

Why Losing ₹1 Hurts More Than Gaining ₹2

By AK Rao Personal Finance Advisory

AK Rao
Personal Finance Advisory

Why Losing ₹1 Hurts More Than Gaining ₹2 Feels Good

Understanding Loss Aversion
(Fear of Losing > Joy of Gaining)

GAIN ₹2,000
Feels good.
Pleasant. Temporary.

LOSS AVERSION
The pain of losing is stronger than the joy of gaining.

LOSS ₹1,000
Hurts more.
Lingers longer.

How Loss Aversion Shows Up

- Holding losing investments for too long
- Avoiding good opportunities due to fear
- Overpaying for safety, missing growth
- Delaying decisions that could create long-term value

Focus on Better Decisions, Not on Avoiding Every Loss.

- Have a plan and follow it
- Focus on the long term
- Manage emotions, not just markets
- Diversify and stay balanced

Better perspective. Better decisions. **Better financial future.**

www.akroadvisory.com

Imagine this.

You win ₹1,000 cash award. It feels good. Unexpected. Pleasant.

Now imagine something else.

You lose ₹1,000 from your wallet.

But the feeling? Far more intense. Far more personal. That discomfort lingers.

The pain of losing is stronger than the pleasure of gaining. Not slightly stronger. **Significantly stronger.**

This imbalance is called **loss aversion**.

Where it shows up in everyday life

Loss aversion is not just theory. It shows up in very practical ways:

1. Investors who refuse to book losses

An investor buys a stock at ₹500. It falls to ₹350.

Now the decision should be based on future potential.

But emotionally? “I’ll sell once it comes back to ₹500.”

Not because the investment is sound. But because selling now would *confirm the loss*.

“At least let me break even”. So, they wait. Sometimes for years!

2. Holding on to “Bad” assets

- Real estate that is underperforming
- Insurance policies that no longer make sense
- Investments that have clearly lost direction

Why not exit? Because exiting feels like *accepting defeat*. And the mind resists that !

3. Avoiding investments altogether

Many people avoid equity markets entirely. Not because they don't understand market. But because they fear of losing capital.

4. Opting for “Safety”

- a. Guaranteed returns (Fixed Deposits)
- b. Low-risk products (Gold and Silver)
- c. Capital protection (Insurance as investments)

All of these feel comforting. But often, they come at a cost: **Slower long-term wealth creation.**

Why our brain works this way

Loss aversion is not a flaw. It is evolutionary.

For early humans:

- Losing resources (Food, shelter and Weapons) could mean survival risk
- If they gained something extra, it is good, but not that essential.

This worked well in a survival context. But in modern financial life? It can quietly hold us back.

The Hidden cost of loss aversion

Over time, loss aversion can lead to:

- Missed opportunities (avoiding good investments)
- Capital stuck in poor decisions

- Over-conservative financial behavior

In other words: **Trying too hard to avoid losses... often leads to much bigger long-term wealth erosion.**

Loss aversion in bigger life decisions

This bias goes beyond investing. It affects major life choices:

- Staying in an unfulfilling job because leaving feels risky
- Not starting something new because failure might “hurt”
- Delaying financial decisions because uncertainty feels uncomfortable

In each case, the fear of loss outweighs the potential for gain.

Bringing it all together

If loss aversion is influencing decisions without you realizing it, the solution is not just better products—it is better perspective.

At AK Rao Personal Finance Advisory, we work with individuals and families to bring structure and clarity to financial decisions—especially in moments where emotions tend to take over.

Because in the long run, it’s not the market that causes the most damage. It’s the decisions we make under pressure.

