Abstract
Traditional economic theory postulates that people are rational. This implies that people make decisions to maximize their utility functions and to do this, that they have fully and correctly evaluated their preferences and limitations. Behavioral economics recognizes that this is not always true, that sometimes information is incomplete. This article is examines some of the effects of behavioral economics (which come largely from cognitive psychology) in decision-making by investors in the stock exchanges.

Keywords
Behavioral economics, finance, investment, investment management, theory of decision making.