

How to cope with ongoing uncertainty

"There is nothing certain but the uncertain."

Over the past year there have been plenty of painful reminders that we have no control over what happens in the world. And there doesn't seem to be any clarity waiting in the wings. So does this mean we have to get used to living in this highly uncertain state? And how do we cope with it?

Uncertainty is fine in manageable doses, but it compounds: not knowing what to do, not knowing what's going to happen, not knowing where to turn – and suddenly the uncertainty becomes anxiety.

Most of us crave certainty. We scour the news to glean direction. In the absence of a crystal ball we turn to Google. We latch on to opinions of those who appear to know. But this seldom helps quell our angst. We seem to be desperate for firm assurance, as revealed by a study conducted by the American Psychological Association. Their results showed that most of us would prefer to definitely get an electric shock now than to maybe be shocked later. We seem to find waiting, or not knowing, much worse than even unpleasant certainty.

Many of us are so anti uncertainty that we forget it is not always a bad thing; it is a fact of life and can even be positive. Consider the TV series that we gorge on – we would have no appetite for the feast if we had certainty over the ending.

As investment managers we try to use unpredictable outcomes to our advantage. Our job is to construct portfolios that can deliver returns in multiple scenarios. Sometimes uncertainty causes share prices to fall and gives us the opportunity to pick up bargains and earn good returns for our clients over the long term.

Uncertainty is scary, but you can do something about it

As with other things in life, we all have different tolerance levels for uncertainty and in fact a scale has been developed to measure how we cope. The [Intolerance of Uncertainty Scale \(IUS\)*](#) assesses how much people desire predictability and how they react to ambiguous situations. You can use the simple test to assess if your responses to uncertainty are negatively impacting your behaviour and whether you find that uncertainty is unfair and ruins everything for you. But perhaps more useful than finding where you sit on the scale, is figuring out how to manage the situation. This framework from US financial adviser Carl Richards may be helpful:

Four steps to overcoming uncertainty

1. **Notice how you're feeling.** Simply acknowledging when you're feeling anxious or worried can help you identify and deal with your uncertainty.



Source: www.behaviorgap.com

2. **Separate the story from the reality.** Try separating the noise from the reality to get a true sense of what is going on. In our current case - Cabinet was reshuffled and we got junk ratings. That is the reality. Anything that goes beyond that fact is a story or an assumption. Will the rand fall dramatically? Will foreign investors race for the doors? Will inflation and interest rates soar? Who knows? The more we try to predict what will happen, the greater the anxiety. Focus on the facts.
3. **Make a list.** What can you control? Include practical things on your list that you can do. Don't worry about the things you can't control. Examples of things that may be on your list right now: a) Consult my investment plan and remind myself of my long-term objectives, b) Revisit my budget and make more space for reducing debt, c) Review my investments and check that they are well diversified, etc.
4. **Do something by doing nothing.** We can reduce our uncertainty and anxiety by acting on the things in our control, such as those things on our list. But when it comes to investments, acting on negative emotions is often the wrong action. Withdrawing or switching out of fear can ruin the returns you get. If you are invested, staying the course usually works out better in the long run. Self-control and discipline are the antidote to making poor decisions.

[Psychologists](#) echo this sentiment. They encourage us to engage with uncertainty we are feeling before taking action. They advise us to focus on creating the outcomes and experiences we want, rather than expecting the future to deliver something specific. Our actions and intentions are within our zone of control.

When it comes to finances, try be certain of your decisions upfront and choose an investment manager you trust and who invests with conviction. It's also a good idea to talk to your independent financial adviser (IFA). A good IFA can help you stay the course and make important decisions in the face of irreducible uncertainty.

* Buhr, K., Dugas, M. J. (2002). *The intolerance of uncertainty scale: psychometric properties of the English version.*