

THE DANGER OF DENIAL AND THE PRICE OF PROCRASTINATION

By Ernest McDaniel

In my upcoming book *Three Miracles and Seven Secrets*, the chapter on the first of the seven secrets is titled “The Danger of Denial and the Price of Procrastination”. This is a secret that needs to be told, so bring your ear close as I whisper.

You probably already know this first part. Human beings are remarkably adept at disbelieving when they prefer not to believe, at being struck deaf when they prefer not to hear, at succumbing to distraction when they prefer not to think.

Here is the good news. Experts tell us that people mildly out of touch with reality in the direction of optimism are happier than those who are more accurate in their assessment of probable events.

So, the old adage “ignorance is bliss” seems to hold some truth. However, there is also considerable truth to another old adage: “a fool and his money are soon parted”. That is the bad news.

Stock market investors over the last few years have certainly been made the fool by some analysts and also by several company management teams—so say the courts.

But in many other cases the investor can cast the blame on no one but himself. He wanted to believe, for example, that his favorite stock or mutual fund would not go down much more or much longer, that recovery was right around the corner. So he found a magazine article or television show, perhaps even an advisor, who agreed with him. Or maybe he proudly followed the sole counsel of his own wishful thinking, ignoring risk considerations, ignoring historical precedent. Either way, the result is the same.

Denial, psychologists tell us, is the first stage in emotionally processing any significant loss. They also say that a person can get stuck in this denial stage and fail to reach healthy acceptance of his loss. This may happen whether he is grieving a deceased loved one or the disappearance of a chunk of money in the stock market.

Easily recognized is the investor in denial. He is the fellow who states in an overly insistent tone: “It’s just a paper loss.”

R-i-i-ight.

And then he declares firmly: “It will come back.”

Maybe. But how much lower will it go before it even begins to come back? And then how long will the recovery take? And what other investments might the remaining value be placed in instead, alternatives that might be more likely to increase in value, and sooner, and perhaps with less risk? None of these wise questions occur to the investor in denial. After all, he has not really lost anything.

At risk as much as investors in denial are those who procrastinate. The procrastinator may accept that he needs to make a decision, to implement a change-but he cannot quite find the time and energy.

Often this is because he is afraid of making a mistake. When a procrastinator avoids an important decision, he fails to realize that this is its self a decision. Has he made a rational, informed, well considered choice? No. He has defaulted to the status quo. He has made a decision without deciding. Talk about a big mistake!

The Christian psychiatrist Scott Peck, author of *The Road Less Traveled* and *People of the Lie* and many other worthwhile books, rightly points out that finding courage within to face head-on the painful truth makes for a life more meaningful and effective. That principle applies to investing as well. The first of the Seven Secrets is ultimately about the financial rewards of being honest with oneself, of choosing this small bravery over bliss.

