



The Art of War

Back in the 6th century, the ancient scholar Sun Tzu authored a book called “The Art of War”.

Sun Tzu’s work became popularly accepted as a book of great wisdom, that even today it still influences both Asian and Western culture and politics.



What does this have to do with investing you ask? Well, quite a bit.

There are parallels between what Sun Tzu preaches about waging war and good decision making techniques that will help you navigate investment markets.

You see, our decisions are influenced by two extremes – rational thought and pure emotion.

The two are in constant play and the outcome of your decision really depends on which extreme was at play when you took the decision. Most often, when decisions are made at either end of the extreme it will usually result in an ineffective outcome.

So, if you let your emotions rule you totally, you might not be making effective decisions (remember when markets were crashing 12 months ago, everybody let their emotions take over). On the other hand, just relying on your rational side to make decisions might be just as ineffective, as it does not take into account your ability to deal with your emotions as your investment values go up and down with the swings of the market. That too can result in an undesirable outcome for you.

Sun Tzu says: **“If ignorant both of your enemy and yourself, you are certain to be in peril”.**

Is this getting a bit heavy? Don’t despair- it is really easy. Here is what he is saying.

Sit down and clearly design your investment plan that is suitable for your particular goals and the degree of risk that you are willing to take. In other words, find a balance between the rational and emotional extremes that are unique to you.

This is one of the cornerstones of good financial planning!

Sun Tzu was a wise man.

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