

Stock Doc: Stocks, Emotions Don't Mix

Getting sentimental about a stock clouds your judgment.

BY ALDEN CASS

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Editor's note: Alden Cass, a psychologist, writes two columns for TheStreet.com : one that delves into how behavior and emotions affect investing, the other a health column specifically for men.

One of my favorite movies of all time is *Wall Street*, in which Michael Douglas portrays Gordon Gekko, a cut-throat arbitrage tycoon. In one scene, Gekko tells Bud Fox (played by Charlie Sheen) to never get emotional about stocks because it clouds judgment.

When it comes to making a trade or an investment, many individuals fall into this trap and remain unaware of it until they have lost too much money to recover.

This reminds me of a past client of mine, whom, to protect his identity, we'll call "Matt." He had been a big fan of drug company **Pfizer (PFE)**. His now-deceased father had given him Pfizer shares, which he'd purchased at \$11 in 1996, prior to the stock's renaissance years. Matt loved this stock, and he made tremendous returns from it.

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Matt came to my office because of his inability to make significant life decisions concerning his career and family. It turned out that his inability to pull the trigger at the right time applied to his trading as well. I cut him some slack for being indecisive because, as a research scientist, he would labor over decisions and was extremely meticulous.

My work with him proved to be successful in a variety of ways. He learned how to manage the anxiety that always appeared whenever he was faced with making a quick decision without sufficient data. Once we worked through his career and marriage concerns, we moved on to his personal trading, specifically his attachment to Pfizer. He simply could not let go of that stock. He was too nostalgic about it, as he associated it with big returns and his father's legacy.

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At the time of publication, Alden Cass had no positions in stock mentioned.

Cass is a performance enhancement coach and clinical psychologist for Catalyst Strategies Group (www.catsg.com) who specializes in working directly with individual and teams of senior investment executives, including high-profile CEOs, top hedge fund and prop traders, investors, and financial advisors to help them achieve their financial and personal goals. He works to modify behaviors that are hampering their performance and to give them the mental edge within competitive work environments.

He is a licensed clinical psychologist and an expert on the use of psychology in the financial services industry. He has conducted behavioral healthcare studies on retail stockbrokers that indicated that 23 percent of the group measured met criteria for major depression. His research has been presented at both national and international conferences (APA, ICPP). He is a major contributor to columns in On Wall Street Magazine and Traderdaily.com. Cass has also conducted workshops with the Securities Industry Association, Money Management Institute, Trader Monthly Magazine's Peak Performance Workshop, The Wall Street Branch Managers Meeting at the Federal Reserve Bank of New York, and the London Bullion Market Association, the Silver & Zinc Association, the Investment Management Consultants Association (IMCA), and the Investment Products Association (IPA).

He has appeared in the following media: The Today Show, Fox News Live, New York Magazine, Businessweek, Lou Dobbs Moneyline CNN, CNN money.com, CNBC London, Financial Times, London Financial Weekly, Washington Post Radio, NY Newsday, On Wall Street Magazine, E-Trade "On Air," BBC Radio, Reuter's Business Newswire, New York Times, Boston Globe, Absolute Return Magazine.

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Matt became blind to the very obvious data points that screamed "sell and move on with your life and money!" Sadly, he had watched his stock plummet from as high as \$45 over the years. At the time Matt came to see me, Pfizer was cemented at a price of \$26.

As Jim Cramer recently stated so vehemently, Pfizer should be viewed as a " \$25 bond with no upside ."

Matt remained numb to the realities of a barren drug pipeline, bad news with future star drug torcetrapib and a CEO with very little experience in the drug industry. There was also competition from new rivals and cost-cutting measures that slashed the jobs of the very same sales force that made this company great in 2002.

Matt also needed to be reminded that Pfizer's staple drug, Lipitor, would soon be losing its patent, which would certainly compromise any future chances for success.

The Treatment

As his performance coach, I advised Matt to cash out and memorialize his father in more productive ways. He had certainly profited from his father's gift, and I always preach to my clients that you can't draw oil from an empty well. I emphasized that if he remained faithful to this stock, he could potentially keep wasting the gift of profit that he had received.

We sat for an hour talking about ways to reinvest in the markets and even ways to invest in his kids' college funds. Matt was able to see that investing in his kids' education with his returns from Pfizer could carry on his father's legacy and at the same time be an even better investment down the road.

Perception is everything in reducing the anxiety associated with making tough decisions. Through our conversation, Matt was able to think less emotionally about his gift and at last make a confident and objective decision. Sometimes in situations like this, the best advice is to cut the cord and move on, since the future holds way more promise than the past.

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