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Monthly Musings

A key division of the mind is the *controlled vs. automatic* systems. In "The Happiness Hypothesis" social psychologist Jonathan Haidt likens our conscious, controlled thought to a rider who is on an elephant representing the automatic systems and always running, subconscious mind.

Our rider is at best an adviser to the elephant and so has no control over the automatic response systems. You cannot, for example, keep your heart from racing and adrenaline spiking when someone truly scares you.

For most of us the elephant sees many things as bad and not enough as good. That is, we have a negative bias. We respond more strongly to threats than we do to opportunities. It is not surprising. Much better for the pre-historic hunter to verify the rustling sound is from a deer than a bear. The lost opportunity of deer meat is disappointing. The misreading of the bear threat is fatal.

This negative bias is evident everywhere. In marital interactions five good / constructive actions are needed to overcome only one damaging / hurtful action.

Related to finance, our brain gives us less pleasure from gaining and more pain from losing the same amount of money. In today's financial world this negative bias must be overcome for optimal investment performance.

Things Financial

As 2014 winds down now is a good time to review some important year-end items before the holidays are upon us.

Taxes:

- Review realized and unrealized gains & losses.
- Check loss carry-forwards from last year.
- Review potential deductions / credits for 2014.

Retirement:

- Max out 401(k) or IRA including catch-ups.
- Take required minimum distributions.
- Open a retirement plan if newly self-employed.

Investment:

- Confirm investment goals and strategy.
- Revisit income and savings needs.

Insurance:

- Review life insurance policies.
- Review employer's health insurance plan.
- Review health savings account contributions.
- Spend remaining balances in FSA.

We are available to assist you with these any of these items.

Thank you for your continued confidence and trust.

Sincerely,

Robert J. Boronski, MBA, CFP®

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