

Look Beyond Your Comfort Zone for Investment Gains



Charles Rotblut, CFA
AAll Journal Editor

When was the last time you looked at a company you never heard of? How about a company whose name sounded somewhat familiar, but you can't recall why and otherwise you don't know anything about? If your answer is rarely, never or not in a long while, you've got plenty of company.

We humans engage in familiarity bias, sometimes intentionally, but often unknowingly. Familiarity bias is the tendency to give preference to what we know over what we don't know. Over-the-counter headache remedies provide an example. A study published last year found the average consumer choosing a national brand over a store brand 26% of the time while pharmacists only showed a preference for the national brand 9% of the time. **Consumers let misinformation influence their purchase decisions.** The misinformation is likely in part due to biases related to being less familiar with the store brands.

Investments are no different. There are currently nearly 5,000 exchange-listed stocks according to our **Stock Investor Pro** stock screening and database program. How many of those do you hear about with any frequency? A study of media coverage found that **less than 40% of all exchange stocks received even just one mention** in The New York Times, LexisNexus and national newspapers during 2013. Decrease the universe to those stocks mentioned with any frequency, the actual number gets far smaller. Simply put, there are many companies you're unfamiliar with and are otherwise not hearing about. Some of these companies likely possess traits that would interest you as an investor.

[Read more »](#)

More on AAll.com

- **[How to Read a 10-K Filing](#)** - This SEC filing can be a good source of information about a

company

- **Which IRA Should You Contribute to and When?** - If you waited to the last minute to make a 2015 IRA contribution, you could be giving up potential gains according to T. Rowe Price.
- **How Willing Are You to Invest in Unfamiliar Companies?** - See how members responded on the AAIL.com Discussion Boards.

Not an AAIL member? **Join today**

AAIL Sentiment Survey

Neutral sentiment rose to a new 2016 high as optimism pulled back to an unusually low level. **More about this week's results.**

What's Trending on AAIL

1. **16 Financial Ratios for Analyzing a Company's Strengths and Weaknesses**
2. **Strategies for Selling Stocks, Including Guidelines From Experts**
3. **Retirement Readiness Is Being Assessed in the Wrong Manner**

The Week Ahead

Federal income tax returns for 2015 will be due on Monday. (Residents of Massachusetts and Maine can file on Tuesday.) Monday is also the deadline for making IRA contributions for the 2015 tax year. Those of you of who haven't filed yet may find our **tax guide** to be of help.

Approximately 100 members of the S&P 500 will report earnings, primarily the largest companies. Included in this group will be several Dow Jones industrial average components: International Business Machine (**IBM**) on Monday; Goldman Sachs Group (**GS**), Intel Corp. (**INTC**), Johnson & Johnson (**JNJ**) and UnitedHealth Group (**UNH**) on Tuesday; American Express Company (**AXP**) and The Coca-Cola Co. (**KO**) on Wednesday; Microsoft Corp. (**MSFT**), Travelers Companies (**TRV**), Verizon Communications (**VZ**) and Visa (**V**) on Thursday; and Caterpillar (**CAT**), General Electric Company (**GE**) and McDonald's Corp. (**MCD**) on Friday.

The first economic report of note will be the National Association of Home Builders' April housing market index, released on Monday. Tuesday will feature March housing starts and building permits.

March existing home sales will be released on Wednesday. Thursday will feature the April Philadelphia Federal Reserve survey. The April PMI manufacturing flash will be released on Friday.

Three Federal Reserve officials will speak on Monday at different events: New York president William Dudley, Minneapolis president Neel Kashkari and Boston president Eric Rosengren.

The Treasury Department will auction \$16 billion of five-year inflation-adjusted securities (TIPS) on Thursday. You can buy these bonds directly from the **Treasury Department**.

Read more »

The *AAII Journal's* annual tax guide helps investors stay up to date with the ever-changing tax regulations, includes last-minute reminders for 2015 and provides tax strategies for 2016. It will help you understand your current tax liability and what you can do to potentially lower your tax bill this year and next year. **Start your AAI membership today** to get *The Individual Investor's Guide to Personal Tax Planning*, and to benefit from everything AAI has to offer.