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Weekend Bytes

A weekly series from HDFC Mutual Fund

Solomon's Paradox in Investing: Why you need the guidance of an Investment Expert?

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Solomon's Paradox in Investing: Why you need the guidance of an Investment Expert?

Have you ever noticed how easily you can solve someone else's problems but feel completely stuck when it comes to your own? This logic applies to money problems too!

When a friend asks what they should do during a market correction (such as the one that we are observing currently), one tends to advise, "Stay invested and think long term." But when our own portfolio dips, anxiety may creep in, and suddenly the logic of thinking long term feels distant. This is not a lack of knowledge. It's a psychological phenomenon known as Solomon's Paradox.

Solomon's Paradox

King Solomon was famed for his extraordinary wisdom. People travelled far and wide to seek his judgment on disputes.

One day, two women came to him claiming to be the mother of the same baby. Solomon proposed a shocking solution: divide the child in two. One woman agreed, but the other begged him to give the baby to the first woman instead, just to save the child's life. Solomon instantly recognized the true mother - the one willing to let go out of love and awarded her the child.

The paradox?

While Solomon could make profoundly wise decisions for others, he struggled to apply that same clarity to his own personal life and choices.

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The Paradox at Play

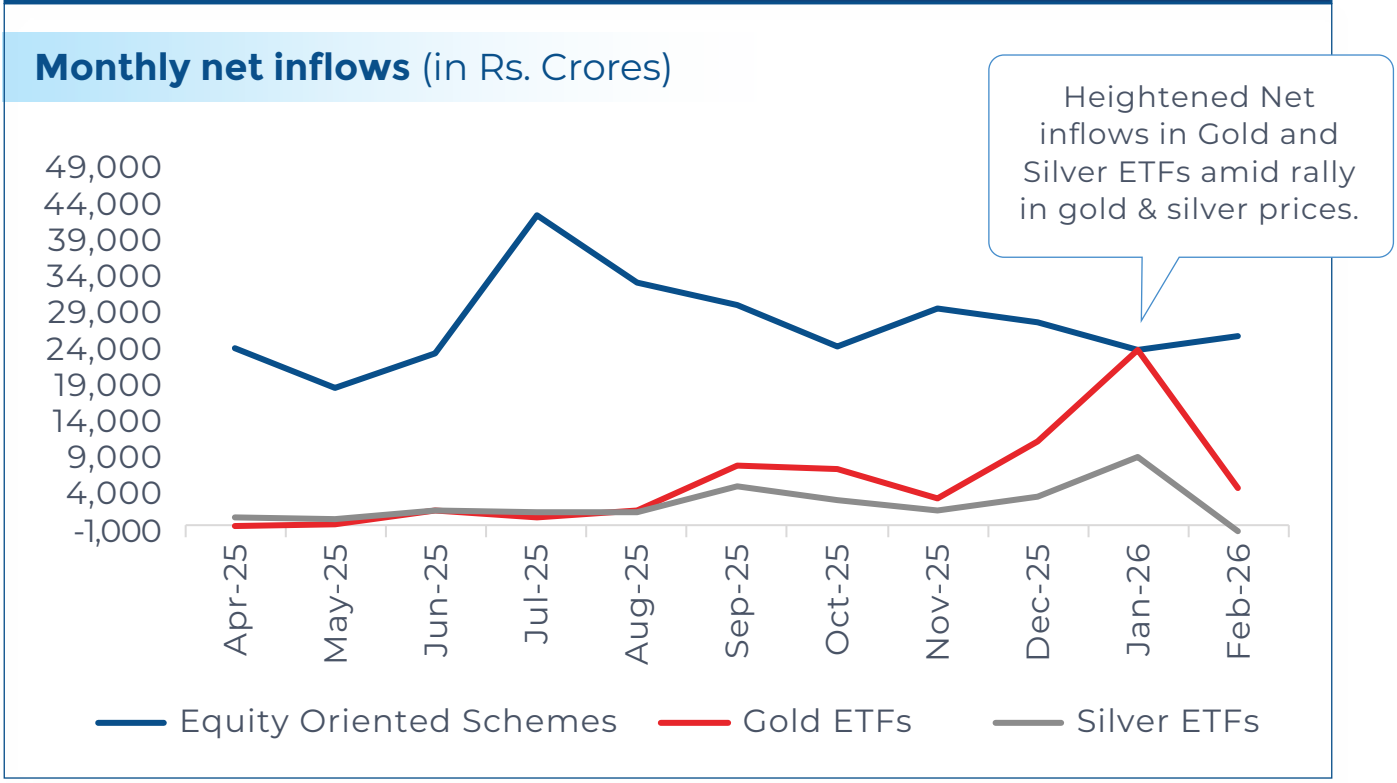
Solomon's Paradox describes a simple but powerful truth:

We are wiser when advising others than when making decisions for ourselves. When we look at someone else's situation, we are more objective and less emotional. But when it is our own money, emotions like fear, greed and regret tend to cloud judgement.

And in investing, emotions are often the biggest risk.

A recent evidence of behavioural excess in investing

Net inflows in open ended Equity oriented schemes, Gold ETFs and Silver ETFs



Source: AMFI

As can be seen from the above graph, net inflows in Gold and Silver ETFs has been dynamic with the frenzy related buying peaking in January 2026. During this period, the net inflow in Gold ETFs was higher than Equity oriented schemes too!

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The Emotional Investor vs. The Rational Advisor

- You tell others to stay disciplined during volatility, but you are tempted to exit during downturns.
- You advocate long-term investing, but chase short-term trends yourself.
- You understand asset allocation, yet struggle to rebalance your own portfolio.

This gap between knowledge and action is where wealth may quietly erode. Hence, advice from an Investment Expert may help! An investment expert acts as the rational version of you: the one who makes decisions without emotional interference. Think of an investment expert as a mirror reflecting your best financial instincts and not your fears. They:

- **Ask the right questions when you're unsure**
- **Challenge impulsive decisions**
- **Reinforce discipline when it matters most**

In essence, they help you apply the same wisdom (you effortlessly offer others) to your own money.

Why an Investment Expert Matters?

- Objectivity when you need it most
- Discipline over impulse to act
- Structured decision making with focus on Asset Allocation
- Long-Term perspective

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Conclusion

Research shows that investor behaviour is often one of the determinants of returns. Mistakes like timing the market, exiting during downturns and overreacting to news may significantly impact outcomes. An investment expert does not just manage money, they help manage behaviour.

Solomon's Paradox reminds us that wisdom is not the problem, rather biased application of wisdom is. In investing, the difference between knowing and doing could define one's financial future.

Sometimes, the smarter move you could make is to trust someone (such as an Investment Expert) who can think objectively on your behalf!

Views expressed above are indicative and should not be construed as investment advice or as a substitute for financial planning. Due to the personal nature of investments, investors are advised to seek professional advice before investing.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world