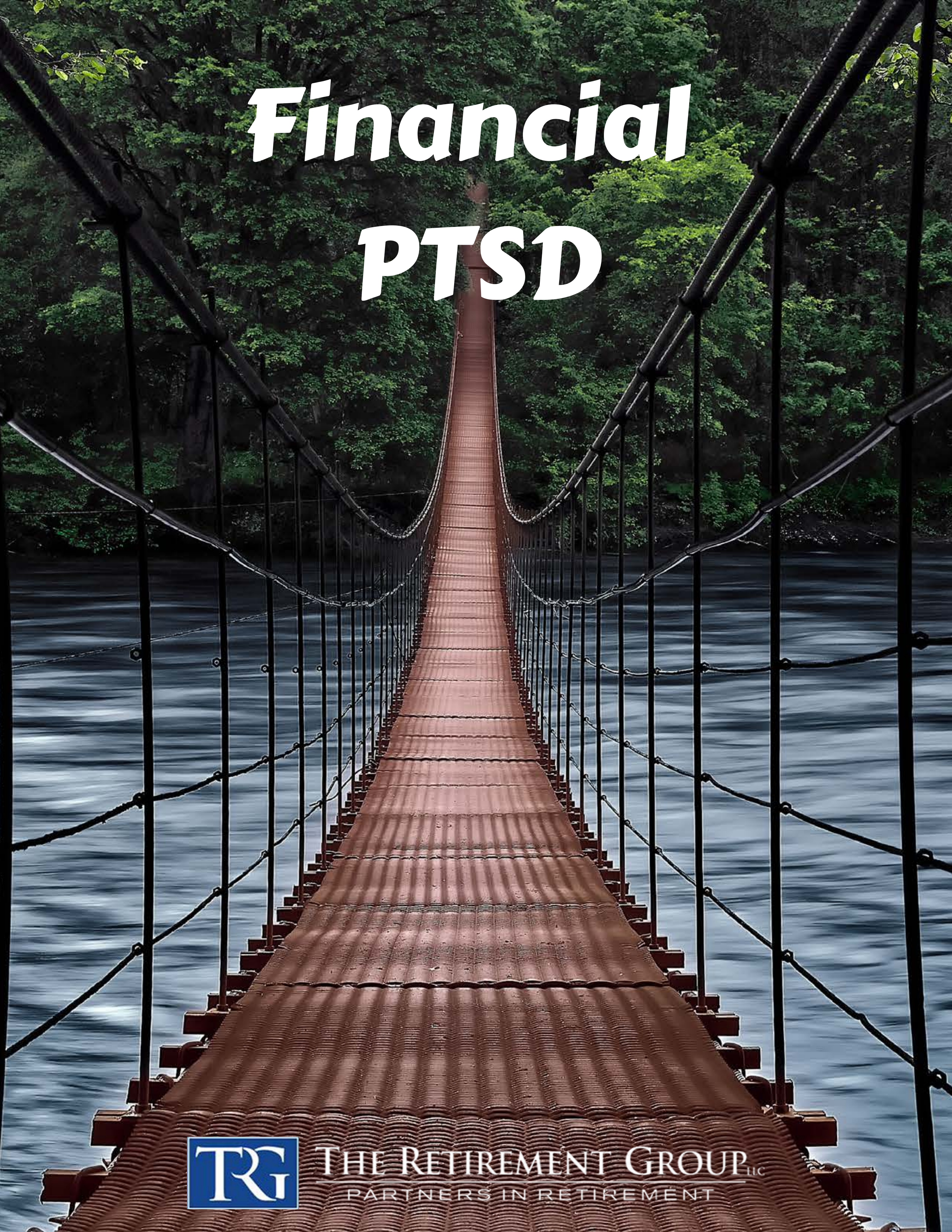
Financial PTSD



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01 What is PTSD?

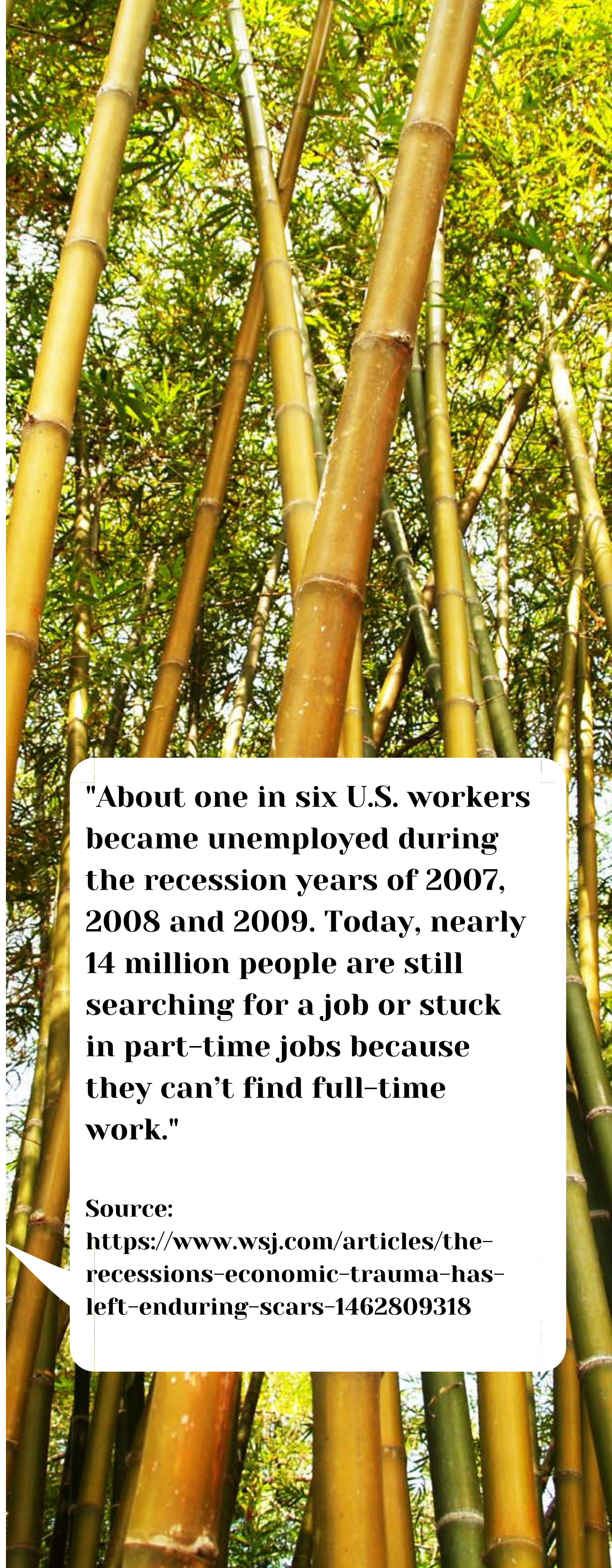
If you had assets invested in the stock market in 2008, odds are, you experienced post-traumatic stress following the market collapse and succeeding crisis.

When we think about post-traumatic stress disorder, we typically envision combat, tornadoes, and hurricanes. But PTSD is not limited to life-threatening events. Events threatening financial security (and even career-security) can be very traumatic.

02 Severe Economic Trauma Can Lead to PTSD

A study reported in the Oxford Health & Social Work Journal examined the risk of PTSD associated with sudden and dramatic personal financial loss. The authors conducted a survey of 173 Madoff victims and found that 58% met the criteria for a PTSD diagnosis, 61% acknowledged high levels of anxiety, 58% were depressed and 34% had health-related issues. Moreover, 90% of these victims felt a substantial loss of confidence in any financial institutions.[1]

We know from Dr. Abraham Maslow that when people have their security threatened through any event, all of their confidence and self-esteem can be destroyed, and they then focus all of their attention on searching for recovery.



"About one in six U.S. workers became unemployed during the recession years of 2007, 2008 and 2009. Today, nearly 14 million people are still searching for a job or stuck in part-time jobs because they can't find full-time work."

Source: https://www.wsj.com/articles/the-recessions-economic-trauma-has-left-enduring-scars-1462809318

03 How Does PTSD Affect Investors?

The high levels of stress, anxiety and depression can actually manifest themselves in physical consequences. According to a study by Bradley Klontz and Sonya Britt of Kansas State University, side effects of PTSD such as sleep troubles, anxiety and concentration problems typically diminished after the first few harrowing months post-crisis. However some longer lasting effects like questioning the most basic assumptions how to reach financial goals, have persisted.

The paper, “Financial Trauma: Why the Abandonment of Buy-and-Hold in Favor of Tactical Asset Management May Be a Symptom of Posttraumatic Stress,” points to data from financial services industry writer and commentator, Bob Veres showing that 83% of advisers are practicing some form of tactical management post-crisis, a significant shift from a pre-crisis focus on more-conservative buy-and-hold strategies. They conclude that although acute distress may have declined in recent years, cognitive changes linger — potentially compromising the health of client portfolios going forward.

04 Tactics & Strategies

The paper states, "Planners might benefit from exploring what, if any, psychological remnants from the 2008 financial crisis may be influencing their portfolio decisions today." “In an effort to avoid future financial trauma ... the increase in tactical management based on the myriad conflicting economic predictions will inevitably create more.”

Statistics show that emotional decisions in the face of crisis lead to negative outcomes. While some financial advisors make rash decisions to try and reduce losses (often resulting in greater losses), other advisors preach caution and take a level-headed approach to navigating through volatile markets.

We at The Retirement Group view investing through a big picture scope. We've experienced market volatility in the past and know the best methods for managing it. Keeping a long-term strategy in mind allows us to maintain the growth of our client's assets in the face of adversity.

Sources

Ashford, Kate. “1 In 4 Americans Have PTSD-Like Symptoms From Financial Stress.” Forbes, Forbes Magazine, 22 Apr. 2016, www.forbes.com/sites/kateashford/2016/04/22/financial-stress/#f1e73e927536.

“Financial Stress Leads to Symptoms of Depression, PTSD.” Money Management International, 20 May 2019, www.moneymanagement.org/blog/2016/05/financial-stress-leads-to-symptoms-of-depression.

Contact a financial advisor today!!!

Sources (cont.)

[1] Audrey Freshman, Financial Disaster as a Risk Factor for Posttraumatic Stress Disorder: Internet Survey of Trauma in Victims of the Madoff Ponzi Scheme, Health & Social Work, Volume 37, Issue 1, February 2012, Pages 39–48, https://doi.org/10.1093/hsw/hls002

[2] Britt, Sonya & Klontz, Bradley. "Financial Trauma: Why the abandonment of Buy-and-Hold in Favor of Tactical Asset Management May be a Symptom of Posttraumatic Stress". Journal of Financial Therapy. Volume 3, Issue 2 (2012). <http://www.scribd.com/doc/140621316/ Financial-Trauma-Ditching-buy-and-hold-could-indicate-PTSD-among-financial-planners>.

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