

## **How optimism can be a helpful tool in times of distress**

**26 May 2020:** Optimism, the idea of hopefulness, or confidence about the future success of something, is a feeling that may be understandably absent from South Africans' lives at the moment, especially amidst negative news headlines and a lack of certainty about the future. "COVID-19 and the lockdown situation have robbed us of our sense of control, which is partly why we are struggling to adopt a positive outlook," explains Lise-Mari Crafford of Allan Gray.

Research suggests that there is a direct link between control and optimism.

"If we feel more in control of our lives, we tend to be happier, healthier and more optimistic about the future. While it may be understandably difficult to adopt an optimistic viewpoint given the current circumstance, drawing on the concept of optimism and using it as a tool can improve our state of mind, and help us get through this intense period of uncertainty."

### **How to be a realistic optimist, even when investing**

Behavioural scientists explain that to remain optimistic about outcomes, people tend to dismiss bad news for good news, and cherry-pick information to confirm existing views. This is termed 'irresponsible optimism' or 'blind optimism'.

"Blind optimists have so much faith in their view of the future that they often fail to plan for less positive outcomes. They are also guilty of excessive optimism bias."

Crafford says that adopting a balanced view by seeking perspectives contrary to our own and ensuring that decisions are grounded in reality, will help us avoid falling into the blind optimism trap.

"Realistic optimists accept that there are challenges; they endeavour to understand the action they need to take to achieve what they want, and accept that there are things that cannot be changed."

She adds that investing is an activity grounded in optimism and that realistic optimism can help investors during times of crises.

"Essentially, your eye is on a positive future outcome. Optimism and pessimism themselves are market-makers: driving prices up and down each day based purely on what investors are feeling, rather than the reality of how a company is performing," says Crafford. "Blind optimism lures investors in droves; pessimism creates opportunities for value investors. Realistic optimism helps to achieve goals."

Below Crafford outlines the case for optimism.

#### **Reason #1: Optimism supports creative thinking and the generation of new ideas**

In a world with a health crisis and a standstill economy, optimism will help individuals and businesses alike to think differently about how they can support their communities, and how they can position themselves for a different future.

#### **Reason #2: Optimism produces a tendency to act**

Optimists see the future as holding opportunity and they want to prepare for it and make it happen. This driving force will be critical in the coming weeks and months.

**Reason #3: Optimism supports persistence in a chosen course of action that is difficult**

Things are tough, and it's going to take a long time for them to get better. It may feel very difficult to persevere – with a struggling business, with a poorly performing investment, with a goal that will take longer than expected to achieve. Optimism will help you get there.

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