## INVESTMENT TRAPS EXPOSED

# Navigating Investor Mistakes and Behavioral Biases

### INVESTMENT TRAPS EXPOSED

## Navigating Investor Mistakes and Behavioral Biases

Ву

H. Kent Baker American University, Kogod School of Business, Washington, DC

> Vesa Puttonen Aalto University, School of Business, Helsinki, Finland



Emerald Publishing Limited Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2017

Copyright © 2017 Emerald Publishing Limited

#### Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

#### British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78714-253-4 (Print) ISBN: 978-1-78714-252-7 (Online) ISBN: 978-1-78714-721-8 (Epub)



ISOQAR certified Management System, awarded to Emerald for adherence to Environmental standard ISO 14001:2004.



### **ACKNOWLEDGMENTS**

The greatest part of a writer's time is spent in reading, in order to write; a man will turn over half a library to make one book.

Samuel Johnson

The observation aptly applies to Investment Traps Exposed: Navigating Investor Mistakes and Behavioral Biases. We owe a debt of gratitude to literally hundreds of authors whose work we read to provide a foundation for writing this book. We want to acknowledge the outstanding work by Elizabeth Caravella and Linda Baker, who diligently read each chapter providing thoughtful suggestions and edits to improve the book. Special thanks also go to Mikko Niemenmaa, Sanni Nissilä, Ilja Tauber, and Markus Weckman for research assistance in developing the various cases. We also thank our partners at Emerald Publishing Groups for their professionalism, especially Charlotte Maiorana (Senior Editor), Fiona Mattison (Editorial Assistant), and Jaya Chowdhury (Project Manager). We appreciate the research support provided by our respective institutions — the Kogod School of Business at American University and School of Business at Aalto University. Finally, we thank our families for their encouragement and support and dedicate the book to them: Linda and Rory Baker as well as Marika and Sandy Puttonen.