

Anchoring bias: The tendency to rely too heavily on one trait, source or piece of information when making decisions.

There are several components of this:

- Common Source Bias - The tendency to compare research or findings from the same source.
- Conservatism Bias - The tendency to insufficiently revise one's belief(s) when presented with new evidence.
- Law of the instrument - An over reliance on a particular method or approach. Ignoring or undervaluing other methods or approaches.

So you need to ask yourself a question...am I listening to sources that could possibly be biased or untrue? Is the information always consistent with the same data or viewpoint? Be careful of falling into this trap when listening to mainstream media and social media sources.

Always be willing to look at new evidence, even if it changes your opinion or viewpoint. Be open minded and aware of the source. Be aware of your social feeds. The algorithms are designed to feed you with more of the same information & viewpoints - as reinforcement, which can, in effect, skew your better judgment.

Confirmation Bias: The tendency to search for, interpret, focus on, and remember information in a way that confirms one's own perceptions.

There are several components of this:

- Backfire effect - A tendency to react to disconfirming evidence by strengthening one's previous beliefs.
- Expectation bias - The tendency to believe in data that agrees with our expectations for a particular outcome and disbelieve, discard or downplay any data that may be in conflict with those expectations.
- Attentional bias - The tendency to neglect relevant data when making judgements of a correlation or association.
- Recency bias or illusion - A bias that favors recent events over historic events. This gives greater importance to the most recent event, as opposed to a prior one.
- Selective perception - The tendency for our expectations to affect our perception.

Watch out for these. We as humans have a tendency to reinforce our own beliefs, as opposed to having an open mind about alternative information that doesn't conform to what we believe in. Oftentimes, it's the Data that tells the real story. If you can find or source data (or information) that is valid and accurate, this is ultimately your best source. Also, have an open mind - but be careful about who you are listening to and why. Search for the truth. Be aware of any deception.

Egocentric Bias: The tendency to rely too heavily on one's own perspective and have a different perception of one's self, relative to others.

- Bias blind spot - The tendency to see oneself as less biased than others or to see more cognitive biases in others than oneself.
- False consensus effect - The tendency for people to overestimate the degree in which others will agree with them.
- Illusion of control - The tendency to overestimate one's degree of influence over other external events.

- Overconfidence effect - A tendency to have excessive confidence in one's own answers to questions. A tendency to have excessive confidence in one's own ability to gauge, determine or know a particular outcome.

There are many more of these but I won't list them all. Ultimately, we just need to make sure we keep our ego in check. It's not hard to fall into an ego trap, especially when we are doing well in life or are especially gifted in doing certain things. As you can see from above, our ego can very easily get us into trouble when it comes to our decision making process.

Extension neglect: Occurs when the quantity of the sample size is not taken into consideration when assessing a particular outcome.

- Hyperbolic discounting - The tendency to have a stronger preference for more immediate payoffs today, even though we may regret having made them (in the future). This leads to choices that we make today - that our future selves would not have made.
- Neglect of probability - The tendency to completely disregard probability when making a decision under uncertainty (which is the exact opposite of what we should be doing).
- Zero-risk bias - The preference to reduce a small risk to zero in lieu of a greater reduction to a larger risk. Due to the risk / reward ratio, this bias may not always provide the best result in the end.

This goes back to having a long game vs. short game mentality. You may sell yourself short if you are impatient and not willing to wait for the "right time". Game theory is largely based on probabilities. With that said, probabilities are something we should never ignore or discredit. This will be discussed in much greater detail later in this book.

Logical Fallacies: Are leaps of logic that lead to an unsupported conclusion. These may be committed unintentionally, due to poor reasoning or intentionally, to manipulate others.

- Escalation of Commitment - This is when people will justify increased investment in a decision based on the cumulative prior investment. This is despite having evidence that the prior decision / investment was wrong.
- Gambler's fallacy - The tendency to think that future probabilities are altered by past events, when in reality, they are unchanged.
- Hot hand fallacy - The belief that a person who has experienced success with a random event has a greater chance of success in additional attempts.
- Plan continuation bias - Failure to recognize that the original plan of action is no longer appropriate for a changing situation or a situation that is now different than before.

Loss Aversion: The tendency for investors to fear losses and avoid them more, as opposed to focusing more on making profits.

Many of the above apply to investment decisions. This doesn't mean, however, that they always apply to monetary investments. If you have invested your time & energy (which also holds a value) in anything, most of these will apply. Sometimes, you need to move on and not continue to invest your time, energy (and perhaps your heart) into something that will no longer provide you with a solid return on your "investment".

And a few more...

Framing Effect: Is the tendency to draw different conclusions from the same information, depending on how that information is presented to you.

Normalcy Bias: The tendency to underestimate the likelihood of a potential event (or threat) based on the belief that it couldn't happen (to them). This will lead people to disbelieve or debunk warnings.

Attentional Bias: The tendency for perception to be affected by recurring thoughts. This can create both realistic and unrealistic expectations, as well as a self fulfilling prophecy.