

17 Initial Investment Decision Biases

(Source: *List of Cognitive Biases from Wikipedia as of November 4, 2017*)

Decision-making, belief, and behavioral biases

Many of these biases affect belief formation, business and economic decisions, and human behavior in general. They arise as a replicable result to a specific condition. When confronted with a specific situation, the deviation from what is normally expected can be characterized by:

Description
The tendency to overestimate the likelihood of events with greater "availability" in memory, which can be influenced by how recent the memories are or how unusual or emotionally charged they may be. AVAILABILITY HEURISTIC
The tendency to do (or believe) things because many other people do (or believe) the same. Related to group think and herd behavior. BANDWAGON EFFECT
The tendency to ignore base rate information (generic, general information) and focus on specific information (information only pertaining to a certain case). BASE RATE FALLACY
An effect where someone's evaluation of the logical strength of an argument is biased by the believability of the conclusion. BELIEF BIAS
The tendency to overestimate the importance of small runs, streaks, or clusters in large samples of random data (that is, seeing phantom patterns). CLUSTERING ILLUSION
The tendency to search for, interpret, focus on and remember information in a way that confirms one's preconceptions. CONFIRMATION BIAS
Based on the estimates, real-world evidence turns out to be less extreme than our expectations (conditionally inverse of the conservatism bias). EXAGGERATED EXPECTATION
The tendency to place too much importance on one aspect of an event. FOCUSING EFFECT
The tendency to under-expect variation in small samples. INSENSITIVITY TO SAMPLE SIZE

An apparently statistically significant observation may have actually arisen by chance because of the size of the parameter space to be searched. **LOOK-ELSEWHERE EFFECT**

The tendency to completely disregard probability when making a decision under uncertainty. **NEGLECT OF PROBABILITY**

The tendency to be over-optimistic, overestimating favorable and pleasing outcomes (see also [wishful thinking](#), [valence effect](#), [positive outcome bias](#)). **OPTIMISM BIAS**

The tendency to underestimate task-completion times. **PLANNING FALLACY**

The tendency to have an excessive optimism towards an invention or innovation's usefulness throughout society, while often failing to identify its limitations and weaknesses. **PRO-INNOVATION BIAS**

A certain state of mind wherein high values and high likelihoods are overestimated while low values and low likelihoods are underestimated. **REGRESSION BIAS**

The tendency for expectations to affect perception. **SELECTIVE PERCEPTION**

Perception that something is true if a subject's belief demands it to be true. Also assigns perceived connections between coincidences. **SUBJECTIVE VALIDATION**