

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Crypto Winter and the Stages of Grief

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When crypto winter came and lasted and lasted a lot of people lost a lot of money. Many also lost faith, became angry, denied what was happening, got depressed, bargained with the fates, and finally accepted what had happened. When folks were making money in a rising crypto market, they felt smart, successful, ahead of the curve. When crypto fell and some stablecoins and tokens became virtually worthless, the effects were psychological as well as monetary. In this regard it is useful to consider crypto winter and the stages of grief.

What Are the Stages of Grief?

The idea that grief caused by loss comes in predictable stages came from a psychiatrist, Elisabeth Kübler-Ross, who treated terminally ill patients. Her work also shed light on how people deal with loss of relationships, loss of employment, loss of money and more. There are [five states of grief](#). She defined five predictable stages in the grieving process brought on by loss. There are denial, anger, bargaining, depression, and acceptance. People who lost money during crypto winter did not lose their lives. But many did things like put second mortgages on their homes and invest all of their hard-earned savings into various crypto enterprises. Then outfits like [Voyager](#) and [FTX](#) went bankrupt and had even been engaged in fraud. The sense of loss for these folks was similar to the loss of a long term relationship or job and brought on a grief reaction.

Risks of Letting Emotions Drive Your Investments

Successful long term investors have always recognized the risk of being overly enthusiastic about a rising market or overly depressed when the market falls. Greed and fear are the twin demons that commonly lead to investing losses. Many crypto investors were new to the investing game. Their first experience in the investing world was an investment vehicle that produced profits in multiples. The natural result is that a person feels smart, competent, and ahead of the curve. Then the Financial Crisis, the Covid Pandemic, or Crypto winter turns a market rally into a crash. Now the novice investor feels dumb, incompetent, and behind the curve. When the crash takes the bulk of someone's assets with it, the reaction becomes one of grief.

Investing Losses and Emotional Reactions

Very often the first reaction when an investment falters is to "buy the dip." There was some sense to this sort of reaction in the crypto world where huge price fluctuations were the norm. When this does not work, experienced investors step back and take a breath. They consider why it is that their investments are losing value and adjust their approach accordingly. Unfortunately, people who have become very emotionally invested in cryptocurrencies sometimes acted like the members of a cult. The specific prophecy they have believed does not work out so they simply move back the projected date for the end of the world or whatever it was they were preparing for. This is roughly equivalent to the denial stage of grief. Anger and a sense of bargaining with the investment gods can happen at this time and then the person gets depressed. With time many accept their losses but very commonly come to the wrong decision about why they lost money in the

first place.

Be Careful Linking Investment Success with Your Worth as a Person

Abraham Lincoln is generally considered the most important US president after George Washington. He also experienced many failures before his election to the presidency. He lost a job, had a nervous breakdown, and was defeated numerous times when running for office at the state and national level before being elected the 16th US president. When a young investor experiences stellar success in their first effort, this carries its own set of risks. It is too easy to assume that success will follow success, that things will only get better, and that luck was no part of the equation.

When all of this falls apart like a house of cards it is too easy to blame investment failure on the wrong things. In the case of crypto (and the stock market), low interest rates were part of the reason for more and more pouring into crypto (and stocks). The worst inflation in forty years and the Fed raising rates changed the investment equation and those who had experience with prior market swings knew when to take a profit (cash out of Bitcoin and hold cash). Many of those same folks waited until the depths of crypto winter and recognized when the Fed was going to quit raising rates so aggressively. They bought back in before the end of December 2022 and nearly doubled their money in the subsequent rally. A key factor here was that these folks did not see their investment wins or losses as personal triumphs or stains on their character. Rather they viewed crypto investments as just that, investments. Winning and losing are related to accurate analysis and insight and not fear, greed, or emotional attachment.

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