomplete or misleading. And sometimes we simply misinterpret or misperceive a situation. After all, we are only human.

Investing Humbly

Acknowledging uncertainty and the reality that we may not know everything – we all have intellectual limitations – helps us take a more thoughtful approach to decision-making. It encourages greater due diligence and reliance upon rational assumptions while sharpening our focus.

Humility can help us stay true to our personal investment plan and reduce the likelihood of making costly mistakes. And in my 30 years of professional financial experience, I’ve seen that **one of the greatest threats to achieving financial goals is making the costly mistake of deviating from well-constructed plans.**