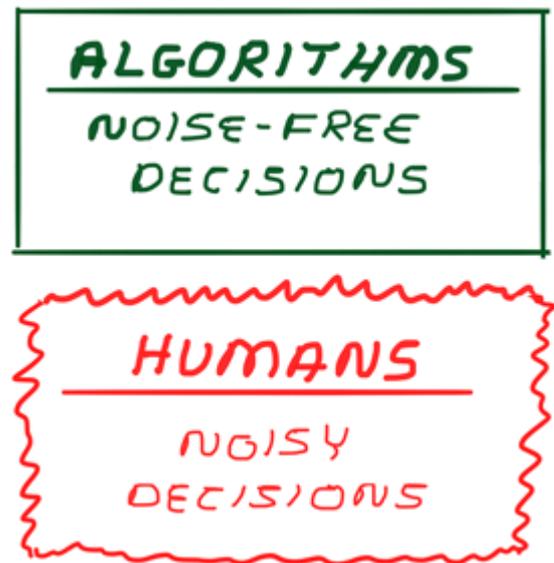


# AAll Investor Update: Kahneman on Decision-Making, and Other Morningstar Conference Notes

❌ Nobel laureate and psychologist Daniel Kahneman shared insights from his current research about decision-making at this year's Morningstar Investment Conference. He described noisy interferences in the decision-making process as being more important than systematic errors.



Noise is something that interferes with the decision-making process, particularly irrelevant factors influencing a person's judgments. Irrelevant factors can include a person's mood, how long it has been since their last meal and the weather. The order in which information is presented creates noise; if you receive the information in a different order, you will likely reach a different decision. Noise is caused by making up your mind too quickly.

How problematic is noise? Kahneman gave an example of insurance claim adjusters. A group of adjusters were given cases to analyze. The estimates from each individual adjuster were then paired to compare the differences in judgments made between them. The company's executives expected the differences to be within an approximate 10% range. The actual difference was 50%. This was not an isolated case as a [Harvard Business Review article](#), co-authored Kahneman, discusses.

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## More on AAll.com

- [Behavioral Errors Hurt Your Returns](#) - I first spoke with Daniel Kahneman in 2012; here is a transcript of our conversation.
  - [The Case for Systematic Decision-Making](#) - The idea of relying on using a formulaic approach to making decisions is not new, as this 2014 *AAll Journal* article explains.
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## Highlights from this month's *AAll Journal*

- [Making Better and More Rational Decisions](#) - Practical suggestions on how to prevent emotions and biases from influencing your decisions and actions.
  - [Grasshoppers and Ants in Retirement](#) - Those who spend more in their working years continue to have higher expenditures in their retirement years but may be economically rational in doing so.
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## AAll Sentiment Survey

Optimism continues to rise, but remains within its typical historical range. Plus, AAll members share their opinions about the new record highs set by the Russell 2000 index. [More about this week's results.](#)

### **This week's results:**

- Bullish: 44.8%, up 5.8 points
- Neutral: 33.5%, down 0.8 points
- Bearish: 21.7%, down 5.0 points

### **Historical averages:**

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

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## What's Trending on AAI

1. [The Right Type of Life Insurance for Your Estate Planning Needs](#)
  2. [Creating and Following a Real Financial Plan](#)
  3. [Social Security and Medicare Can Raise Retirees' Tax Rates](#)
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## The Week Ahead

We'll get an initial look at second-quarter earnings with eight members of the S&P 500 scheduled to report: FedEx Corp. (**FDX**) and Oracle Corp. (**ORCL**) on Tuesday; Micron Technology Inc. (**MU**) on Wednesday; Carnival Corp. (**CCL**), Darden Restaurants Inc. (**DRI**), Kroger Co. (**KR**) and Red Hat Inc. (**RHT**) on Thursday; and CarMax Inc. (**KMX**) on Friday.

The week's first economic report will be the June housing market index, which will be released on Monday. Tuesday will feature May housing starts and permits. May existing home sales will be released on Wednesday. Thursday will feature the Philadelphia Federal Reserve's June business outlook survey. The June Purchasing Managers' Index (PMI) Composite Flash will be released on Friday.

Three Federal Reserve officials will make public appearances: Atlanta president Raphael Bostic and New York president John Williams on Monday and St. Louis president James Bullard on Tuesday.

The Treasury Department will auction \$5 billion of 30-year inflation-protected securities (TIPS) on Thursday.

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## Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give

you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAIL members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)