unnecessary risks when trying to time the market, or by lacking diversification and not rebalancing regularly.

#Tip: Don't look at your pension savings too often. If you have an investment strategy it is most of the time enough to evaluate annually if the strategy is still the right one.

Info Box: Investment strategy for private pension capital
For private pension investments, the length of the investment horizon is one of the main determinants of the level of risk that can be taken. Our model calculations suggest that with an investment horizon of at least 15 years, the majority of pension capital can be strategically invested in a diversified equity portfolio to maximize returns. It is highly likely that a loss can be avoided by the end of the investment horizon, even if financial markets experience setbacks over this period. Over a shorter time horizon, other asset classes should be part of the investment mix to reduce risk.

Looking past the start of retirement lengthens the investment horizon and thus increases flexibility and maximizes return opportunities. Usually only a small portion of the initial pension savings is needed at the start of retirement. The greater proportion of private savings should be retained for later retirement years when the occupational pension has lost purchasing power and additional health costs may arise. For more information, please read the report House View Vorsorge.

Market timing

Investors are often afraid that asset prices will fall immediately after they enter the market or that they have already missed the biggest step of the rally. This can be spurred by the anchoring bias, for example when the mind is focused on a past all time high or the level previously bought into the market. Thus they try to guess the right entry point. This has to do with regret aversion, as regretting an action is a painful experience. Analysis shows that perfect timing is rarely achieved, rather investment opportunities are missed with this attempt. Investors often forget that to achieve the highest returns, one also needs to find the perfect time to exit.

#Tip: Invest with a regular standing order. This way you buy in at average prices, sometimes lower, sometimes higher and you don't need to worry about the one right moment.

"The markets can stay irrational, longer than you can stay solvent" John Maynard Keynes

Diversification

Investors might search for patterns in past performance and try to extrapolate them into the future. This clustering illusion can lead to over-allocation in one or a few assets and therefore failure to diversify adequately. Research suggests that such patterns, if they exist, are often not persistent over time. The current low interest rate environment is a good example–it provides an unprecedented condition and makes it even harder to rely on past patterns.

Another frequent phenomenon leading to inadequate diversification is the home bias, when investors put an unreasonably large part of their capital into assets in their home market. They do this in the belief that they know this market better and are thus better able to predict or control the outcome. In addition, the greater presence of a local company's products or services (availability bias) might cause the impression of being better positioned to assess the company's prospects. Both is rarely the case, yet we tend to focus on things closer to home because they are more familiar.

#Tip: Lack of diversification is often due to a narrow scope. Look to expert advice to broaden your view and introduce other sources of value to your portfolio.

Rebalancing

An important part of a long-term strategy is rebalancing, i.e. bringing the allocation of portfolio assets back to their desired weights. This ensures the strategy is followed and mitigates risk. Moreover, it requires selling a portion of the assets that have performed best and buying the ones that have fallen or appreciated less in value, based on pre-set rules. A disciplined rebalancing approach keeps the disposition effect in check as it prevents investors from selling winners completely and too early, while holding on to assets that have lost in value for too long.

Smart way out

Since pension savings are usually invested for several years or decades, the right moment of exit is seldom imminent. Once it arrives, one would think the default effect is to convert private pension investments at retirement into cash. However, a phased exit increases chances of success. This might for example involve starting to withdraw 3a investments over multiple years (up to five) prior to retirement. Keeping the withdrawn capital invested in the same way as before retirement , converting it to cash only in small regular installments further reduces risks of having to exit the market at an unfavorable point in time.
Tip: Structure your pillar 3a investments in a way that facilitates withdrawal in the most financially beneficial way. After retirement, structure your investments according to your needs, not all your assets need to be in cash.

Info Box: Institutional investors are also biased

Institutional investors also suffer from unconscious biases. For example, members of a pension fund's investment committee or administrative decisions body most likely exhibit biases that influence their professional decision making. Groups suffer from groupthink and the human tendency toward herding. Groupthink results from conflict aversion and results in a fast conversion to the dominant or least contentious opinion. It neglects a diverse set of views and thus prejudices the optimal outcome. This can happen unconsciously, but sometimes a dominant person in the group can also exploit his or her position, for example by framing information in a way to increase the likelihood of consent. The best way to counter it is to have a diverse set of people as well as one person actively driving an open culture and playing devil's advocate to encourage open discussions and a robust decision making process.

Keeping biases in check with the right approach

In conclusion, there are many biases that can interfere in financial decision making and thus stand in the way of achieving the optimal long-term outcome. Being aware that such biases exist and taking a moment to examine them should help to improve outcomes. When it comes to investing, three general considerations help to keep biases in check. First, use sound analysis to develop an investment thesis. This is the foundation for a robust, long-term investment strategy. Second and most importantly, as long as the analysis is valid and the investment thesis in place, be disciplined and follow through with this strategy. Third, keep an eye on your emotions and ensure they don’t lead to quick but suboptimal decisions.

Info Box: Drivers and remedies of biases

Emotions and faulty reasoning are clearly not the only aspects that influence our biases. They are driven by other factors, such as the environment in which we live, the circumstances in which we were raised, or the friends, family and colleagues we surround ourselves with. The media also plays a role. Actively seeking a heterogeneous set of views is a good remedy, but it is easier said than done. An easy example would be not to read the same newspaper or blog post every day, or asking different persons for their opinion. One or several of the following steps can help:

- Take a step back when it comes to a financial decision and think it through before acting.
- Be mindful and conscious about the environment, and how circumstances have changed.
- Be open to new information.
- Evaluate how your mood might impact your decisions.
- Seek and evaluate different opinions from friends, experts, etc.
- Write down your reasoning to be reminded in the future of your investment rationale.
- Develop a long-term investment strategy and stay disciplined.

Important Information About Sustainable Investing Strategies:
Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit the portfolio manager's ability to participate in certain investment opportunities that otherwise would be consistent with its investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by the portfolio manager, and the investment opportunities available to such portfolios may differ. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.
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