<u>Money***Matters*** Column #8</u>

Advertising: the market's best friend? *Markets and marketing shouldn't mix freely when investing.*

Wilfred J. Hahn

My eyes often glaze over when I view financial service ads these days. An increasing amount are inane. Surely most people must feel the same way I do. Here are a few examples of various slogans and come-ons enticing readers to various financial services:

"Be self-centered. Trade stocks yourself."

"You're Rich, Now it's Time to Get Wealthy."

"Become Wealthy Enough to be Despised."

"Sex is Good. Finding a Stock at $5 That Goes to$200 is Better."

What do all these slogans imply? Largely, they are just non-sensical. The attitudes promoted are hardly respectable ... or at least, the kind that once used to be respectable. Nowadays, brazen greed, self-interest and self-centeredness are being shamelessly idolized. What the slogans signify is that the money business has largely become a marketing operation.

Let's face it, money is big business. Canadians especially sense this as Canada has few, but large banks. Their quarterly financial reports show enormous profits, revealing high profitability. Banks do perform very valuable services such as lending and deposit-taking to mention a few. But these aren't the high-profit businesses. Rather, it's those that are related with financial markets — brokerage, investment management and mutual finds ... etc. — that are the big money-makers these days. These operations, often called "non-bank" businesses and reputed for high profitability and rapid growth, are now the financial goliaths of the world. This wasn't the case twenty years ago. Then, traditional banking-was still the largest financial sector.

What has happened is that the marketing departments of financial and investment firms have become very powerful. They're the ones that bring in the business. Inventive advertising, market positioning and glossy brochures have taken precedent over substance. These firms benefit greatly by perpetuating unrealistic figments in the minds of the customers.

In that sense the investment business has become a little like that of diamonds. I may be stretching the analogy at little. Consider that at the beginning of the twentieth century there was little demand for small diamonds. Along came Cecil B. Rhodes, the founder of the company that gave rise to DeBeer's, the big South African diamond conglomerate. Its marketing hype literally transformed the world view of these little stones, convincing couples in the Western world that love could hardly be expressed without them. Diamonds became eternal and by the mid-century they were "a girls best friend." With the aid of a monopoly tightly-controlled by DeBeer's, the prices of these cheaply-produced gems soared and have remained expensive every since. A bit of this same phenomenon has happened to investment products.

The marketing hype associated with investment services — mutual funds and others — has created idealistic (idolatrous?) images and inflated expectations in the minds of many consumers. As a result, consumer investment activity has become an extension of these figments of the imagination and not something related to any underlying fundamental value or cost. The recent boom and bust in technology and Internet stocks is a testament to the notion that theses images can have a great influence on the perceived value of investment services.

Ignore the come-ons of the wealth management companies. They provide hardly any advice worthy of the attention of a Christian steward. Instead, keep your eye on real value. One good way of doing this is to always relate your investments to underlying income. If there is little or no income being derived from your investments in the form of dividends or interest payments, it's good reason to examine your investments very closely. Particularly in the case of stock markets investments, make sure that the company you are investing in has a strong earnings outlook. Above all, don' t let the marketers have anything to do with your view of markets.

Originally published in Christian Week, April 2001.

Wilfred J. Hahn is senior partner with *Hahn Investment Stewards & Company Inc.* a global portfolio management firm. Contact him by email: mullpress@aol.com.

For more perspectives and resources on world economic and financial trends of interest to Christians, visit his website www.eternalvalue.com and subscribe to the free newsletter *Eternal Value Review: World Review and Market Monitor.*