THE PRIVATE CLIENT GROUP
WEALTH MANAGEMENT

BEHAVIORAL & FINANCIAL
INSIGHTS

The Costanza Investment Strategy

Seinfeld fans love the irrational antics of George Costanza, partly because we recognize pieces of ourselves in his behavior. While George never set out to give financial advice, his quirks highlight some important truths about human behavior and investing.

The Amygdala – Our "Fear Center"

In Season 5, Episode 20, George is at a birthday party when he suddenly spots a fire. Panic sets in. He bolts for the door, pushing aside an elderly woman and even peeling a child off the exit. Rational George disappeared the instant fear took over. That's the amygdala at work, the part of our brain that drives fight-or-flight reactions.

For investors, it's the same force that tempts us to sell low when markets fall. We saw this in April, when a surprise tariff announcement triggered a sharp sell-off. Many investors followed what felt natural – they sold. No one puts "sell low" into their investment plan, yet that's exactly what happened. This wasn't about strategy; it was a biological response. And because this reaction is hardwired, it takes preparation and discipline to counteract it.

Opposite George

In Season 5, Episode 22, George has an epiphany: every instinct he's ever had is wrong. So, he decides to do the opposite of his natural impulses and suddenly finds success.

I'm not suggesting we do the opposite of every instinct or initial thought. But we do need to pause, reflect, and learn from instances where instincts have misled us before. With markets at elevated valuations and uncertainty around tariffs and the economy, a bit of "Opposite George" thinking – questioning the gut reaction – can be a powerful defense against trying to time the market.

Our Role

When the next downturn comes – which it will – our instincts and amygdala will push us toward impulsive action. That's why it's essential to prepare not just a financial plan, but also a plan for how you'll respond when the unexpected (and inevitable) strikes – whether it's unsettling headlines, an over-due selloff, or a crisis. And that's also why you have us!

Our role is to help ensure your decisions remain thoughtful and deliberate, always aligned with your well-constructed plan. This becomes especially important when headline news is disconcerting, uncertainty appears to be growing, and emotions are running high – which, as we know, has become almost a monthly occurrence.

This commentary was composed by Steven W. Lieberman and The Behavioral Finance Network