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FINANCIAL CONSULTING GROUP

***The Timing and Selection Culture...Driven by the Financial Media***

Our culture- and more specific the American investing culture -can be quite unique (to put it mildly). We live in a time of instant news, messages, texting, food, cash, and gratification. The American investor wants to *feel* as though they have all the available resources at their fingertips instantaneously and armed with that information *believes* that the solution to “superior investment performance “ (whatever that means) is timing and selection...and the financial media knows it.

Feeding on your emotional confidence, in the background, is the financial media telling you that the markets are in turmoil again and again and again. With that drum beat playing on both your confidence and fear, they will inform you of “The Ten Hot Stocks/Bonds/ETF’s/Gold/Oil/Real Estate/Funds (input your assets class of the day) you must own today.” Their message is simple...timing (when to be in the market or out) and selection (what specific investment you need to own now) is the key factor of obtaining your superior investment performance.

Now, in all fairness to the financial media, they are a business and need to generate a profit. The primary revenue source is advertising, so in order to demand a higher price from advertisers, they have to draw “eyeballs” to them. What is the best way to catch the attention of the investors who are bombarded daily by the above...you’ve got it, prey on the human emotional tendencies of fear and greed. However, what continues to astonish me most is I have yet to hear one of these media outlets spend even two minutes on the Brinson study\*. This famous study of large pension plans, which was published in 1991, showed that asset allocation accounted for 91.5% of an investment program’s eventual outcome. By comparison, investment selection and market timing- factors that many investors (and unfortunately some advisors) *believe* to be important- accounted for just 4.6% and 2.2% respectively.

So how about this countercultural idea, over the lifetime of the average American investor- made up of some 40 years in the accumulation phase of their life and another 30 years in the

distribution phase of their life-one of the primary factors in the ultimate success or failure of your family's multigenerational financial plan is the ability to do nothing. Even when the media and advertisers are telling you the markets are declining again and you need to do something. WOW...is that boring, but true. Those that tell you any different most likely have something to sell you, which are your emotions of the day.

Disclosures:

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\*Source: Brinson, Singer and Beebower, Financial Analyst Journal, May/June 1991. Asset allocation/investment timing cannot eliminate the risk of fluctuating prices and uncertain returns. Past performance is not guarantee of future results.