"Believe nothing you hear, and only half of what you see."

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By Eric C. Pritz, CFP®, CMFC | **Posted in Hill Section Life (*January 2015*)**

Often attributed to Benjamin Franklin, the quote that serves as the title of this article is actually the work of Edgar Allan Poe – an appropriately dark author for a discussion about a topic I've come to see as an increasingly sinister financial evil. Ask any financial advisor to name the greatest impediment to their clients' success, and chances are that financial news outlets like CNBC will be near the top of every list.

Under the pretense of providing education, enlightenment and transparency into the complex world of financial markets, these nattering nabobs of negativism actually offer very little in the way of genuine insight or understanding. They merely rely on sensationalism to feed on our base fears and biases. And it's by no means a case of just "one bad apple." Much of what is broadcast and printed under the guise of financial journalism, even from so-called "reputable" sources such as The Wall Street Journal and PBS's The Nightly Business Report, to a greater or lesser extent appeals to our baser instincts.

Make no mistake; what on the surface might seem predictive, is anything but! The lion's share of financial journalism is purely reactive – each individual putting his or her own spin on the day's news and events to explain and justify why the markets responded the way they did. Let's be honest, nobody is going to regularly tune into Squawk Box if the hosts are scratching their heads, perplexed by the fact that the market is sharply down despite a huge drop in the monthly jobless claims number. Instead, they'll highlight some secondary piece of data (e.g., the European Central Bank deciding to postpone additional stimulus) that fits the down market narrative and allows them to seem virtually omniscient.

The simple truth of the matter is that no amount of information or data, regardless of how instantaneous or immediate, will ever enable you to predict the day-to-day movements of financial markets. Anyone who tells you otherwise (like the financial media) is trying to sell you something. There's a reason why trends like day-trading seem to disappear as quickly as they burst on the scene – because the core tenets of sound investing have actually worked. Diversification, risk management, and asset allocation, when consistently monitored, deliver objective guidance for the long-term.

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> **"All media exist to invest our lives with artificial perceptions and arbitrary values."**
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> *~ Marshall McLuhan ~*

Extensive studies have been conducted in the field of behavioral finance to try and help us better understand the inherent cognitive and emotional biases that drive investors to make bad financial decisions. And while there are a myriad of them, three biases in particular are heavily-fueled by financial journalism outlets such as CNBC.

Present bias tells us that people tend to place a higher value on a benefit received today versus a potentially larger benefit received at some point in the future. More often than not, we want the immediate over the future, even when the future is a far better option. Along with this desire for instant gratification, the tandem of availability bias and confirmation bias lead us to overvalue information and advice that's easily accessible, as well as to seek out and embrace information that tends to support or lend credence to our particular world view while discounting any evidence that may be contrary to our beliefs.

For most investors, these inherent behavioral characteristics mean that rather than going outside their comfort zone to seek out expert counsel, they're more inclined to heed the ranting of Jim Cramer on Mad Money offering his hot picks of the week.

While there's no question that accurate and timely information is critical to making sound financial decisions, the common fallacy lies in believing that information is somehow the key to predicting the market's movements. It's not, and never will be. So turn off those televisions, and get back to the fundamentals of making sure you have a well-diversified portfolio of investments for the long-term.

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