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Learn To Manage Financial Stress

A MarketPsych Guide

*Are you glued to the financial news?
Ruminating and checking prices frequently?
Having difficulty sleeping? On edge, tense, or nervous?*

These are all symptoms of **stress**, and they are common for anyone working in the finance these days. Unfortunately, stress can **erode** the ability to think clearly and perform consistently during the times we need those skills most. Fortunately there are several steps we can take to **manage stress** that will get us back on track to **excellent performance**.

Stress is the brain's way of trying to **protect us**. It prepares us to handle unexpected surprises and **potential threats**. When we're under stress, our adrenal glands release **stress hormones** such as adrenaline and cortisol. These hormones actually affect our brains, causing a **short-term focus, increased pessimism, impaired concentration, reduced attention span, increased mental rigidity, decreased patience, and enhanced detail-focus**. These traits can be problematic for investors since they predispose them to make impulsive trades and information processing mistakes. That's why stress management techniques can help you "**keep your head**" in volatile and unpredictable markets. In order to **reduce stress now** and make a long term plan to prevent future stress, try the three stage process below.

The 3 Stages of Investment Stress Management

Stage 1

1. **Be present with things as they are.** Accept prices where they are RIGHT NOW. Don't expect (or even worse, hope) that prices will rebound. The money is gone, and worrying, regretting, or feeling guilty doesn't get it back.
2. **Get centered.** Let go of extraneous worries and concerns. Focus on what can be done – actions that can be taken - right now.
3. **Schedule a time to worry.** Many people find it helpful to schedule an hour each day to take care of whatever it is you are stressed about. The rest of the time, let it go.



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Stage 2

There are many **actions** you can take to manage your stress. Pick a few that work for you, and **practice them consistently**. A more in-depth list is available in my book, [Inside the Investor's Brain: The Power of Mind Over Money \(Wiley, 2007\)](#).

1. Be sure to engage in **regular exercise**. Vigorous, sustained, and sweaty exercise for at least 30 minutes 4 days per week releases growth factors, improves sleep quality, and reduces stress hormone levels. Work up your endurance over time, and don't cause physical pain for yourself.
2. Practice **relaxation breathing techniques, meditation, or yoga**. Mindfulness meditation has extensive clinical data supporting its use for stress management.
3. Try the following **breathing technique**. On your inhale, silently count "one one-thousand (1-1,000), 2-1,000, 3-1,000," as you smoothly and evenly draw in the breath. Then pause for one beat. On your exhale, silently countdown "3-1,000, 2-1,000, 1-1,000" as you slowly and evenly let your breath out. After a one-count pause, repeat the cycle. You can do this breath-work for 5 to 20 minutes and experience significant stress relief.
4. Put your current troubles into a **long-term, big-picture perspective**. For example, imagine yourself on a mountaintop. See the view out over the plains and mountains beyond, or the ocean stretching into the horizon. Alternatively, imagine yourself looking up at the stars at night while hearing the crackle of a campfire. Slowly feel yourself expanding into the space all around you.
5. **Aromatherapy** scents such as lavender and jasmine improve alertness and relax the mind.
6. **Herbal teas** such as **chamomile** are helpful.
7. Over-the-counter herbs such as **Valerian** and Kava-Kava can be helpful, but be aware that Kava can have serious liver side effects.
8. **Incense and soft music** have been shown to reduce stress.
9. **Long walks in nature** are often helpful.
10. **Warm baths** are relaxing for many people. Alan Greenspan says he does his best thinking in warm baths. (On second thought...)
11. **Eat a healthy diet** with whole grains, fresh and steamed vegetables, and fish and nuts. Don't eat fried foods, processed foods, and consume little to no refined sugar.
12. **Avoid drinking alcohol** more than 2 drinks per day, and don't consume illegal drugs, since they decrease mental flexibility.
13. **Laughing, play, and having fun** are keys to stress management. Watch a funny movie or go to a comedy show. Play with your spouse, children, or pets. Make up some jokes about the financial crisis. All these will get you in a better frame of mind. Do one thing you enjoy every day.
14. Make a **gratitude list** – write down three things you are grateful for in your life every day.



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15. **Shut off unnecessary information sources.** Most investors get too much information. Identify those 3 or 4 pieces of information that are essential to your business, and shut off the rest. Too much information is confusing and often serves to sway us from our plans.
16. **Consider selling some or all of a stressful asset.** You may need to take the pressure off for real financial or psychological reasons, and no amount of blissful stress relief should disable your alarm about a bad position or real threat to your financial well-being.
17. Keep in mind that it's always useful to have a **cash cushion** available.
18. **Hire a coach.** By being accountable to someone, a coach can help you stay disciplined and on plan. They can also help you get started with and stick to a healthy, stress-free lifestyle.
19. When these self help techniques fail, or you've lost the motivation to even begin them, then **psychotherapy and psychiatric medications** may be helpful.

Stage 3

1. Identify your **investment plan / philosophy / strategy**. Are you a value investor? A growth investor? A real estate investor? You don't NEED to buy or sell currently, but you do need to have a coherent plan for what to do and when to do it (buy, sell, raise cash, deploy cash) if conditions reach your pre-defined criteria.
2. Identify what **actions you can take** and under what circumstances you will take them. Don't take actions that you have not thought through.
3. Conversely, identify what aspects of your business you have **no control** over.
4. Identify circumstances that are likely to test your allegiance to your philosophy in advance, look at **historical worst-case scenarios**, and make peace with those.
5. Identify **under what circumstances your investment philosophy will change**, such as during an enormous sell-off or unwarranted popularity of your investing style. Then document those hypothetical situations in an "Investment Stress Management Plan" in advance, including what you will do in each situation.

Because high and **moderate** levels of stress can be **useful** for focusing attention, increasing alertness, and for generally getting things done, many people become **adrenaline-junkies** (workaholics often meet this description). After several weeks high stress levels can lead to **chronic deterioration** in the ability to think through complex problems and multitask. Mental effects of prolonged high stress can include **depression, short-term memory loss, and decreased attention span**. Physical symptoms of stress include **rapid heart rate or palpitations, headaches, fatigue, high blood pressure, and insomnia**.



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If you are experiencing the symptoms of chronic stress, please see a **healthcare professional** for further evaluation.

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