Insights
**Practice Management**

# Optimism & Mindset

When it comes to how we view the world, there are two schools of thought: optimism and pessimism. And where one falls along that spectrum is a fundamental human trait[1] reflective of our cognitive biases.

Our life orientation influences how we make decisions and how we define success. In fact, our research[2] on the life orientation of investors observed a number of differences in terms of financial goal-setting, planning and decision-making, which impacts financial life outcomes.

Determining one's life orientation was a challenge until the creation of the Life Orientation Test (LOT),[3] a standard psychology self-help instrument that indicates the level of optimism in a person. The interpretation of the scores provide an understanding of where we are standing in life and how we can be more self-aware of our behavior and subconscious tendencies to move ahead.

Cultivating self-awareness means being able to accurately assess a situation and differentiate between facts and feelings — and having faith in your own ability to move forward constructively.

> "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.
>
> — Winston Churchill

Having an understanding of one's life orientation can promote more productive communication and ultimately lead to better financial life outcomes. The key is to find purpose in the choice and connect that to the financial life — the intersection between things that matter and the things we can control.

## The Life Orientation Test (LOT-R)

**Curious as to how you view the world?** The Life Orientation Test-Revised (LOT-R)[4] provided here is a shorter version of the original. Be as honest and accurate as you can throughout. Try not to let your response to one statement influence your response to other statements. There are no "correct" or "incorrect" answers. Answer based on your own feelings, rather than how you think "most people" would answer.

| Please Circle Your Response | Agree a Lot | Agree a Little | Neither Agree or Disagree | Disagree a Little | Disagree a Lot |
|---|---|---|---|---|---|
| 1. In uncertain times, I usually expect the best. | 5 | 4 | 3 | 2 | 1 |
| 2. It's easy for me to relax. | 5 | 4 | 3 | 2 | 1 |
| 3. If something can go wrong for me, it will. | 5 | 4 | 3 | 2 | 1 |
| 4. I'm always optimistic about my future. | 5 | 4 | 3 | 2 | 1 |
| 5. I enjoy my friends a lot. | 5 | 4 | 3 | 2 | 1 |
| 6. It's important for me to keep busy | 5 | 4 | 3 | 2 | 1 |
| 7. I hardly ever expect things to go my way. | 5 | 4 | 3 | 2 | 1 |
| 8. I don't get upset too easily. | 5 | 4 | 3 | 2 | 1 |
| 9. I rarely count on good things happening to me. | 5 | 4 | 3 | 2 | 1 |
| 10. Overall, I expect more good things to happen to me than bad. | 5 | 4 | 3 | 2 | 1 |

## Scoring Directions

Items 2, 5, 6 and 8 are filler questions and should be excluded from the scoring.

Enter the score for each of the items below. Items 3, 7 and 9 should be reverse-scored. The 5 is scored 1, the 4 is scored 2, the 3 is scored 3, the 2 is scored 4, and the 1 is scored 5. Then sum the scores.

| Item | Score |
|---|---|
| 1. In uncertain times, I usually expect the best. | |
| 3. If something can go wrong for me, it will. (reverse score) | |
| 4. I'm always optimistic about my future. | |
| 7. I hardly ever expect things to go my way. (reverse score) | |
| 9. I rarely count on good things happening to me. (reverse score) | |
| 10. Overall, I expect more good things to happen to me than bad. | |
| **Total** | |

Life Orientation Scores:

6–16 = Pessimistic
17–19 = Neutral
20–30 = Optimistic

## Endnotes


1 Bates, Timothy C. (25 February 2015). "The glass is half full and half empty: A population-representative twin study testing if optimism and pessimism are distinct systems." The Journal of Positive Psychology.

2 State Street Global Advisors' Cognitive Bias Study, January 2019.

3 Scheier, M. F., & Carver, C. S. (1992). Effects of optimism on psychological and physical well-being: Theoretical overview and empirical update. *Cognitive Therapy and Research, 16,* 201–228; Scheier, M. F., Carver, C.S., & Bridges, M. W. (1994). Distinguishing optimism from neuroticism (and trait anxiety, self-mastery, and self-esteem) — A revaluation of the life orientation test. *Journal of Personality and Social Psychology, 67,* 1063–1078.

4 Carver, C. S., Scheier, M. F., & Segerstrom, S. C.(2010). Optimism. Clinical Psychology Review, 30, 879–889.