THE NEW MINDSET FOR SUCCESS

The concept of emotional intelligence (EI) – the ability to understand and manage emotions effectively – is spruiked as the winning ingredient in everything from corporate leadership to skincare. Increasingly, and perhaps somewhat surprisingly, it’s also gaining traction when it comes to successful investing, particularly in the volatile business of stocks and shares. But what exactly is it? Can we improve it? And how can it help us make our money work harder?

It isn’t a new notion. Various research studies have highlighted the connection between EI and success. New Zealand’s Dunedin experiment, for example, has been tracking and studying more than 950 people, from all walks of life and socio-economic backgrounds, for more than 50 years. The resulting data shows that people who are able to delay gratification, and who can control their emotional reactions in the moment for the benefit of their future selves, are significantly more likely to achieve financial success throughout their lives.

And in 2021, a study by Carrie Anderson, of Lewis University in the US, examined the financial lives of university students. The research highlighted that students who possessed greater emotional regulation were less likely to misuse financial aid, become overwhelmed with student debt or experience unwanted pregnancy, and were more likely to achieve higher academic results, invest, repay debt, and be more financially astute generally.

But back in the late ‘90s, the notion of EI as a game-changer was quite sensational. Emotion was a “soft skill” – a poor cousin to the “hard” skills necessary for the hard numbers game of financial markets and investing.

Psychologists such as Daniel Goleman predicted that EI would become even more important in the future, with technological advances meaning information would become more democratised and accessible. Most of the business elite of the day minimised the findings as interesting but irrelevant, just another pop fad to help sell a few books and make a few careers.

Age of disruption
Fast-forward 30 years and the digital revolution is in full swing, with internet connectivity, automation, machine learning and artificial intelligence dramatically shifting how we live our lives. This is salient in the financial industry, where consumer behaviour, algorithms and a host of revolutionary new ideas are disrupting the very foundations of traditional marketplaces.

Alongside the digital disruptors, there has been vastly increased access to a tsunami of data and analytics, and novel ways of helping the average person understand and navigate markets like never before. So, it stands to reason that on a newly levelled playing field, EI has the potential to give some the edge.

“The understanding of the specific object or thing is less important than understanding the context within which it is found,” says Simone Joyce, co-founder of...
Australian fintech success story

Paypa Plane and current chair of
Fintech Australia. “People are no
longer successful simply because they
have a high IQ or they went to the
right school.

“It takes emotional intelligence to
understand your relationship with
risk and how that relates back to the
way you’re interpreting the context of
every given situation, and therefore put
you in a better position to succeed.

“Some people call it intuition, but
I think a large part of your EQ sits
within your subconscious, and it is this
part which is telling you whether
something is right or not. People who are
attuned to this factor, and are able to
take that on board, definitely have
an edge over those who are less
in touch with that part of themselves.”

Winners and losers

Every week it seems a new app or
software-as-a-service SaaS platform
comes along that helps simplify and
present large financial data sets in more
meaningful ways. Data is no longer the
exclusive purview of the financial elite –
it has been democratised.

With data now more decipherable
by mere mortals, and the level of
financial literacy increasing
throughout the population, it seems
as though the number of genuine
runners in the race to be in the
financial winners’ column is growing
exponentially. Access to information,
data and analytics is no longer the
great differentiator between the
winners and losers.

This is a particularly important
development for another reason – the
fact we are living longer, much longer,
than what our current economic
system is set up to address.

Many people approaching
tirement are realising that
superannuation as a savings strategy
was built on an assumption of life
ending in our ’70s. Now they need
an investment strategy to keep
funding themselves well into their
’90s or beyond.

This new and improved access to

Cover Story

australian fintech success story

jason titman doesn’t just talk a good
game. the saas tech investor and
top-level technology executive has

been in the trenches and come out on
top many times than can simply be
attributed to chance.

one of australia’s most prolific
and successful investors, titman has
helped create more than $300 million
in value by building companies
and exiting them. he is a company
director of cryptocurrency exchange
swyftx and helped oversee the recent
$15 billion merger with fellow aussie
fintech superhero.

when it comes to consistently
making money in the current
environment, titman is an expert
on the changing nature of
the marketplace and the appropriate
mindset it takes to win.

“I’m not sure if more information is
actually helpful for most people, as all
it is doing is giving a more articulate
representation of history, rather than
helping people predict the future,”
he says. “I think EI has always been
important, particularly as it relates to
people’s ability to focus and give their
full attention to specific things.”

his view is that if you want to be a
successful investor, you still need to
have deep experience and knowledge
in the asset class you are wanting to
invest or do business in – access to
data doesn’t change that. “Then, and
only then, will you be able to attune
to the political, social or environmen-
tal changes that are likely to impact
future profitability.

“People who do not understand the
business seem to focus too heavily
on share prices and expert opinion,
and miss many of the key decisions or
environmental shifts that will create
challenges or opportunities down the
track,” he says.

for titman, the thing that differen-
tiated him from others was his ability
to focus his attention on all aspects
of the specific asset classes he was
involved in, and ignore the noise of
other sectors or industry hype that
was less relevant. “Don’t just invest
money, invest time into fully under-
standing the business, and resist the
urge to simply rely on apps, websites
or other people’s advice.

“People get emotionally caught up
in groupthink. in the future, people
are going to make behavioural and
emotional-based decisions just like in
the past, but they will be much better
supported by loads of data.”

the information that is available
today is exponentially greater than
when titman started investing 30
years ago. however, copious volumes
of econometrics and statistical
modelling have been around for
years, and he’s seen first-hand what
people tend to do in the face of
overwhelming data.

“I think the people who make the
best financial decisions are the ones
who don’t get paralysis by analysis,
who are able to simplify and sort
data for what’s important and not
distracted simply by the amount of
information or whose advice it
is supporting.”

“This data simply doesn’t give you
everything you feel it does – there are
political realities and social volatilities
that are simply impossible to encode
into an algorithm. people will always
act irrationally – the winners in the
future will be those who are able to
employ patience when others are
panicking.”

That is a key insight. To employ
patience in the face of panic takes
emotional intelligence.

“I would argue that it is impossible
that we are ever going to be able to
have data and AI in the financial
markets that overrides what humans
will do,” says titman.

“You need another human to
identify and understand human
behaviour. you need EI to see clearly
and industry expertise to understand
implications. AI may be able to
take care of the historical data and
statistical analysis, but it will take EI
depth domain knowledge to know
how best to use it.”

When it comes to the mindsets we
need to succeed now and into the
future, the takeaways from titman
are threefold:

1. An investment strategy to keep
funding themselves well into their
90s or beyond.

2. An understanding of the
political realities and social volatilities
that are simply impossible to encode
into an algorithm. People will always
act irrationally – the winners in the
future will be those who are able to
employ patience when others are
panicking.

3. Emotional intelligence. It is
effective in helping people predict
the future, and understand the
representation of history, rather than
helping people predict the future.

In conclusion, emotional intelligence
is a critical component of success in
investing and financial decision-making.
It allows investors to focus on the
relevant factors, ignore distractions,
and make informed decisions based
on a holistic understanding of the
marketplace. As the financial world
continues to evolve, emotional
intelligence will become even more
important in guiding successful
investing strategies. 
Have a deep understanding of the business and industry you are investing in.

Resist FOMO (fear of missing out) or groupthink but rather recognise the irrational behavioural patterns of the herd.

Control your fear so you don’t get hoodwinked by the tsunami of available information.

Altered perceptions

It could be argued that a new wealth of financial information, the great democratisation of data and analytics, may actually make us worse decision makers. Conversely, EI is enabling us to flex the emotional muscles we need to engage more with data threatening to lead us toward poor, ill-informed decisions.

“Sure, there are advances in data science visualisation and prediction, but does that mean that people will interpret that data correctly? Of course not,” says Uwe Dulleck, one of the titans of modern behavioural economics. “More information often leads to confirmation and information bias, creating an increased surety in the righteousness of your decision rather than helping you make better decisions.”

Dulleck is one of those unique individuals who sit on the cusp of research and practical application. He is a founding member of QuBe (Queensland Behavioural Economics), a co-director of the Centre for Behavioural Economics, Society and Technology (BEST) and a tenured professor in the faculty of Business and Law, School of Economics and Finance at Queensland University of Technology (QUT).

Dulleck references the work of Robert Lucas in the late ’70s and ’80s, and his famous “Lucas Critique.”

“In the ’80s, the econometrics got better and better, so we attempted to model inflation and monetary policy based on those insights. But we argued that you cannot beat the market by using advanced econometrics because the markets react very quickly to this new input, which quickly undermines any advantage these econometrics may have provided.”

This can be seen in recent times. Economics and big data have been around for a long time now, but 10 years ago were they able to predict today’s house prices? Petrol prices? Inflation? Or any number of other commodities?

Even when we were in the middle of the pandemic, we couldn’t predict what different elements of the economy were going to do with any degree of certainty.

“The real insight here is that the market changes and adapts quickly to emerging technology and trends, and your ability to shift your mindset and strategy as the market shifts is essential,” says Dulleck. “The difference today is that technological advances have dramatically sped up the rate of change.

“One of the big challenges I see is that people try hard to pick winners, when what they should be doing is sharing the risk across many businesses in your field of expertise.”

It’s a strategy many angel investors use when selecting investment targets. Some investors try to look for the billion-dollar “unicorns” and get sucked into the hype of a new company. But many angels (high-net-worth individuals who provide financial backing for small start-ups or entrepreneurs) understand that it is almost impossible to know in three to five years which company will be the true unicorn, so they forgo the high-er-priced and much lauded investments to invest in more lesser-known companies. They realise that for all their domain knowledge, luck still plays a huge role.

Dulleck has observed that people are often motivated to pick winners, not because they necessarily want to get a bigger windfall, but because they want to be better than their neighbours.

“There was an agricultural innovation project [where an industry colleague] had to convince farmers to adopt a new technology, and he found that the boat was a signal to farmers to adopt innovation was to give them a boat,” says Dulleck. “Because the boat was a signal to their neighbours that they must be doing well, and the appearance of doing better than their neighbour was a huge driver."

“This is what often happens when we try to benchmark our success against what we perceive others’ success to be. We see other people’s ‘boats’ and automatically assume a level of success, and take all sorts of risks in order to make up for an imaginary gap that never existed in the first place.”

At the heart of this perception trap are two emotional drivers: fear of being left out (insignificant, unintelligent, ostracized, a loser) and laziness (for more appropriately the drive to avoid the pain of having to learn something new).

The problem with relying too much on data is that statistics can be managed by people in ways that trigger these fears, which means you become the prey for those interested in profiting from your poor decisions. If you see the emotion that it is provoking you, when presented with this data, it stands to reason why you’ll be less susceptible to these type of mind games.

Risk and rewards

“I reject the idea that in order for you to win, someone has to lose,” says Justin Richmond, CEO of longstanding financial advice company Olive Financial Markets, and former CEO of numerous large financial services firms. “When there is a growing pig, like is happening right now, everyone can win because new industries and business models are creating a bigger market.

“We’re different here in Australia, though – generally we invest so we

8 ways to improve your EI

As researchers involved in the Dunedin experiment discovered, EI is the only major predictor of success in life, with factors such as IQ, academic performance, culture, experience or hereditary wealth having little to no predictive validity.

The good news is there are ways to help manage, understand and even strengthen your EI in order to develop more emotionally intelligent financial habits.

1 Pay now, buy later. Find ways to practise the art of delaying gratification. This is by paying down loans quicker, lowering spending to increase savings or packing a DIY lunch in order to enjoy a sumptuous dinner. Whatever it is, keep asking yourself, “Will I be better off tomorrow if I don’t do this today?”

2 Break the generational taboos. We all inherit attitudes and behaviours from our parents, particularly in relation to debt and talking about money. Practise discussing the ups and downs of your financial life with trusted others without fear, embarrassment or ego, and ask questions to learn from other people’s experience. This will help familiarise and normalise many things that are hidden behind a veil of secrecy and shame.

3 Play the infinite game. Worry less about how you are doing in comparison to others, and instead just look at what you have got and try to make it better. Make constant improvements based on your own history. By focusing on what you have, you lessen the likelihood of being hoodwinked by the fear of what you don’t have.

4 Slow things down. You always have more time than you think. There is a plethora of better choices in the gap between thought and action. The more you can pry these two things apart, the better, less reactive decisions you will make.

5 Name it to tame it. Use an emotion wheel (see page 38) to increase your emotional lexicon and notice how it feels to dial emotion up and down. This is your superpower – knowing how to manage this in yourself and others is the gateway to stronger emotional intelligence.

6 Practise mindfulness. Setting aside time to practise consciously attending solely to the present moment has been shown to have massive benefits on financial decision-making. This is not a spiritual thing, but a tangible way you can build emotional regulation muscles.

7 Become the expert. Learn everything you can about the asset classes or industries you are investing in. This will help reduce panic when unexpected things happen, and allow you to rate the chances of success.

8 Build a better environment. You remove tempting foods from the house, or are trying to stick to a healthy diet, so do the same with temptation when you spend. This could include cutting up credit cards, setting daily spending limits on accounts, avoiding supermarket shopping when you’re hungry, or banning yourself from shopping on your phone. Give yourself the best chance to win.

Setting boundaries, and then sticking to them, is key to building good EI.
Learning to consciously control your level of arousal turns your emotions from a weapon of mass destruction to a superpower of success and influence. To get started, it can be very helpful and use something like the Decida 5-level emotion wheel (see above), which helps put language around the common emotion buckets of scared, anxious, happy, excited, angry and sad at different arousal levels. Sad goes from disappointed to despair, happy from peaceful to ecstatic, and so on.

When you do this, you intuitively stop seeing good or bad emotions, and start to consider what extent you’re in control of them. Anxiety is okay (even useful) when it’s kept at a level of ‘concerned’ or ‘appraisive’, but move into “panic” or “overwhelm” and you’ve lost control and are unlikely to make good decisions.

The toilet paper craze when the pandemic first hit is a classic example of our irrationality when we panic. Interestingly, when we give in to moments of high arousal, when we “flip out” or “lose our head”, our brain releaes chemicals such as cortisone and dopamine, so it actually can feel good in the moment. It’s only when we calm down and regret starts to kick in that we realise how foolish we may have been.

Learning the language of arousal is key when trying to keep your cool. When you are anxious, it is much more useful to think about being concerned about the thing that is stimulating a parasympathetic response, rather than suppressing it. Articulating emotion at a lower level relieves its intensity. Supressing it adds pressure until something bursts. Scientific studies show that suppressing emotion can rob us of 20%-45% of our cognitive capacity, with our subsequent performance equally diminished. High performers know how to manage their emotions and can dial things up and back very quickly and with great ease.

Once we can manage our own emotions, we can then use the emotion wheel to build cognitive empathy with others. We all know how ineffective it is to tell an angry person to calm down, or a grieving person to cheer up. Better to be irritated at the thing someone is angry about, or discouraged at the thing someone is grieving the loss of. By expressing a lower arousal version of the emotion being felt, the other person feels validated, heard, more connected with, and things settle down. This ability to be able to dial it up and down can be trained like any other muscle. At first it will hurt, but over time it gets easier as you become more proficient. Practice, like many things, makes perfect.

Within five years, he had been promoted to life decisions to that point, and calm down those emotions through some acceptance commitment therapy (ACT) techniques. The ACT approach is that you feel and see the emotion in your mind’s eye, give it a physical shape and name, and then tell it to sit down. Rather than panicking about what had been lost or fearing being poor, Barrie was able to focus on what he had, and in the small steps he could take to get back in control of his finances. “Building this emotional resilience, understanding and managing my emotions has helped me in every part of my life ever since I started to learn about them in my late 20s.”

Twenty years on, Barrie owns three properties outright, is a highly paid and respected executive in a large financial firm, has all his family relationships still intact, and is looking forward to continuing to build wealth well into his 70s to help create a real financial legacy. His grandkids and their grandkids will never have to experience the kind of poverty he had to endure.