



## What Does Your Investment Style Say About Your Personality?

### Description

Just as no two people's personalities are the same, no two investors follow the same method when deciding how to invest their hard-earned cash. However, for many people their investment style is a reflection of their personality. With that in mind, here are a number of different investment styles and what they may say about the investors who use them.

#### Growth investors

While all investors seek capital growth, those classed as growth investors consider it to be the most important aspect of investing. In fact, many growth investors will overlook a shaky balance sheet or high share price as long as the company in question has the potential to record upbeat earnings growth.

As such, growth investors are often risk takers, not just when it comes to investing but when it comes to life, too. They tend to be more likely to focus on the potential rewards of a given situation, rather than consider what could go wrong. Therefore, they are perhaps more likely than the average person to live life to the full and tend to be extroverted, while accepting that mistakes are an inevitable part of life.

#### Income investors

Few investors would turn down the chance to receive a dividend from their investment. However, income investors focus on their income return in the same way as growth investors prioritise earnings growth. That's perhaps where the similarity ends, though, since income investors tend to be much more cautious individuals. They will often view capital gains as either temporary or as a bonus, and tend to be much more scientific in their approach to investing.

For income investors, investing is more of a science than an art. It boils down to yields, payout ratios and other metrics which provide an indication of whether a company can afford its dividend. This more organised take on investing compared to growth investors means that income investors are likely to be more patient and organised individuals who take a long term view on most aspects of life.

## Investment approaches

There is also a big difference in the personalities of investors focusing on financial metrics (quantitative) rather than on management strength, a company's business model and operating environment (qualitative). The former tend to be more introverted individuals who prefer to use logic to make decisions in their personal lives. The latter are usually more artistic and less interested in the finer details.

Similarly, short term investors tend to be more impulsive individuals. While this is not necessarily a bad thing, it can mean that they are somewhat indecisive, impatient but also exciting and fun to be around. Long term investors, on the other hand, are more likely to be laid back and go with the flow rather than trying to live life as quickly as possible.

## Takeaway

While the above is a generalisation, it does seem to be the case that investors invest as per their personality type. This is no bad thing and is logical, since people tend to do what feels natural and comfortable in all parts of their lives, including investing. However, the reality is that investors are usually most successful when they are able to adopt a strategy which utilises their strengths and manages their weaknesses. As such, just as there is no perfect personality type, there is no perfect investment method for all market conditions.

## CATEGORY

1. Investing

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