Pay attention to your teacher. Pay attention to detail. Pay attention, pay attention, pay attention! Our entire lives we’re warned: Pay attention, or.... Well, you know. The worst will happen.

But when it comes to your investment portfolio, please do not pay too much attention to it. Market research clearly shows that when your horizon is not today, not next week, but way in the future, the most profitable strategy is to invest more heavily in riskier assets — that is, stocks — than people are prone to do.

The real question is, Why don’t people invest more in stocks? This profound mystery is sometimes described as the “equity premium puzzle,” because although over the last century the relationship between risk and return has greatly favored stocks over bonds, enthusiasm for investing in stocks has not followed.

Perhaps the best insight into this mystery comes from so-called behavioral economics. People, the thinking goes, tend to be loss-averse. That is, even when their portfolios show gains, they are generally more keenly aware of comparable losses. That means that for most people, the pain of a $100 loss is more acute than the joy of a $100 gain.

Loss aversion can put a significant strain on portfolios. Data shows that when people evaluate their investments frequently — several times a week, or even multiple times a day — the returns on risky assets like stocks are often lower than those on safer assets like bonds. But when a portfolio is examined less frequently, perhaps once a quarter, the opposite is more likely.

The results of lab and field experiments suggest that the investment behavior of even professional traders falls in line with loss aversion. And this aversion, combined with frequent review of investments, leads to underinvestment in riskier assets like stocks.

Those who complain about the cost of college or worry that they haven’t saved enough for retirement would probably have made more money if they hadn’t been hobbled by loss aversion.

So what can we do? Well, not paying (too much) attention to your portfolio is a good first step. It won’t be easy. Just as Odysseus had himself tied to the mast to keep from being seduced by sirens, summon the will power to keep from micromanaging your investments. Set an appointment calendar with the dates you may look at investments, and stick to it.
This is not to dismiss other times when your investments should be re-examined: after a birth, a death, a job loss. But in general you should evaluate your portfolio only once every three months. Even better, do as I do and peek only every six months.

I’m proof that this strategy can work. Near the end of 2008, the Dow Jones industrial average hovered around 8,700. I evaluated my portfolio on Dec. 31 and kept everything in place. Six months later, I evaluated it when the Dow was around 8,500. Not a big change, so I left it intact. The index has since doubled, to 17,000.

Had I been evaluating my stocks daily in early 2009, loss aversion might have compelled me to sell when the Dow dipped to around 6,500. I would have missed the significant returns that the market has had to offer in the last seven years. And I would have endured a lot of stress even if I had not sold.

Avoiding the sweet songs of beautiful sirens wasn’t easy, but Odysseus did it. You can, too.