

Twitter Thread by [Vidya](#)



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Was reading upon **#Biases** & learnt a lot. Thought of sharing a few pointers .

Simply put Bias is a disproportionate weight in favour of or against any idea/thing in all aspects of life.

Few types of Biases (out of the many) with not so random images. :)

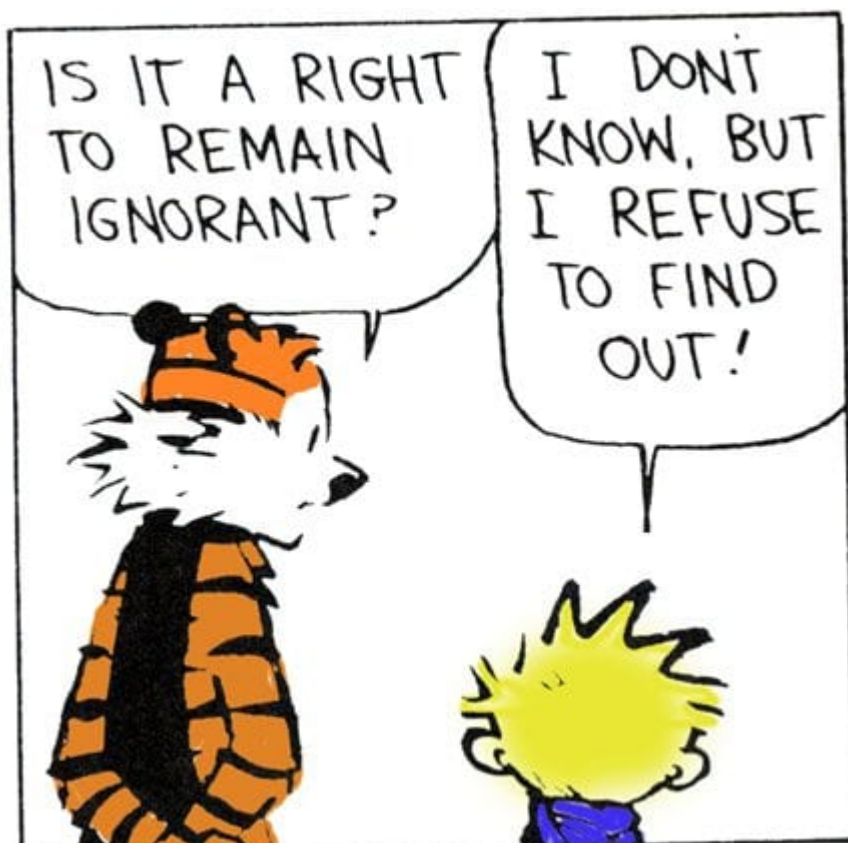
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The **#DunningKruger** effect now is fairly well known , wherein people with limited knowledge overestimate their competence, whilst the actually knowledgeable question themselves often .

"Ignorance more frequently begets confidence than does knowledge".

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#SelfServingBias

A very interesting bias wherein we credit our successes to purely ourselves, but when things go awry we cite luck & external forces .

Rings any bells?

Basically a defence mechanism to protect our self esteem & eventually from personal responsibility.



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* #ConfirmationBias *

We all favour ideas & beliefs that affirm to our existing ones', rarely being open to contradictory opinions .

(Especially in markets !! ■) Why?

Laziness? Mental block? Ego ?

No wonder, Birds of a feather flock together ... ■



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* #SunkCostBias *

As we know, sunk costs are irrecoverable , regardless of outcomes. (Eg Money expended towards R&D for a molecule

which doesn't work out)

But this actually extends in any investment we make - Time, Money, Effort, Relationships ...■

Interesting right?



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Be it financial decisions, daily life decisions, our career ...

we tend to go all in because we have invested our time, energy & efforts & we PERSIST with them. The psychological blocks in the way of simply discarding our "misses" & clinging onto them is baffling.

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* The #BandwagonEffect*

Commonly known as herd mentality wherein people do something primarily because they see others doing it, despite it not aligning to their beliefs . The best example of it being Markets :)

#SnobEffect works contrary to this .



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#HindsightBias

All of us are guilty of this ! When something happens as per our claims, we tend to blurt out

"I said so ! " ■■■

Things are often more obvious & predictable after events transpire.

But initially one can only offer a guess.

Often leads to overconfidence ■



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* Optimistic/ Pessimistic Bias *

Basically the difference between a person's expectation & the actual outcome.

If reality is better than expected - Pessimistic Bias & vice versa.

Must say for all that positivity I exude, I actually incline toward a Pessimistic Bias! ■

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Hence it is rightly said, "Never make decisions when sad & promises when happy."

For we tend to become victim to our emotions which makes our thinking irrational .

So are we rationally irrational or irrationally rational ?? ■

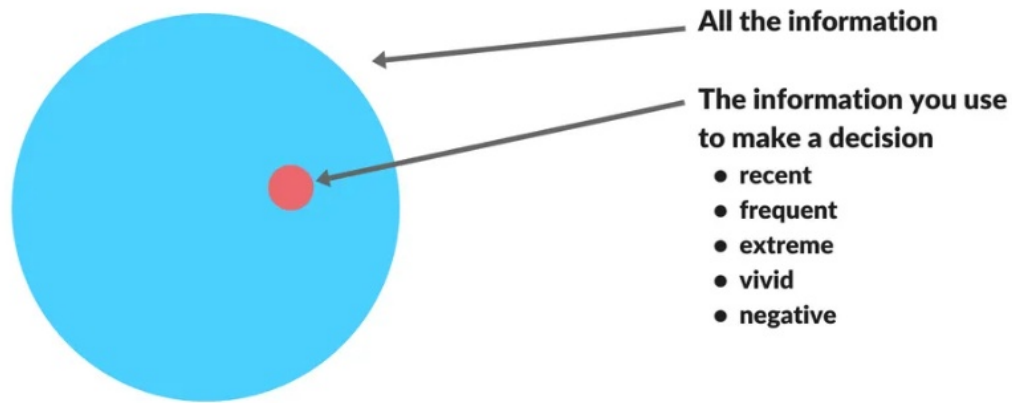
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#AvailabilityBias

When faced with a bottleneck we tend to have this bias of leaning toward information which is readily available & retrievable from our memory ,thereby distorting our understanding of real risks . For we assume our recollections to be concise &

precise.

The availability heuristic



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The #FundamentalAttributionError

As a society we involuntarily tend to do this .

A lady driving well ?

Good looking ,hence must be dumb !

Men & nurturing?

Stereotyping & failing to look at the larger picture before jumping to conclusions based on info available.

The fundamental attribution error is the tendency people have to overemphasize personal characteristics and ignore situational factors in judging others' behavior.



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* In Group Bias *

Don't we tend to favour our known one's more than a stranger ?

I know I have done this often .

It kind of stems sub consciously .

We think we are being impartial .

It is just our love and kinship onto play here.

If not overdone , is actually healthy.

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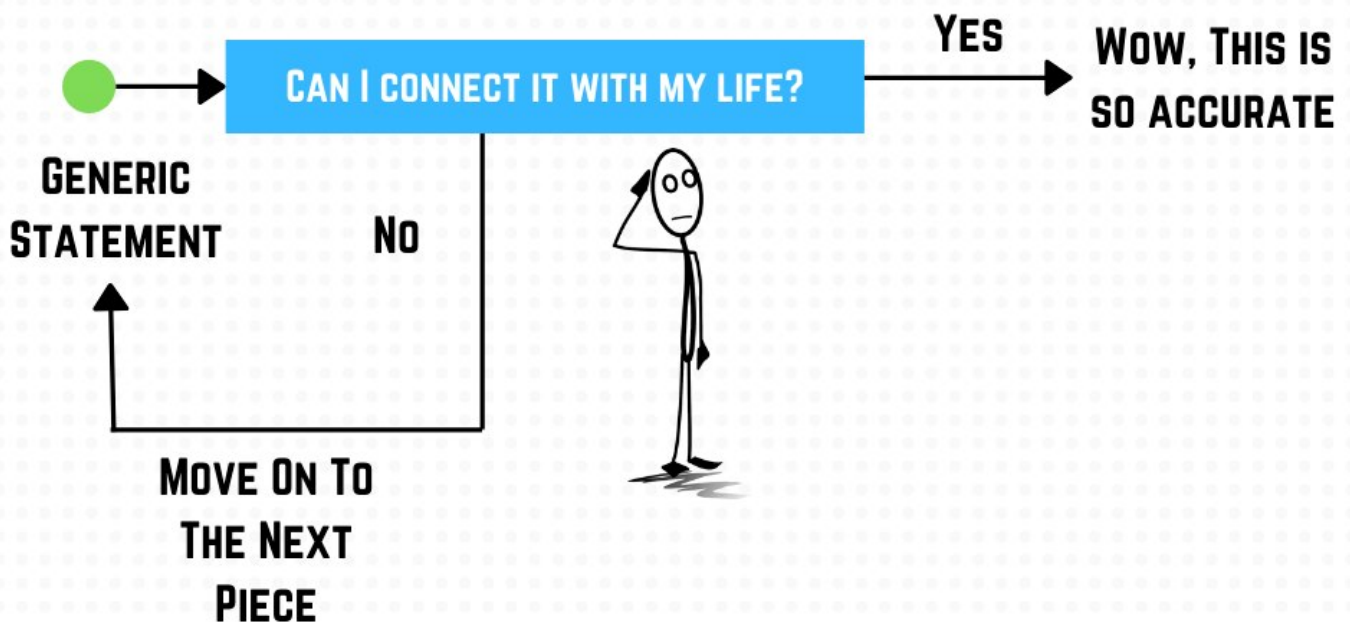
* The #BarnumEffect *

Wherein generic statements (specifically positive) also seem specific to us because of a combination of wishful thinking & hopefulness.

Often used in horoscopes, marketing & advertising . Heck even in grooming nowadays ! ■

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WHY THE BARNUM EFFECT OCCURS



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To sum it up, I guess we all have fallen prey to our biases at some point, for it is easier said than done !

But some #CriticalThinking and #ReflectiveJudgement definitely shall help us in better decision making I guess!

Afterall we all learn from our mistakes!! ■■■■

They say we learn from
our mistakes. That's why
I'm making as many as
Possible. I'll soon be a genius!



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I hope this thread provided some content which might be useful for investing or life in general . .
Thanks for putting up with it ! :))

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