

# PERSPECTIVES

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Behavioral finance

## The future is better than you think

By Stan Clark - Senior Investment Advisor

**Sometimes it's hard not to feel pessimistic about the future. After all, bad news surrounds us – and in our modern, connected world, that news seems to hit us in an endless stream. There are the concerns about climate change destroying our planet, threats of nuclear war, continued inequality and sexual harassment and intolerance of people of different races or religions or those with different lifestyles. The list goes on. And on...**

But is our world as bad as it seems? Are things really getting that much worse?

Let's step back, take a clear look at objective data and a longer-term view of history. Far from getting worse, the world has actually been getting better in almost every area of human endeavour – from life expectancies, poverty and equal rights to safety, quality of life and the environment. Now let's consider the coming advances in so many areas, such as alternative energy, food production, health technology and water purification. From all the above, we should have every expectation that future progress will continue, and even accelerate, into a world of abundance.

Why, then, this disconnect between our perceptions, "our feelings," and more objective assessments of the past and the future? Unfortunately, human nature and the way our brains are wired make *negativity bias* nearly inevitable. Our ancestors survived by paying extra close attention to fearful things. That makes us naturally more attuned to the negative than to the positive.

The media are well aware of this predisposition. They cater to our instinctive bias for their own profit. The time-proven rule in the news business is: "If it bleeds, it leads." Put simply, bad news sells. Not surprisingly, an analysis of the media revealed that the majority of news reports are negative – and this negativity has been increasing over the last several decades. The news media's greater focus on the negative, in turn, leads our subconscious minds to do the same.

Media reports also focus on the unusual and the novel, which appeals to another human predisposition. Through our *availability bias*, we naturally feel that what the news highlights is more common than it really is. With all this in mind, no wonder our perceptions are more negative than reality!

Is this negative distortion good or bad? There are certainly good aspects. To some extent, having a negative outlook helps us avoid modern "tigers in the bushes." Negativity can prevent us from incurring some injuries or losses. And keeping the world's attention focused on negatives motivates us to fix the problems that still exist. So, there's a case to be made that our negativity bias deserves credit for much of the progress we've seen in the world.

But negativity also has a downside. It can be unpleasant, even downright depressing. As well as potentially making our lives miserable, negativity can also, if exaggerated, become demotivating. Why bother trying to fix things if they're too bad to be fixed? Further, we may become so negative that we lose faith and backtrack in the very areas that have contributed to our progress. This last effect seems to be happening to some extent with our current political atmosphere.

So, while we shouldn't be too negative about negativity, maintaining a healthy balance is important. The Stan Clark Financial Team will do our part to maintain that balance. We'll devote our next issue to a more thorough review of the positives in the world – and reasons for optimism about the future. We'll send this next *Perspectives* to you in early December, just in time for the holiday season. ■



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