

# Swatantra Kumar Explains: ILLUSION OF CONTROL

A common trait among investors is to collect data or information that leads to a certain overconfidence while making investments. This leads

to an illusion of control. It can be defined as the belief that they have control over the outcome of their investments when in reality they don't.



## This is how the cookie crumbles:

- The data you may have accumulated with regards to your investment may not be accurate.
- The risks you believe you have hedged due to your analysis may thus be off the mark.
- Even if the data is accurate, it may not be exclusive to you and be priced in. This may lead to you losing the price advantage you thought you had.



## How to avoid the control bias:

- Hedge your risks through adequate portfolio diversification.
- Do not try to time the markets based on little or no knowledge.
- If you have an investment thesis based on data or information, make sure to check with your financial advisor before making an investment decision based on the same.

