

Noisy Ignorance

April 2018

“Television has raised writing to a new low.” – Dale Carnegie

Towards the end of 1998, I saw a television commercial by a company that was obviously looking to have people invest with them; at the end, it said “don’t miss the boat!” The implication was that if you didn’t get in while the getting was good, you would miss out on riches to be made. I clearly remember thinking what a terrible commercial for two reasons: first, if by that point you had missed out on the crazy tech run-up (with the stock market hitting all-time highs in 1998) then you were probably already late to the party, and second, there is never any boat to be missed! And for someone or some company to play to your fear and greed by telling you that if you don’t invest with them now (towards what turned out to be the tail end of that bull market) then you will miss out on making easy money, then in my mind that is just plain mistaken and ignorant.

So, why do I bring this up now? (And - fair warning - why am I about to get up on my high horse?) Well, driving to work last week I heard a radio commercial that basically said that if you have credit card debt then you shouldn’t let the credit card companies convince you that you actually had to pay off that debt. I kid you not! The company, which supposedly helps debtors “settle” their outstanding credit card debt, was advocating that you have no obligation to pay off your debt; all you needed to do was contact this company, throw away what’s left of your moral and ethical compass (my words), and pay off your debt for pennies on the dollar.

Enough to say this got me riled up, since I believe that if America is to survive as a great and prosperous country then we need to live by an ethical standard that makes you pay off debts even when you’re told you don’t need to. This ethical standard is the same one that tells you that “just because you can do something doesn’t mean you should.” So, just because you can walk away from your debt, doesn’t mean you should. Just because you can buy something you simply *want*, doesn’t mean you should. And just because you can gamble on the market, doesn’t mean you should.

Why do I throw this last tidbit into the equation? Yup, you guessed it – I saw another commercial yesterday that is (again, from my simple perspective) ignorant and dangerous. The commercial goes something like this: a run-down man, after watching a wealthy man park his gorgeous Mercedes, starts to fantasize about being rich. During the fantasy sequence, the song “If I were a rich man” is playing in the background. Then, the commercial ends by twisting the old adage of “don’t get mad, get even” into “don’t get mad, get E-Trade”. Now, my concern is that people will misread what a commercial like this is conveying. I am concerned people will believe that simply by trading stocks or bonds on some random company’s platform they will become rich. But the

reality is that one thing has nothing to do with other! Just because you *can* buy and sell stocks has absolutely no bearing on whether you *will* actually make money from doing so; and if someone tells you otherwise, then we believe that is misleading and ignorant.

But the industry, both financial (Wall Street) and advertising (Madison Ave), know full well that when it comes to investments, our primary emotions are fear and greed. Which is why they play upon these emotions by making us think we will either lose money (fear) or miss out on some great opportunity (greed) if we don't listen to them. And by keeping the noise (i.e., ultimately irrelevant information) at a fevered pitch, they are hoping you will disregard logic and common sense. Which is why I like to say that the media is not your friend.

Borrowing a page from my book (*Keep It Simple, Stupid: How to Protect Your Finances from Wall Street and Yourself*), please remember that we think that a good deal of the media is similar to the circus, "where you have clowns like Jim Kramer on TV's *Mad Money* literally yelling, whooping and pressing stupid noise buttons while talking about something as mundane as the balance sheet of a company! It defies logic, other than to realize that a lot (not all) of financial media is entertainment - no more, no less. Sure, there might be a little bit of substance (emphasis on "little"), and they may help by offering some tidbits of useful information (emphasis on "tidbits"). But at the end of the day, their job is to entertain you. They do this by appealing to your fear and greed, not your understanding or intellect, and hope that by sensationalizing the non-sensational you will continue to watch the media circus."

Aside from getting up on my high horse, the true purpose of this newsletter is to hopefully arm you with enough knowledge to know that the best course of action with a lot of the media and its advertising is to simply ignore it. If you can ignore the noisy ignorance that is out there, then logic and common sense may override your fear and greed when you're thinking of buying something simply because you can, or not paying a legitimate debt simply because you can avoid it, or trading stocks with the false premise that doing so results in more money in your pocket. Because I've been at this for over twenty years, and I know that long term asset management isn't easy (although it should be simple) when you are dealing with real money and real emotions.

As always, thanks so much for your friendship and trust, and if you know someone that needs help, or might like a copy of my book, please just let us know. Take care!

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