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WRITING SAMPLES: INVESTMENTNEWS.COM

This article was ghostwritten for Mike West, CEO of BPV Capital Management. URL: http://www.backporchvista.com/investment-news-mike-west-investor-pride/

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Investing from the gut, as in the old days

Can investors today turn to advisers to awaken their sense of pride in their money and its impact on the market?

What was your earliest impression of the investment industry? Can you remember it? I think I was on the living room floor, a young man amused at the sight of my uncle. He was across the room, contorting his face over a newspaper, which lay draped over a cheese and sausage plate on a TV dinner tray. He was hovering over the small print of the financial section with clownish indignation and grumbling about "all the luck" and "what are the chances of that!" I grew more curious: What's he looking at? And then he said the name of a department store I knew, and something clicked.

Until that moment, I didn't know an investment industry existed, so when I realized what my uncle was doing—sportively "feeling the pain" of a multimillion- dollar company—my mind quickly formed a string of assumptions. From this one scene, I gathered that I could pick a company I liked —Coca-Cola or, better yet, Disney—and I could use my money to stand in their corner. It seemed to be very much about taste, about the dignity of putting money down on your way of seeing things, and, most immediately, it was about the thrill of the educated guess.

Sound anything like your early memories?

Growing Pains

The way a kid conceptualizes the investment industry, of course, is relevant if you put any stock in behavioral economics, with its gadfly-like insistence on the importance of human nature in the study of markets. A kid's mind processes investor behavior by simply discarding the information it can't process, in favor of the information it can. But even an investor of Warren Buffett's stature can be accused of thinking like a child when he advises that people invest in what they know and shows a preference for a classic household name like Heinz over Facebook and other tech stocks. This, presumably, tells us something about markets that we can't learn from a balance sheet.

My uncle's stock had taken an unexpected dip, and he was shouting, but what my kid-brain noticed was that the man was enjoying himself. Why else would he be holding onto that wry half-smile as he shouted like a play-actor so his wife could hear in the next room? Since then, of course, the inflation nightmare of the 1970s and '80s happened, and the collapse of 2008 happened, among many, many other things; and now, I'd wager to say, we're enjoying ourselves less.

Some may argue that certain enclaves of the population are still having fun, buzzing on the thrill of eking out some obscure, undiscovered alpha. But I suspect the "returns" are diminishing even there, as the opportunistic investment game devolves into a technological arms race.

A More Hospitable Market

Am I nostalgic for a return to the golden age of equity ownership when a trade was a trade and a share of a company was a matter of personal pride? Actually, no. Advances in technology, the refinement of portfolio theory, and the historic development of mutual fund and alternatives investing have all made the market a more hospitable place for individual investors. I do think, however, that the element of raw instinct that we equate with post-war investing and, in general, with the mind of a child, is something that we need more of today — if only to improve our grasp of the resources we now have at our fingertips.

My uncle's charade that afternoon was a measure of his personal identification with the company whose stock he owned. Is this level of connection still possible in the age of mutual funds and exchange-traded funds? Can investors turn to advisers and fund providers and find genuine alliances? Will they find people and organizations that awaken their sense of pride in the money they have and the impact their financial choices have on the market? I sure hope so.

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Fair warning to advisers: Tomorrow's investors are not naive

How important is it to you that your clients understand finance?

I would argue that if it's not already among your top priorities, it soon will be. In fact, client education may well be indistinguishable from business development for small advisory firms in the near future. I say this because I suspect that the next generation of potential investors is already lingering outside your door—but it's not at all certain whether they'll choose to cross the threshold.

Past generations of investors grew up in cultures where the middle class was still undiscovered country and financial literacy was a working part of that great life-reform program called the American Dream. What they may have lacked in market savvy, they made up for with faith in the practice of investing.

And as Janice Traflet's recent book *A Nation of Small Shareholders* shows, that faith was not so much the quaint bearing of a simpler time as it was the product of significant cultural conditioning—conditioning that today's upcoming investors never got.

Before the Great Crash of 1929, the American public received some strong messages about the value and utility of securities investing, first through World War I Liberty Bonds—a federal ad campaign earning some $17 billion for the Allied war effort—and then through the famous bull market of the mid-1920s. Twenty years after the crash, and on the brink of the Cold War, "common stock" equities investing got its own popular push, as the New York Stock Exchange left off its former qualms about advertising and embarked on the controversial "Own Your Own Share of American Business" campaign.

Retelling the story in 1984, one of the key architects of the Own Your Share program, Rud Lawrence, captured some of the power financial education held over his generation by equating the idea with the space race:

> Well, at the risk of dwelling too much on broadening the market, which by the way I think was one of the great ideas of our time—of course we have since gone to the moon—but in those days I thought that broadening the market perhaps would be one way by which our generation would be distinguished.

One could argue that it wasn't until the global financial crisis and ensuing Occupy movements that this sanguine view of investment was truly and directly challenged. The culture of skepticism that inevitably followed is the only culture your next client has ever known.

A thumbnail history from an armchair philosopher, I know. It is one thing to talk about cultural difference, another thing to recognize it when it's staring you in the face, looking genuinely puzzled by your life's work.

The problem, therefore, is not that tomorrow's investors are naive. Many do know precious little about the investment world, it's true. But compared to previous generations, they also know too much.

Until we carve new paths in the overgrown industry they've inherited, we might as well be asking them to go to the moon.

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Is retirement dead?

Reports of the death of your retirement have been greatly exaggerated.

Enlightened thinkers about retirement seem to share two assumptions: 1) Retirement is an invention with a limited history; 2) the future of retirement is by no means sure, if it's not already dead." As someone who works in the mutual fund industry, I confess a vested interest in the survival of the phenomenon. But reports of its death have been greatly exaggerated.

Talk of the death of retirement too often dispatches with a note of good riddance, as if the whole project were nothing more than the self-serving fantasy of an aspiring middle class. This ignores the very real possibility that the desire to "retire" is a fundamental part of us—a bundle of honest emotions that pushes us to live responsibly when we're young and expect leisure as we age.

But maybe you think I'm just being poetic? Hinduism is often considered the oldest living religion. If we look at the philosophy of life that built that civilization, what do we see? Life stages. Student, householder, and retirement were the big three. Coming down to us from a very different time and place, this outlook strikes me as oddly familiar. As religion scholar Huston Smith has framed it, the ancient Hindu "retirement plan" went something like this:

> Any time after the arrival of a first grandchild, the individual may take advantage of the license of age and withdraw from the social obligations that were thus far shouldered with a will. For 20 or 30 years society has exacted its dues; now relief is in order, lest life conclude before it has been understood. Thus far society has required the individual to specialize; there has been little time to read, to think, to ponder life's meaning without interruption. This is not resented; the game has carried its own satisfactions. But must the human spirit be indentured to society forever?

No, I don't think America invented retirement with the Social Security Act of 1935. The idea of life-after-work goes back a long way. But today my own dreams of cashing in on the "license of age" are interrupted by economic uncertainty. Indeed, the critics who write off retirement so easily might consider the plight of an aging workforce—many of whom are now scrambling to shore up their personal savings. It's one thing to dismiss retirement as a historical confection when you're 30 or 40, it's quite another when you're 70.

Don't get me wrong, I'm a bleeding careerist. I don't think of work as biding time between meals. Work, for me, is ennobling and exciting. But I can also look back and see that my work has evolved over time, and I suspect it will continue to do so. The kind of work that will call to me when I'm 70 has a different character than the work I'm doing now. Whatever it is, it will require a groundwork of assets. I want to be ready for that. And maybe, if my latest stunt pans out, I'll be able to help others get ready for it, too.