

**Poison Ivy**

*“You're gonna need an ocean of calamine lotion” The Coasters – “Poison Ivy” (1959)*

If you have ever had a severe reaction to poison ivy, you know how itchy and dreadfully painful it can be. Not everyone reacts the same way to poison ivy exposure. In fact, some people seem not to be sensitive to the poisonous plant at all. Others can merely get within feet of poison ivy, and its oily toxin seems to almost leap right off the leaf onto the unsuspecting victim.

Why is it that some people can rub poison ivy oil all over their body for hours with no allergic reaction, yet others have the severest reactions with only the slightest exposure? Roughly 85% of all humans are at least somewhat sensitive to poison ivy, while the other 15% seem to have no reaction to the plant at all. One answer lies within the fact that some humans are not born with this allergy, but develop it over time. Repeated exposures to poison ivy can make one more sensitive, though one’s vulnerability to poison ivy can also decline with age.

One may say that a person’s reaction to poison ivy may be mostly related to what I may call, the “disposition effect”. The disposition effect may mean that some may be more predisposed than others to develop or resist the allergy.

Like poison ivy enters our bloodstream and creates an allergic reaction, volatility in the financial markets can poison our mind and make us irrationally fearful.

If you’ve ever tried to focus on something while you’ve had poison ivy, you’ll know that it’s a miserable experience. No matter how hard you try to focus, the unbearable itchiness always seems to pop into the forefront of your thoughts.

This is the same mindset that many investors operate with when the market is volatile. Of course, a small percent of investors are immune to it – they can continue to work and live their daily lives, even when the market is swinging wildly or declining. But for most of us, the opposite is true. Questions like *“should I sell now or hope for a rebound?”* and worries about our financial futures seem to dominate our mind. Eventually, if the market doesn’t stabilize, these worries begin to cement into fear. And if it involves a major market crash – like in 2008 – it can even become psychologically traumatizing.

Like repeated exposure to poison ivy makes you more susceptible to the poison, an experience with a major financial crash can leave investors more vulnerable to their own fear. Some investors may simply walk away from the financial markets, storing all their money in cash



*A New York Times article from Black Tuesday, 1987*

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for fear of another market crash. Many investors who experienced the Great Depression never were able to fully trust the financial markets again, and refused to invest in the stock market altogether. Others still invest in the market, but overreact and panic whenever the market becomes volatile.

This kind of psychological trauma can last for years or a lifetime, depending on the person, and that person's predisposition regarding financial assets.

But unlike our body's reaction to poison ivy, our minds can control our reaction to the financial markets. Past financial trauma is not necessarily a negative. In fact, it can engender a healthy level of skepticism and encourage the adoption of a more focused, rules-based approach.

But too often, irrational levels of fear can lead to poor, emotional investment decisions. It can be hugely costly to an investor's wealth and financial health.

The remedies for poison ivy may include steroid shots and topical lotions. What are the remedies for systemic emotional fear around one's personal finances?

The most effective treatment, in my opinion, I will refer to as the "accountability antidote". That simply means that most people (maybe even 85%), when making investment decisions, need at least a sounding board or even full direction from another person who has the capacity to be objective. I believe that a competent financial advisor serving you with proper motives can be that "remedy".

The recent volatility in the stock market should not be judged from a mindset of irrational fear. Instead, apply a calm, rules-based investment strategy that fits your personal financial priorities.

As always, please call me with any questions or comments.

My very best,

*Derrick*

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