Can financial decision makers learn how to avoid emotion driven mistakes?
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Competence in financial decision making is an important aspect of everyday life and for some people a core element of their profession. While economic models traditionally idealize the financial decision maker as a perfectly rational cognitive machine, recent research indicates that human decision-making is rather a complex interaction of rational and emotional processes. Bechara and Damasio (2005) even argue that taking advantageous decisions is only possible in consequence of a prior accurate emotional processing. In some cases, however, emotions can be disadvantageous to for decision quality. One prominent decision-related emotion is regret. Anticipation of regret has been linked to various "irrational" phenomena in financial decision making like the tendency to sell profitable stocks too early or to pay too much in first-price auctions.

In this paper, we raise the question if and how financial decision makers can be instructed to avoid costly emotion driven mistakes.

Building on the assumption of Richards & Gross (2000) that the ability to self-regulate is a cornerstone of the human capability to adapt and succeed the core research question is if emotion regulation has an impact in the domain of financial decision making. Thus far research on emotion regulation has shown that different strategies to handle emotions lead do better or worse outcomes in various mostly non-financial performance tasks. One recent study from Sokol-Hessner et al. (2009) showed that providing participants with different instructions of intentional regulation before participating in a gambling task had an attenuating effect on loss aversion. Instructing participants to use a reappraising strategy with regard to previous gains and losses reduced individual's loss aversion.

Based on these findings, we provide an approach that builds upon combining economic auction experiments, psychophysiological measurements, and instructions on emotion regulation.