

BEHAVIORAL & FINANCIAL INSIGHTS

The Wisdom of Ignorance

It may seem like a misnomer to discuss the wisdom of being ignorant. Ignorance, defined as a lack of knowledge or information, is not generally viewed as a positive attribute. But it is absolutely essential for our individual success – both financial and psychological.

I am ignorant to how cell phones actually transmit my voice instantaneously across the globe to another person. Though I take medicine to make me feel better, I am ignorant as to precisely how the pill interacts with my cells to make it all happen. I am grateful other people know this so I can benefit from their knowledge. If we weren't ignorant about certain things, we wouldn't have the capacity to focus our attention where needed or to become an expert or specialist in other things.

There is simply too much information for us to absorb and process everything. Selective attention and ignorance not only make economies function, they also make for an interdependent society, one where we all need each other. We value each other and are grateful for others' expertise where we are ignorant, and vice versa.

When it comes to investing, ignorance truly can be bliss. The news story of the day, the quote of the hour, and the many unreliable predictions being spewed do not help investors achieve better results. To the contrary, many studies have shown that investors that pay attention to such fleeting information trade more often and achieve lower returns.¹ In addition, the constantly changing market information produces greater stress and anxiety, which may weigh heavily on our personal lives and relationships.

I am grateful to live in a country where I am free to choose what I pay attention to and what I ignore. We cannot control the frequency, volume, or context of information flow, but we can control our focus and choose what we allow into our minds.

With investing there is always something to worry about; always has been, always will be. But that is *your* choice. I have not heard of a single person that, on their death bed, wished they would have watched the market more often. Be wise by exercising some ignorance in those things that detract from your happiness, and rather focus your time and attention on what really matters.

1. Dalbar, Inc. Quantitative Analysis of Investor Behavior