

## For investors, too much information can be a dangerous thing

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SPECIAL TO THE GLOBE AND MAIL

PUBLISHED 5 HOURS AGO

UPDATED OCTOBER 29, 2019



When getting information is easier than ever, the ability to sort through a mountain of advice has growing value.

The internet has revolutionized how we communicate, learn and share. Knowledge that was previously difficult or expensive to acquire is now a click away. Yet, too much information can also be dangerous. What happens when clients think they know better based on their own online searches and want to make financial decisions accordingly? Or when they become overwhelmed by the volume of advice?

That can be a challenge for financial advisors. You may not be able to stop clients from searching various products and strategies online, but you can help them separate the meaningful from the trivial, bring clarity and keep choices anchored to a plan.

That's what Scott Plaskett, senior financial planner and chief executive at Ironshield Financial Planning in Toronto, does. Mr. Plaskett says clients might learn about an investment opportunity online that he sees as more of a gamble. That gives him the chance to educate and help them reconsider what they happened to stumble upon.

"I never really have an issue walking people back from that when I show them the realities of what they are looking at," Mr. Plaskett says.

Search on Google enough and you might feel that you've found the key to unlock unlimited financial returns. With clients, Mr. Plaskett focuses on the predictability of outcomes that come with a particular investment strategy or overall financial plan. That's the goal, rather than chase the latest fad to (supposedly) beat the market or generate outsized gains.

Another hazard of having the world's information at your fingertips? Investors are often seeking validation of their outlook. Then, they come to their advisor looking for their endorsement.

"They basically ask how my answer compares," says Kathy Waite, founder at Regina-based fee-for-service financial and retirement planning firm Your Net Worth Manager.

In Ms. Waite's experience, clients who research products or investment strategies overzealously can fall victim to confirmation bias. "They keep Googling things and reading things that justify their idea," she says.

Ms. Waite calls her fee-only status "liberating." She says it gives her more credibility with clients when discussing the pros and cons of a particular investment product.

Her more than 30 years of experience in financial services also helps her determine whether clients are truly listening to her advice or already have their minds made up. She has taken some training in how to do an even better job in getting her "plans before products" message across.

The internet isn't the only place that clients turn to for information that may not be in their best interests. Ms. Waite describes a soon-to-be retired client with a low-risk investment portfolio. This client asked whether she could emulate the approach of her high-earning doctor brother and get his 19 per cent annual return.

She agreed to run the numbers of the brother's investment approach, applying it, hypothetically, to up to 10 per cent of the client's portfolio. The focus remained on the end goal. As it turned out, this new approach wouldn't make any real difference to the client's retirement, but would introduce some risk. The client looked at Ms. Waite and said, "Why would I do it? I am just setting myself up for a lot of gray hair and stress."

The tried-and-true approach to retirement planning, with its focus on managing risks with a long-term goal years or decades away, can be boring to investors. That's especially the case for those who are barraged with news of the latest shiny object, from cannabis stocks to bitcoin to the market darlings of the moment.

There will always be clients who hear about and want to pursue those. For these investors, Gordon Stockman, founder and vice-president, financial planning, at Efficient Wealth Management Inc. in Mississauga, has a "don't fight it, contain it" strategy. He'll let them put a small amount in a separate account with a discount brokerage to pursue their passion.

That's money that they can "afford" to lose, he says, meaning it will not jeopardize their retirement should values crater.

"We even tell them, 'I hope you beat the pants out of the return that I am going to give you,'" says Mr. Stockman.

That doesn't always happen. When investors go down the internet rabbit hole or gather too much from other sources, they can be dealing with emotion, confusion and conflicting or erroneous advice. In this era of too much information, one of an advisor's most valuable roles is to help clients make sense of it all.