



Investment Strategy Blogs Slow to Influence Financial Advisors

By Susan B. Weiner, CFA
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Investment strategy blogs aren't exactly taking the wealth management world by storm.

Their acceptance by financial advisors has not been proportional to their growth rate. For example, when the CFA Institute tried to find sources for this story, most people told them they're not participating in the blogosphere, either as readers or contributors.

Web 2.0—the second generation of Internet technology that fosters sharing and collaboration among a broad community of users—is a hot topic in the business community. This has led to an explosion in the number of Investment strategy blogs. [Seeking Alpha](#), for example, offers opinions and analysis from more than 200 contributors, which the editors evaluate in terms of “Does the article help a fundamentally-oriented investor decide whether to buy or sell the stock in question?”

To the extent that investment strategy blogs are making inroads into the wealth management community, it is in niche applications where, for example, they influence “buy” and “sell” decisions of advisors. In other cases, they're simply helping advisors refine their thinking and their client communications.

Impacting Buy and Sell Decisions

A blog entry helped to push Maureen Whelan of M.A. Whelan Financial Planning to sell Citigroup stock at the right time. She had been holding a client's large inherited position in Citi because of traditional analysts' opinion that it was undervalued. Then, in July 2007, she read a blog post mentioning Citi's big exposure to subprime mortgages. Whelan immediately recommended that her client sell her Citi stock. “Admittedly, it is entirely possible that my gut was telling me that the stock should be sold and I just needed something to confirm this in order to pull the plug. Fortunately it was a very good decision.”

Blogs also helped her decide to sell MBIA and Ambac Financial Group at a time when “the general sentiment was that the financial crisis was relatively contained. The blogs disagreed,” said Whelan. “Again, this information was probably consistent with my own sentiments—but it helped me make a decision quickly, rather than researching the issue to death.”



Blogs have also given Whelan ideas about how her clients can profit from the plight of the U.S. dollar. “For example,” she said, “Seeking Alpha reported on an ETN that would do well if the Asian and Gulf countries stopped pegging their currencies to the US Dollar. I have not invested in that particular ETN, but I have it on my radar for one of my clients with a relatively high tolerance for risk.”

Whelan likes blogs because, as she puts it, they give her information that hasn’t been “sanitized” by the traditional media, such as *The Wall Street Journal* or *The New York Times*. However, she stresses she also uses traditional sources of investment information. “I don’t want to leave the impression that I would invest a client’s money based on a tip from a blog.”

Lyn Dippel of Financial Advantage appreciates how a blog post on Seeking Alpha helped him rule out an inappropriate investment. When he was researching oil/natural gas arbitrage opportunities, “MacroShares Oil Funds Offer Arbitrage Opportunity” contributed to his decision not to buy MacroShares Oil Down Tradeable Shares.

Some advisors like the data that may be available alongside blogs. For example, Todd P. Lowe of Parthenon LLC reads the news updates and conference call transcripts available on Seeking Alpha.

Inspiring Critical Thinking and Better Communication

“If an advisor can find a blog or two that he likes, along with spare time in his reading schedule, I think blogs can be convenient sources to help inspire critical thought on pertinent financial topics,” said Jeremy Mitchell of Robert Harding Financial. Blogs have helped him “think through several paradigms relating to popular financial issues.” On a similar note, Patrick Valenty of Financial Planning Unlimited finds that blogs help him assess what may happen in the economy.

Russ Thornton of Thornton Wealth Management looks to blogs for good “talking points” from investors whose investment strategy is similar to his. “It helps to see how others communicate and share investment concepts so I can become a better communicator myself. I can’t control what the market does, but I can always work on how effectively I communicate with my clients so they’ll do the right thing at the right time.” He also finds ideas for topics to cover on [his own blog](#).

In another twist on the client communications theme, Richard Boutland of EFG Bank says that the blogosphere can be “a great place to pick up interesting articles that can be sent on to clients and prospects.”



Choose Your Blogs Carefully

Some blogs may offer useful information, but even their fans believe you should approach them skeptically.

Robert Harding Financial's Jeremy Mitchell said to beware because "Many who post these types of blogs are not professionals, most are not even licensed to render financial advice." Financial Planning Unlimited's Patrick Valenty handles this challenge by limiting his blog visits to those associated with the Money Show or "reputable financial magazines."

Some advisors simply don't have the time to visit them on top of the other tasks that crowd their days. Eve Kaplan of Kaplan Financial Advisors said, "I'm sure there are many useful blogs out there but my problem, which I believe many other advisors face, is time. None of us has enough of it." Moreover, she's somewhat skeptical of blogs, "I associate blogs with very subjective views on politics, etc."

Robert Harding Financial's Jeremy Mitchell agrees that time is tight. "I think that financial advisors today are pummeled with news and information, as are many consumers. The trick is to find the one or two sources in any given medium (newspaper, magazine, web) that appeal and revisit them regularly."

A Sample of Financial and Economic Blogs

[All About Alpha](#)

[Barry Ritholtz's The Big Picture](#)

[Ben Stein's \("Tj12 0218074 Tf0. Cap10271201012 228.079"\)](#)



You might wonder who's reading the hundreds of investment blogs that financial advisors ignore. Clearly, there are more retail investors than professionals doing research on the web, so it makes sense for bloggers to target them. In the opinion of some industry observers, many investment bloggers are just in it to inflate their egos or simply for the money—using search engine optimization to attract web surfers and earn revenue when surfers click on advertisements on their blogs. Accordingly, they say, blog content focuses on stock picking and market timing, rather than topics that interest financial advisors.

So, advisors who'd like to dip their toes into the blogosphere should step carefully. Check out the bloggers' credentials and see how their opinions and analysis line up with more traditional sources. You can also see what your colleagues are reading. We've listed some of their choices in the sidebar to this article.

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