Financial Focus
Fear of Missing Out

The fear of missing out, often abbreviated as FOMO, in recent years has been added to both the Merriam-Webster and the Oxford English Dictionary. FOMO is a noun defined by Merriam-Webster as, "fear of missing out: fear of not being included in something (such as an interesting or enjoyable activity) that others are experiencing" In the age of social media where we can be bombarded by photos and comments of events in someone else's life, it is easy to see how anxiety of missing out can develop. It seems what we are doing is simply not good enough if we believe our neighbour is doing something better. Whether or not our neighbour is actually doing better is irrelevant the fact that we think they are can create quirky emotions and lead to irrational behaviour.

While the anxiety of missing out is often discussed in the context of social media, it is applicable to the investment world. In the investment world FOMO usually creates emotional decisions, folks taking more risk and abandoning long term strategies. A hot trend emerges, in a haste to catch up to the new money making machine, investors often do minimal research (if any at all) and drastically alter their current strategy. FOMO applies to today's market, however it is not a new phenomenon. In the late 1990s to many it felt like everyone and their dog was getting rich off internet stocks and they were the only one not cashing in. In the mix of the mania any company that was even loosely related to the internet had piles of money thrown at it. Pets.com is a notorious example, the company was losing money, barely had a business plan and still managed to raise 10s of millions of investment dollars. Unfortunately for Pets.com investors, a mere 268 days after raising all that money the company went bankrupt.

I would argue that in the 2007 to 2011 time frame, while not as extreme as the dot com craze, gold experienced a similar rush. The price surged from a couple hundred dollars per ounce to nearly $2,000/oz. At the time many pundits were forecasting that gold prices would continue to sky rocket and people were encouraged to dump their money in gold. In my opinion investing in a trend when it is the talk of the town is often the riskiest time to invest. By the time a trend receives lots of attention the prices of those companies have already skyrocketed. It is tough to make money jumping in after prices have surged. Unfortunately the folks that invested during the height of the buzz of either the dot com craze or the rush in gold ended up losing money. The dot com bubble burst and today gold is well below that $2,000/oz mark. That is not to say that gold or technology companies are bad investments, simply that investing during the mania may not be prudent.

In 2017 Bitcoin and pot stocks surged and received lots of media attention. I am sure we all have a neighbour or a friend of a friend that is bragging about the big bucks they made on one of those trends. The start of the year is often when we review our portfolios and is usually when folks add money, typically through RRSP or TFSA contributions. With money ready to invest it is tough to fight FOMO. The emotion can be strong, it is tempting to abandon your current strategy and chase the hot new trend. I am hoping we can learn from history and I encourage folks to talk to their financial professionals. Ensure the investment fits your plan before jumping in.

Clinton Orr B.Comm (hons.), CIM, CFP, DMS, FMA lives in Beausejour and is an Investment Advisor at Canaccord Genuity Wealth Management