

Negative Spin on Annuities



Negative Spin on Annuities

INHERENT 'FLAW' IN THE FINANCIAL SYSTEM MAKES NEGATIVE 'SPIN' ABOUT ANNUITIES COMMON – ESPECIALLY IN THE ONLINE AGE

Everyone understands that the mass media has changed drastically in the last 10 to 15 years. Not so long ago, we relied on daily newspapers, TV, and radio for all the information we needed to help us make informed decisions and stay abreast of current events. But, in the age of the internet, we seem to be constantly bombarded with headlines, updates, and “breaking news” from our laptops, desktops, and cell phones—not to mention our TVs and radios!

However, as the mass media has become so omnipresent in our lives, one thing that hasn't changed is the existence of “spin.” In fact, the explosion of media outlets in the past decade has dramatically increased the pervasiveness of spin and made it harder to find truly objective reporting. With fierce competition to “get the story” and the line between news, advertising, and “infotainment” increasingly thin, modern journalists are under more pressure than ever to cut corners and put “pleasing their bosses” ahead of serving the public on their priority lists.

The result—more often than not—is reporting “spun” to someone's liking or advantage, lacking objectivity. I often remind clients of this fact because I'm well aware that, amid this daily bombardment of mass media, it is likely they will come across news and information about annuities that has a negative “spin.” I point out that financial news is particularly susceptible to being “spun” a certain way because of a fundamental flaw in the financial system. This flaw is no one's fault; it's simply a fact that no system is perfect, and this one is no exception.

The 'Need' for Optimism

The crux of the problem is that the heads of major financial firms on Wall Street are financially obligated to their shareholders first and to their customers and clients second. They have a legal obligation to maximize shareholder value, in part by keeping customers invested in the markets as much as possible. Now, people are more likely to invest and stay invested when they're optimistic about the markets and believe they're trending upward. Thus, Wall Street CEOs and the people who work for them have an inherent need to sell optimism and always speak optimistically about the markets—often regardless of economic realities or how the markets might really be trending.

Now, keep in mind there are two sides to every coin. This need to speak optimistically about the markets and market-based financial products can create an accompanying need to speak negatively about alternative non-stock market types of investments. And, what are those exactly?

Well, I explain to clients that there are basically three types of institutions vying for an investor's money. The first type includes brokerage houses and mutual funds, which are basically both based in the stock market. The second is insurance companies, and the third is banks. Given the low-interest-rate environment we've been in (and may continue to be in for some time) as a result of the Fed's response to the Great Recession, it would be difficult for anyone to put any kind of positive spin on banks right now. So, that leaves brokerage houses (i.e. stocks) and insurance companies (i.e. annuities). And, if a Wall Street source is inherently obligated to put a positive spin on the former, what kind of spin are they likely to put on the latter?

Convenient Sources

Why does the media—which is supposed to be objective—dutifully serve this pro-stock/anti-annuity spin to the public? One reason, as I said at the start, is that today’s competitive, 24-7 media makes lazy, subjective reporting more pervasive than ever. But, the bigger issue is that this “flaw” in the system has *always* made finding honest, objective financial news and information challenging. The reality is that most articles written on financial topics and in financial publications aren’t written by financial advisors or money experts. They’re contributed by professional writers—and sometimes in this day and age, “not-so-professional” writers.

Even if a writer is a true pro, he or she is not likely to have one particular area of expertise. Their resume may include everything from athlete interviews for *Sports Illustrated* to travel articles for *National Geographic*. Let’s say this month, however, the writer is doing a feature on annuities for a top financial magazine or website. Of course, not being an expert, they have to write this story with the help of a lot of outside research. Now, they could do basic research on their own, or they could turn to a more convenient source.

Naturally, the writer is probably going to take the easy road, but who might be the easiest source to work with? Well, probably someone who advertises with the magazine or website for which he or she is writing. And, just who are those advertisers? Very often, they’re Wall Street brokerage firms and mutual funds! So, when the writer calls one of these friendly sources, of course they’re going to be more than happy to put their spin on the subject of annuities. And, given their inherent need to sell optimism, it will most likely be a spin more favorable to the sale of their products and the markets in general, and one that casts a negative light on annuities.

I think it’s important for all investors to understand how this inherent “flaw” in the system makes the prevalence of “spin” especially common in the financial media. I encourage my own clients to stay informed but also aware that much of the media that bombards them in the age of the internet contains plenty of spin, rhetoric, and disguised advertising—not real news. I tell everyone that in order to get the real story on annuities or any other type of investment, they should always consult a trusted, accredited financial expert or advisor.

Danny Prestage, a registered representative, offers securities through Triad Advisors, Inc. Member FINRA & SIPC. Wesley Wood & Danny Prestage (Investment Advisor Representatives) offer Investment advisory services through Key Capital Management, Inc. Key Capital Management, Inc. and Triad Advisors, Inc. are not affiliated.

Wood Financial Group, LLC
181 East Main Street, Suite 7, Hendersonville, TN 37075
www.woodfinancialgroup.net
Phone: 615-826-5749 • Email: inquire@woodfinancialgroup.net