

Tell Me A Story...

“They know from experience that they sometimes err; and the wonder is that they so seldom err as they do, beset, as they continually are, by the wiles of parasites and sycophants, by the snares of the ambitious, the avaricious, the desperate, by the artifices of men who possess their confidence more than they deserve it, and of those who seek to possess rather than to deserve it.”

This time of year, as your family gathers around the television to watch a holiday classic, you will view various ads for financial service companies. Many will illustrate a bewildering logic. For example, there is a series of ads in which people strain hard to overhear a nearby insurance agent talk to a client. Apparently, the premise is that we could solve all our financial problems if only, dare we dream, we could get an insurance salesperson to talk to us.

A different set of ads, ridiculous enough to be parodied on *Saturday Night Live*, portray a loving parental figure (e.g. speaking tearfully at a wedding reception), but the twist at the end is that it is not a parent, but the family broker. One of these ads (we are not making this up!) depicts the broker as a psychotic soccer mom yelling at the ref, screaming at teammates to pass the ball to “Joey” and shrieking with delight at a goal. We guarantee very few things here at Sigma, but if we show up uninvited at your kid’s soccer game and start acting deranged, we guarantee we will not contest the restraining order.

Another group of ads appeal to the worst, most narcissistic impulses of the baby boom generation (of which Sigma’s principals are members). In dewy images, the ads laud us as rebels, pioneers and caring altruists. Our peers are portrayed (interspersed with iconic images of the 1960s) as graying surfers, skateboarders (with an arm in a cast!), participants in a May-September marriage officiated by a shaman, etc.

These are all nice stories, well designed to push financial products created by the “service” providers to investors. They would be even nicer if they were true, but unfortunately, they are fabrications. Trust us; nothing could be simpler than getting an insurance salesperson to talk with you about your future. Brokers do not burst into tears at the weddings of their clients or scare off bystanders at your kid’s soccer game. As for the baby boom ads, well, consider this – the peak year of baby boom births was in 1956. The rock concert at Woodstock occurred in 1969, when that typical baby boomer was thirteen years old. A huge majority of the baby boom were nowhere near old enough to attend Woodstock or live in Haight-Ashbury during the 1967 “summer of love.” The ads, while appealing, attempt to generate nostalgia for stuff that never happened to us. As long as we are creating fantasies, we would rather be James Bond than that clown in a tie-dye shirt with a gray pony-tail dancing in the ad. Perhaps we should write a script for a movie about our generation, titled “*The Way We Never Were.*”

These investment ads are tall tales dreamed up by parasites and sycophants who are avaricious and desperate; they are the artifices of people who seek to possess your confidence rather than to deserve it. Since you are the target of their snares, it is surprising you err as seldom as you do.

When occasions present themselves, in which the interests of the people are at variance with their inclinations, it is the duty of the persons whom they have appointed to be the guardians of those interests, to withstand the temporary delusion, in order to give them time and opportunity for more cool and sedate reflection. Instances might be cited in which a conduct of this kind has saved the people from very fatal consequences of their own mistakes, and has procured lasting monuments of their gratitude to the men who had courage and magnanimity enough to serve them at the peril of their displeasure.

- Federalist Number 71 (Alexander Hamilton)

Businesses that sell products do not need to protect a customer’s interests against the customer’s inclinations – in many cases, the sale may *depend* upon creating a temporary delusion. Professions, on the other hand, involve a fiduciary relationship with the client. A professional is the guardian of the interests of their client, and at times, a true professional will act at the peril of the client’s displeasure. A professional investment adviser helps clients structure their portfolios around the client’s best interests rather than the popular trend or the hot manager or sector because, to quote Hamilton yet again, “those who stand for nothing fall for anything.”

Everyone loves a great story, but it is critical to recognize the difference between a story and reality. The grave of Alexander Hamilton is in Trinity Churchyard at one end of Wall Street. If only those who work nearby more fully acted out his wisdom.

Best wishes for a happy holiday season and a prosperous new year.