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BURNS INSIGHTS

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STIFEL

The Media Gets it Wrong – Again!

My dad was one of my first clients. Until I became a "stockbroker" with Merrill Lynch, he had little to no desire to buy stocks. He was a CD kind of guy. But just when I got out of training, the FDA approved a new drug from Upjohn called Minoxidil for the treatment of baldness. As you might have guessed, he has been follically challenged for his whole adult life. In fact, when he was a police detective in the seventies, his nickname was "Kojak." (Note to younger clients, you may need to do a Wikipedia or Google search for this reference). At that time, I still owned a comb. Obviously, the drug proved ineffective against my family's type of baldness.

In those early years, he found the stock market frustrating. Not only was he inexperienced and lacked a lot of knowledge about investing, he really wasn't interested in it. He wasn't one to open up the paper and look up his stock in the newspapers.

Over the past few decades and with the advent of the internet, it has become easier to watch the stock market. Today, anyone with a computer or a smart phone can not only track their holdings on a real-time basis, but can also see the value of all of one's accounts in a matter of minutes. This ease of access has been a double-edged sword. On one hand, investors are much more knowledgeable, but on the other, it has also tended to make investors more short-term oriented/myopic in their outlook, while also giving them a false sense of control.

If you have known me for any length of time, you will know that I am a critic of the media because I feel they have played a role in promulgating behaviors that do not help investors to become better. The media benefits from attracting viewers/readers to their content. They do this by knowing what "hooks" will lure people to tune in to their site or station. In my experience, this leads to a vicious circle: Near a market bottom, they will be reporting on how to protect your portfolio from further loss or how to earn a "safe" return. This also leads to charlatans who prey on investors' fears by offering "opportunities," which leads investors to willingly rationalize why it makes sense to sell after the prices have fallen, i.e., selling low. Near the top, it's just the opposite. They will be reporting on all of the hot areas where people are seemingly making a ton of money. Many investors will feel that they have missed out. The same type of charlatans will now prey on the investors' greed and thereby lead investors to rationalize why it makes sense to "get in now before it's too late" even though prices have already moved, i.e., buying high. The emotions of fear and greed are two of the greatest motivators for investors to take action, and in our over-riding philosophy of the "Successful Investor Mindset," we caution investors about letting one's emotions lead versus logic.

Moreover, the ubiquity of this information overload has led a lot of people, like my dad, to feel bad that they don't want to pay attention to the stock market. My dad has no desire to go online to check his balances, or to tune into CNBC to watch Kramer. Don't get me wrong, my dad cares about his money and is aware of what is going on in the world. He just has other things that he'd

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The Media Gets it Wrong – Again! *(continued)*

rather be doing – like watching sports or a movie. He reminds me regularly that I will have to answer to my four brothers if I screw up. Point well-taken, Dad.

So the message I would like to communicate today might seem controversial or on the edge of heretical in today's world, but here it is: You are a good person if you don't want your life to be centered on the financial markets. This is where my team and I come in. Our team's core value is "Life is about experiences and relationships." We would rather have our clients engaging with friends and loved ones or ticking things off their bucket list versus being handcuffed to the sound bites served up by the media.

Please don't misunderstand me. I think it's great if you like to be active in your portfolio management, or if you enjoy watching financial programming. Good for you! But I have found that a lot of people don't! Here's my dispensations to those who don't: It is okay to hire professionals to help you in the areas where you are either limited in experience, time, knowledge or emotional capability. I have no interest in being a Mr. Fixer around the house or with my car. I am so willing to pay someone else to take care of these things. I know how to paint, fix a sprinkler, or change my oil – I just don't want to! The media makes everyone feel that you should do it all yourself and do it with the lowest-cost alternative. I don't think this is true for a lot of investors. With regard to your finances, we are willing to be your advocate in helping to ensure that your money is being managed consistent with your needs and personal situation. We find we can add great value to our relationships when we can fulfill this type of role.

To all of you who can relate to this article, I will finish by modifying a quote from Stuart Smalley (a fictional character created by Al Franken for SNL): "You're good enough, you're smart enough, and doggone it, people like you." In other words, you are perfect the way you are.

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Noah's Corner

We begin "Noah's Corner" with the scary thought that many Americans are underprepared for retirement. How so? The average 65-year-old American male has enough retirement savings to last a little less than 10 years, but their average life expectancy is 83 years. This means eight years of living expenses will be unfunded after retirement savings are depleted. This may sound dire, but our team would like to help.

How do we fix this?

First, a frequent theme of our communication with clients is to focus on what is in your control. What the stock market does, what CEOs decide for their companies, what GDP growth will be for the year, and what the president tweets is far beyond our control as financial advisors and investors. However, the financial news media that Robert discussed in his portion of this newsletter makes it seem that fixating on these subjects is of paramount importance for your financial well-being. Instead, we suggest investors concentrate their financial efforts on the things that are in their control, like spending and savings rates as well as long-term asset allocation.

This is where we feel like we could fit into your financial lives. Not only do we help our clients maintain a long-term vision for their investments, but we can also help with those financial efforts to save more, spend less, and have an asset allocation strategy designed to fully fund your financial goals. One of the most useful tools to set you on the path toward retirement success and sustainability is a financial plan.

For those of you in the accumulation phase of retirement (typically ages 35-60), a financial plan can illustrate how much you should be saving each year in and out of employer-sponsored retirement accounts. It could also identify common gaps in your financial lives, like life insurance or estate planning.

And for those that are nearing retirement or just beginning it (approximately ages 60-70), a plan can show you what level of spending is sustainable given your current level of retirement assets and how long those assets may last. It's an empowering conversation that usually goes one of two ways. It can help you make the tough decisions to save more or work an extra year, or it can push you to make the more enjoyable decisions like to retire early or take a longer vacation.

Some of you may be one of those underprepared Americans mentioned above, but you don't have to be. Let us help better your retirement status by creating a financial plan for you and your family. Call or e-mail our team to schedule a complimentary consultation.

Source: *Bloomberg, June 12, 2019, according to a World Economic Forum report*

Asset allocation does not ensure a profit or protect against loss.