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BLAME THE MESSENGER

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Following the financial media these days, or the media in general, one might think that the economy is on the brink of collapsing, or at least heading into a recession. To name just a few things that can sink the economic ship, if only by sentiment alone, consider the inverted yield curve, the never-ending trade war with China, Brexit, tensions with Iran, the North Korea drama, negative interest rates in many countries – one moment while I catch my breath, please – thank you – political turmoil, energy attacks, and now impeachment talks.[1]

The financial media has its own spin for all of this, of course, and it usually involves talking – wait, make that yelling - heads explaining why the latest news is going to send the economy into a tailspin, pull us into a recession and cause a market collapse. The answer, they say, is to "protect" your assets by going to cash. Historically, anyone who follows that sort of advice tends to lose significant upside as markets seem to always find a way to push higher – and sometimes very quickly. Of course, the market doesn't head up and to the right in a straight line, but up and to the right is where it has often gone. Choose your crisis: tech bubble, 9/11, Iraq/Afghanistan wars, the Fiscal Cliff, 2008 Crisis, Greek Debt Crisis, our last Brexit go-round a few years ago, Obama winning,[2] Trump winning,[3] and on and on and on and on.

> **MEDIA IS BIG BUSINESS, AND BUSINESSES EXIST TO MAKE A PROFIT...**

The financial media may not only cause an investor to make significant financial mistakes, but can also cause tremendous personal stress. A large part of the issue with the financial media is that many investors misunderstand the purpose for its existence. Media is big business, and businesses exist to make a profit. The primary purpose of CNBC, FOX Business

[1] Note this was written on October 7th. If you are reading this on October 8th, there are likely at least 3 new major negative developments.
[2] Oh no the markets will tank (oops, they rocketed).
[3] Oh no the markets will tank (oops, they rocketed).

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News, CNN, MSNBC and your local radio station is not to inform you; it is to make money. They exist, quite simply, to make a profit. In fact, all these networks are subsidiaries of publicly traded companies, and publicly traded companies have a duty to maximize profits for their shareholders. Their primary purpose most certainly is not to calm us down, reason with us, bring us together, or even remind us that everything usually works out just fine.

This profit for shareholders is made by selling advertisements. Programs and stations with higher ratings bring higher ad prices. Because of this, the primary purpose of any financial show is to get as many viewers as possible (eyeballs, they call them) and to get those viewers to watch for as long as possible.

The rough math is:

More viewers = higher prices for ad space = larger profits = happier shareholders.

To get the viewers, shows often overdramatize and prolong events. Many events are packaged into stories with a tag line, story line, and story arc. Often, it is accompanied by what screenwriters call "putting a clock on it." Tick, tick, tick. Just think of the countdown to Chinese trade talks, the Brexit end date and so on. I love how these clocks are to the second, as if we need to know that our next talks with China start in exactly 28 hours, 7 minutes and 12 seconds.[4]

We aren't saying that negative things aren't happening. Things are always happening that are positive, and things are always happening that are negative.[5] The negative events just tend to be developed into soap opera-type story lines. This makes it easier for us to watch for hours or even days. Investors often panic and make mistakes. Viewers get completely stressed out. How many retirement plans were messed up when viewers went to cash after Donald Trump was elected, the Brits voted for Brexit or the Chinese trade talks halted?

In a study I have cited in both my book and a previous letter, Dr. Sonya Britt-Lutter, Associate Professor of Personal Financial Planning at Kansas State University, and Dr. John Grable, the Director of the Financial Planning and Performance Laboratory at the University of Georgia, show that an individual's stress level increases substantially while viewing financial news, regardless of what the financial news is about. When the market is falling, according to the study, people are worried about their accounts and when the market is rising, people are upset they are not more aggressively positioned. In fact, 67% of people watching financial news

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[4] The only thing I need to know to the second is how long to reheat mac and cheese in a microwave. Even then, I will always turn the microwave on for 6 more seconds as if I am the master of reheating precision.
[5] It's called life.

on CNBC, Bloomberg, Fox Business and CNN showed increased stress levels. Even when the financial news was positive, 75% exhibited signs of increased stress.

Physicians often tell their patients to control their stress levels because stress and anxiety greatly increase the probability of sickness, disease and even death. From a financial perspective, there is another side effect of stress that can cause immediate damage: people tend to make poorer decisions when they are under stress. The classic example is the investor who watches a lot of financial news and reacts in a panic, creating permanent losses in his or her portfolio. Those who are too busy to closely watch the financial media rarely make these sorts of mistakes. On the other hand, it is not uncommon for a retiree who watches a lot of financial news to make a major trading decision with negative consequences.

This is not to say all media is bad (it is not),[6] that all news is full of hyperbole (some is not) or that everyone who watches financial news, even lots of it, gets stressed out (just most of them). It does mean, though, that if you are watching a lot of financial news, take a moment to ask yourself: What am I getting out of this, and how does it make me feel??? [7]

The key to a successful, repeatable investment strategy is to stay disciplined, and a core component of staying disciplined is to recognize the noise and shut it out! Stay focused. Discount hyperbole. Ignore strong predictions (anyone who knows anything about the economy knows that nothing is certain). And most of all, don't let the media increase your stress level since this may cause you to make reactionary investment decisions capable of resulting in more harm than good.

That's not to say the media won't be right one of these days.[8] Problem is, we don't know when the alarmist predictions will come true. But when it happens, your Creative Planning team will be ready. We have the money for your known upcoming spending needs sitting in conservative investments that are less likely to be impacted by market volatility. We'll seize the opportunity presented by falling stock prices to take tax losses, so that we can save you money come April 15. And where appropriate, we'll rebalance your portfolio, so you're better-positioned to benefit from a stock market rebound.

And when it's all over, we can relax, kick back and turn on the TV.
Or, maybe we'll just read a book instead!

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[6] Gosh it does seem like it at times.
[7] Or any news for that matter.
[8] Every stopped clock is right twice a day.

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