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The Psychological Obstacles to Realizing Investment Success

We All Have "Issues," but They Don't Have to Impede Our Investment Efforts

By Robert G. Yetman, Jr.

Ultimately, successful investing over the long term has a lot more to do with suppressing emotional reactions than it does with maximizing any intellectual gifts one may have. Psychology as it relates to investing is an important yet somewhat underrated topic, and when you *recognize* the psychologically-based issues that can adversely affect your long-term investing success, that can prove to be an important first step to improving your returns. *Loss aversion*, *confirmation bias*, and *optimism bias* are three of the more prominent psychological roadblocks to winning at investing, so it's worth a look at each to see how the average investor might best mitigate their effects.

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The Militarization of Our Cops

The Advent of the Warrior-Policeman Yields Unsettling Changes in the U.S. Landscape

By James L. Paris & Robert G. Yetman, Jr.

Couched behind concepts like *imminent threat to the community*, cops are looking less and less like the resource officer at your kid's school, and more like highly-weaponized soldiers, clad in body armor, helmets, facegear, and arriving at "crisis points" in armored personnel carriers. Components of these deployments can include snipers, battering rams, and other features we regard as being perfectly appropriate in combat theaters, but more than a little out of place in suburban America. Nevertheless, this kind of soldier-cop is becoming downright ubiquitous in the U.S., to the understandable consternation of a growing number of citizens.

One of the developments sustaining this trend is the overall effort at downsizing the U.S. military. As the U.S. involvement in the Middle East is significantly scaled back, the amount of surplus equipment available to local enforcement agencies around the country through the Defense Dept. has dramatically increased. In what has amounted to a poorly-supervised give-away, billions of dollars of surplus military equipment has found its way to local law enforcement communities throughout America, many of which have practically no crime to speak of. In 2012 alone, just over a

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The Militarization of Our Police

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half-billion dollars of military surplus was transferred from Defense to civilian law enforcement agencies.

Another concern for many is the nature of some of the supposedly-benign *government* agencies that have participated in this giveaway. We've all heard about the massive ammunition purchases by agencies that should not need to be heavily armed, but when you realize how many garden-variety government agencies now have their own SWAT teams, including Fish & Wildlife, the Department of the Interior, and the Department of Education, the ammo purchases start to make sense, in a lunatic sort of way. By the way, it turns out most of us learned that the Department of Education had a SWAT team as the result of a raid they bungled in 2011 against a woman who was *suspected of not paying her student loans*!

As for the local agencies, examples abound of the use of military-style raids in scenarios where most people would conclude they're not needed. For example, SWAT teams around the country have been deployed numerous times to raid illegal gambling establishments where no reasonable belief of a violent response existed. Moreover, there have been many cases where innocent people, or people whose alleged offenses were relatively minor, ended up being seriously injured or killed as a result of such raids. In 2006, optometrist Sal Culosi was killed during a raid by the Fairfax County, Virginia SWAT team when they were dispatched to arrest him for what amounted to small-time illegal gambling activity. Culosi, with no record of violence and no criminal record whatsoever, was shot by a team member when he answered the door.

Aside from any problems with the raids themselves, there's the matter of appropriateness as to the tactics and techniques, regardless. The bottom line question is, do we want to live in an America characterized by a police force that is increasingly indistinguishable from an infantry battalion deployed to a shooting war? Moreover, are there resulting heightened risks to the civilian population that outweigh any benefits resulting from employment of the tactics?

The wars on terror and drugs have conspired to essentially create this problem; with the intuitive justification most of us ascribe to the use of hyper-policing on behalf of these two "worthwhile" efforts, it has become just a short hop to condoning raids against people and in circumstances that in no way warrant the use of such heavy-handed tactics. Furthermore, it is reasonable to generalize that many in America's communities feel disenfranchised from the police, and so many police feel disenfranchised from the members of the communities they're supposed to protect. Ultimately, few reasonable people would dispute that strong, forceful police tactics are warranted under certain, extreme circumstances, but there is understandable concern when "extreme circumstances" can be defined to include such things as the arresting of debtors and low-level, non-violent gamblers.

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The Psychological Obstacles to Realizing Investment Success

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Loss Aversion

In terms of investing, loss aversion principally manifests itself in two important ways. First off, many people have a great deal of psychological difficulty locking in losses. Countless numbers of investors have toiled for years in shares of beaten-down stocks and funds because they could not bring themselves to lock in what had become losing positions, even as reason dictates that the superior play is to get out with whatever is remaining and move into an obviously better-performing position. Another relevant aspect of loss aversion is that *people derive greater pain from losses than they do pleasure from gains*. Any investment adviser will tell you that he never hears from the customer who's up 5% in his portfolio and wants to express how happy he is to *be* up 5%, but that he will absolutely hear from that same customer when he's *down* 5%. This form of loss aversion can manifest itself by prompting an investor to retreat to overly-conservative instruments that, in the long run, will hurt his chances of achieving his wealth objectives.

Confirmation Bias

Confirmation bias refers to the tendency of people to embrace and act upon information that confirms their existing beliefs, and, just as importantly, to reject information that sits in *opposition* to their existing beliefs. When it comes to investing, confirmation bias can reveal itself in different ways, but one of the most significant is the processing of news and information about a stock, mutual fund, or sector in which we're invested in such a way so that we remain with it, and thus happy about our original decision to purchase it, even if the information contravenes the wisdom of doing so. The bottom-line effect of confirmation bias is that it helps to convince us to purchase and/or remain with securities we should otherwise leave behind.

Optimism Bias

In a nutshell, optimism bias is the tendency to believe that bad things will happen only to the other guy. Examples of optimism biases include the motorcycle rider who thinks the horrible accidents that befall other riders will never happen to him, the poor student who believes that somehow everything will work out and he will still pass his classes, and, in the case of investing, the guy who believes that the investment decisions he makes will serve him well because it is he who made them. The chief consequence of optimism bias for the investor is that he will remain with a security, a sector, or even in a market too long because he, like the poor student, believes that everything will just work out.

An excellent way to help overcome these obstacles is to *systematize* your investing, as much as possible. If you are a less-active investor, then create an investing paradigm for yourself that favors your chances of succeeding in that fashion. For example, perhaps if you resolve to invest entirely through low-cost ETFs, creating a portfolio of those that keeps you well-diversified and *systematically averaging yourself in each month*, you will give yourself a much better chance of succeeding over the long term. If you are an active trader, these psychological threats may be more pronounced, for the simple reason that you will have more occasion to consider your portfolio. In your case, once you have established good parameters for your various screens, stick to them; trade in the way they tell you to trade. Ultimately, regardless of your investing style, it is by adhering to your screens and systematic methodologies that you will go a long way to helping keep your psychological demons at bay.

Monetizing Your YouTube Account

YouTube Marketing is a Must-Do, but Go a Step Further and Monetize Your Videos

By James L. Paris

We want to spend some time this month discussing the monetization of your YouTube account. If you do *not* have a YouTube account that you're using to run videos you've created, then you are much further behind in your ongoing promotional efforts than you otherwise should be, but for the purposes of this article, we will assume that you have made it at least that far, and that you're putting out the occasional (at the very least) video that promotes a business opportunity of yours.

That aside, in order to maximize your total revenue streams, it's worth noting that you can also monetize your YouTube video account in much the same way that you monetize your website or blog. If you go to YouTube much at all these days, you will frequently notice pay-per-click ads that will appear at the bottom of a video when it begins playing. Those appear because the account owner through whom that video is being shown has monetized his account in such a way so that it appears. This is something that *you* can do, as well. Another way of monetizing is through the use of what are called TrueView ads, which are video commercials that cue up just before your video begins to play. With these, the full commercial may run for 30 seconds, but the viewer can essentially opt out, or skip the rest of the ad, just a few seconds after it begins. Anyone who watches the full video counts basically as one click, to put it in pay-per-click terms. Both of these revenue generating mechanisms are features of what is called YouTube's *Partner Program*.

There is also something called YouTube Individual Video Partnerships. This is a little different. With this program, if you have a video that has proven to be particularly resonant, has gone viral, and is garnering a whole bunch of views, you will be contacted by YouTube who will want to work with you to allow ads to be placed inside your popular video. In order for this to happen, you have to have a video that has gone viral, so chances are pretty good you will be a YouTube Partner as opposed to a participant in the Individual Video Partnerships, but you should at least know of its existence.

Anyway, for that which will likely be most relevant to you, the Partner Program, the bottom line is that monetization means that your YouTube account will become *connected* to your Google AdSense account – that's how the program works. This means that in order to participate, you need to have an AdSense account, as well.

One thing you have to decide is if you are interested only in monetizing those videos that you would be creating anyway as a part of your effort at promoting your online businesses, or if you want to specifically try to make as much money as you can via the YouTube mechanism. Many people will choose the former, deciding that they want to keep the matter of video creation a collateral component to their website or blog activities. That's fine, but if you want to monetize your account, it's highly advisable that you begin putting at least a little more effort into the quality of your videos, in order to help increase the traffic to your account. In other words, while this is something you will certainly do if you dedicate yourself more fully to making money specifically from your YouTube account, you will want to be sure the quality of even your collateral marketing videos is as high as you can make it.

Is Twitter the New Resume?

Social Media Takes Another Step Toward Revolutionizing the Job Search

By Robert G. Yetman, Jr.

It's no secret that job hunting and filling have been revolutionized by social media, but it's unlikely that even the most dynamic and progressive of social media mavens saw this coming: replacement of the resume by the 140-character tweet.

Now, before any of you prospective job-seekers older than, say, 35, throw up your hands and decide in frustration that your job-seeking days are finished, don't be alarmed. While an increasing number of companies *are* looking to Twitter to help evaluate job prospects, the use of the tweet as an outright resume replacement is still a ways off. That said, its use as one component of a prospect's application is growing, and, in some cases, it IS being looked at as a substitute for a resume, at least for the proverbial act of getting a foot in the door.

"Twitterview" is the name that has been coined to describe the process of reviewing a "resume" and conducting interviews over the Twitter platform. It's worth noting that the companies that have tried this are specifically using Twitter to act both as a resume substitute *and* engage the candidate in a back-and-forth that serves as a form of interview, rather than simply use Twitter solely as a resume substitute. Many companies have decided that the brevity of Twitter, and the ability to communicate effectively through that constraint, requires a special skill set that may not necessarily reveal itself through more traditional job-seeking rituals and practices. Enterasys Networks is a Salem, NH-based company that offers services related to both wired and wireless network infrastructure, and earlier this year used only Twitter to recruit for a social media marketing position. Interested candidates had to tweet that interest using hashtag *#socialCV*, and in order to make the first cut, each respondent had to have at least 1,000 Twitter followers of his/her own. Additionally, The Marketing Arm, a marketing and promotions agency based in Dallas, Texas, used Twitter to hire five summer interns. Specifically, the agency posed five questions through Twitter…one each day for five consecutive days…and the interested candidates had to respond to the tweets with tweets of their own.

The good news for people who are not in tech-oriented careers is that the vast majority of professions do not currently lend themselves to job-filling processes that are reliant on Twitter. Plus, even for those companies that are officially incorporating Twitter into the employment process, Twitter is so far being used only to conduct what amounts to initial screenings. Still, the ability to "come alive" during this initial screening and really stand out is something that more companies may look to, now that the Twitter mechanism is with us. Although there are stories of companies having hired exclusively through Twitter, those have been unusual cases where the company rep. doing the hiring just had an especially good feeling about someone in particular through the Twitter exchange. In other words, hirings that take place entirely through Twitter are an anomaly. Nevertheless, this activity represents another evolution of technology that is effectively changing the way things have been done since the advent of modern business rituals.

The lesson here is that if you expect to remain a part of the business world, regardless of your age, it is imperative that you recognize the seismic shifts taking pace and reposition yourself and your skills accordingly.

The Zimmerman Trial & the Media

The Media Works for Its "Best Interests" in Certain Kinds of Cases

By James L. Paris & Robert G. Yetman, Jr.

The trial of George Zimmerman is over, and the U.S. is apparently not going to burn down. For weeks, media told us that riots were going to be the natural consequence of a "not guilty" verdict. Even though any actual threats of rioting were, for the most part, made on the very periphery of the national dialogue i.e., average citizens making such threats through their person Twitter accounts), the media would simply not let go of the narrative that riots *would* follow a "not guilty" verdict. The method by which the climate was created was clever; media personalities would not proclaim that rioting would absolutely ensue…such subjectivity and negligence would violate even their own suspect standards…but instead speculated out loud, either quasi-rhetorically or in a manner veiled behind Q&A with a police representative or local government official, about the prospect of rioting with such frequency that there is little question as to their motives in that regard. Take, for example, an exchange that ABC News' Dan Abrams had with Sanford, Florida police chief Cecil Smith on *Nightline* (by the way, and with some irony, it's worth noting that the genesis of *Nightline* was the 1979 Iran hostage crisis, an event of such magnitude that all reasonable people would readily see its appropriateness in assuming front and center stage on a show like *Nightline*). Here's a telling piece of the exchange:

Abrams: "If Zimmerman is found not guilty, is your office ready for that?"

Chief Smith: "I believe we have plans that will be able to deal with issues as they arise."

Abrams: "I assume the worst-case scenario, then, would be riots?"

Chief Smith: "We are not talking about riots. We're talking about rallies. If people choose to come to Sanford and voice their opinions or if they want to come and rally, we welcome that. We want people to have the opportunity to express themselves."

See what Abrams did there? It's bad enough that professional agitators from outside the Central Florida area were on hand to further inflame passions, but when those charged with reporting the news are doing the same thing, even in a not-so-cleverly veiled fashion, it's a crisis for all of us. It might interest some of you to know that this newsletter, *The James L. Paris Report*, is printed not far from where the events related to the Martin shooting and Zimmerman trial took place. Not far at all. Those who work at this newsletter are intimately familiar with the natural social climate and environment of the area, and from everything seen by each one of us, there was nothing suggested in either word or deed on the part of any of the people who live in Sanford or in any of the surrounding communities that a riot was "wanted" in the event of a "not guilty" verdict.

At this writing, the contrived passion stoked by the hustlers and the baiters for their own selfish interests has waned considerably. There are a few stalwarts who are sticking it out, but clearly even they see the writing on the wall. America, by and large, and comprised of its robust rainbow of colors, didn't fall for it. Other than a few relatively modest incidents of rioting in cities far away from Sanford, Florida, America didn't burn. However, this does not mean the facilitators in the media won't keep trying to act in its own "best interests," which, it should not be clear, are not at all your own.

Should an Author Blog *Less*?

By Robert G. Yetman, Jr.

We have talked before about how book authors should also be regular bloggers, for two key reasons: first, a blog platform is a marketing platform, and if you are going to sell ebooks, you need an organic mechanism through which to promote your work. Second, a blog helps to keep your writing sharp – blogs can give you an excuse to try things out, to be experimental in topics and/or style.

Still, is it possible that blogging can be a *detriment* to your career as a writer? It's difficult to imagine a scenario in which doing more writing can be a problem, but it's a distinct possibility if you allow blogging to take up too much of your time. Writing is unlike a lot of other tasks, in that the special kinds of energy and creative juices that must be applied to it do not exist in infinite quantities. If you are someone who enthusiastically accepts the standard Internet marketing idea that bloggers must generate new material on a frequent basis, you may find yourself plugging away at creating a new blog article each day. However, if you are focused on creating an engaging blog article, you are tapping into the important creative brain resources on which you also rely to write your books. Is it that you cannot do both? You can, but blogging well each day *and* making meaningful, daily progress on your latest book can be challenging, at the very least.

So which should suffer, if one has to? Your blog, and when we say suffer, we simply mean that it should be updated less frequently in favor of you making quality progress on behalf of your book endeavors. This does not mean the *quality* of your blog articles should diminish; on the contrary, because your blog articles are giving prospective book buyers a partial window in to the quality of what they'll read should they purchase from you, you're better off producing better-quality articles when you *do* blog, and if blogging less helps to ensure such will be the case, then blog less.

That said, if you're blogging less, then your promotional efforts will suffer, right? Not necessarily. Remember that the person who blogs because he is interested in building traffic to a website so that as many people as possible will click on his pay-per-click ads is different from the person who is blogging as a function of his efforts to be a successful book author. In the case of the former, he is not seeking to be a book author (at least principally), and is solely interested in getting traffic for a relatively simplistic reason (traffic =clicks). However, the author, while certainly interested in traffic, knows that the more he blogs, the less time and energy he can dedicate to writing books, and for him, a substantial blog presence with just a handful of books is not a good combination – *he* must do a better job finding the happy medium.

One of the problems in keeping a blog is this demand for fresh content, but if you're a budding author, don't sweat posting only a couple of times each month; that pace will preserve your resources and energy so that you make good progress on your books each month, while still keeping your blog reasonably fresh with quality articles that your readers will want to see from someone whose books they're considering for purchase.

The Jim Paris Perspective

Notes and Thoughts on the Realization of Bible Prophecy in the Current Day

Major Changes Taking Place in the Media

It was announced at the end of July that Cumulus Media, one of the nation's largest radio station owners, is tentatively planning to end its relationship with Rush Limbaugh and Sean Hannity. Limbaugh's and Hannity's shows are syndicated by Premiere Radio Networks, so it is not like the shows are going to disappear from the radio dial, but there are some very interesting takeaways from what is happening. You may not recognize the name Cumulus, but if you are a listener to talk radio, I am sure you are aware of stations such as WABC, WLS, and KABC, which are all owned by Cumulus and all carry the Limbaugh and Hannity programs. If the relationship is ultimately terminated, it will occur at the end of the contract between Premiere and Cumulus, which will be the end of 2013.

I have been predicting for years that major wholesale changes will be taking place in the media. We've already seen this happen, for example, in the publishing business, where self-publishing has begun to wipe out major publishing houses. The reason I find this story personally very interesting is that I believe it represents an opportunity. I have never liked power to be consolidated in the hands of just a few people. While I do listen to Limbaugh and Hannity on occasion, I find them mostly to be backers of the status quo. Like many disaffected Republicans, I have little appetite to listen to several hours a day about how great the Republicans are and how bad the Democrats are. There is a lot of speculation right now about what will happen in the markets where Limbaugh and Hannity will be removed from Cumulus stations. Most experts opine that we will likely go back to the days of local hosts in these markets. This probably makes a lot more sense for cities like New York, Chicago, and Los Angeles, to have local voices discussing more pertinent local issues, anyway.

The opportunity, as I see it, is for the everyman to grab an even larger stake in today's media. As many of you know, I have been in and around radio broadcasting since I was in high school. There was even a stint back in the 1990s that I wore a second hat as vice president of a nationwide radio network based in Dallas. My years of being involved in traditional radio have evolved into five podcasts that I now host and co-host. I know that I don't reach anywhere near the audience of a Rush Limbaugh, but the people who do listen to my podcasts are loyal followers and that is all I am after, anyway. I did a podcast two weeks ago on the topic of raising money using the website Kickstarter. In just 24 hours, more than 18,000 people either listened to it online or downloaded to an MP3 player. In my world that is a fantastic success. As we see power being drained from the big TV networks and radio personalities, that represents a plethora of opportunity for you and me. Maybe now is the time to think about launching your own podcast, YouTube channel, blog, or website. The "future" of Internet broadcasting, including the empowerment of the masses to grab their share of the pie, is here. I don't think people come anywhere close to realizing yet just what an incredible resource the Internet has proven to be as a media outlet, but when they do, the changes will truly be seismic.

I Just Bought Stock in Facebook

I am a pretty conservative investor, and even more so these days. I am usually the first guy to throw rocks at a new, hot Internet company that is going public and has no earnings. I had no interest in the Facebook IPO, or buying its stock in the aftermarket until about six months ago. As an Internet marketer, I use Facebook on a daily basis to get my message out and market my products and services. I was intrigued when Facebook began offering the option for my posts to become "promoted" for $6.99. The idea is that when one of your friends takes a look at their news feed, they may or may not see a post you have made. This may have to do with the simple fact that they have a lot of friends and you are simply lost in the sea of postings. It may also have to do with the time of day that they check their Facebook news feed versus the time of day that you made your post. Facebook promoted posts stay at the top of your friends' news feed for several hours. For my $6.99, the stats and the results I am getting seem to confirm that this small investment is paying off in a big way.

Okay, so what does this have to do with buying Facebook stock? I think we can all agree that Facebook is now a legitimate brand and is here to stay. I don't know at what point I came to that conclusion, but you cannot count me any longer as part of the group that is still having doubts about the future of Facebook. Considering the fact that Facebook is now getting me to pay them probably $150 or more per month for sponsored posts, I had to consider the reality that this is really just the tip of the iceberg. How many people are there like me beginning to pay them for sponsored posts? How many advertisers are now going to social media with their millions and moving away from traditional media? A couple of days ago Facebook earnings came out better than expected. I heard the news on the radio while I was in my car and it sort of became a clincher for me that now is the time to pick up some Facebook stock.

I wouldn't recommend this to you if you are conservative investor, but if you have some growth funds sitting around this may turn out to be a big year for Facebook. I don't follow the stock closely or claim to have any "insider information" to share with you. I just see what is tantamount to a baby taking its first steps, and it won't be long before that baby is walking and then running. I think Facebook, under the right management, with the proper balance between profit and innovation, can end up being a mammoth company down the road. Don't bet the farm on it, but a small percentage of your portfolio might make sense.

Good News for Real Estate

Real estate values jumped 12.2% from this time last year, according to the S&P Case Shiller Home Price Index. As I have pointed out in the past, watch real estate for the first signs of an economic recovery in the U.S. There was especially good news in this report for Denver and Dallas which are both reporting new highs for their markets. Yes, new highs, as in they have not only regained all of the losses from the most recent real estate downturn, but they are reaching new historical price levels.

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The Jim Paris Perspective

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Despite the good news, there are still two dark clouds on the horizon. First, mortgage interest rates appear to be on the rise again and the consensus appears to be that the super low rates of recent years may soon be gone for good. Secondly, there is the so called 'phantom inventory' that banks have been holding on to. It is a well known fact that banks have been slow walking their foreclosures, and taking other measures such as holding homes in their inventory for months prior to selling them, to avoid putting too many homes on the market at one time.

We must also explore the question, who is buying? In Flagler County Florida, where I live, it was recently reported that about half of the home sales are cash purchases. This statistic seems to indicate that the buying is coming mostly from investors and not the average Joe. Don't get me wrong, buying is good from any sector of the economy. It does highlight the fact, however, that we are not seeing a recovery among the middle class.

Strange Sounds From The Sky

Many of you know that my video on the so called 'strange trumpet' sounds has now reached nearly a half a million views since we published it to YouTube about a year and a half ago. The topic of strange and unexplained sounds continues to be a worldwide phenomenon. The latest unexplained “hums” are coming from Taos, New Mexico.

People in New Mexico, England, Scotland and parts of Canada close to the US border have all experienced the mysterious sound (described by some as a hum or the sound of trumpets).

The Media and the Aftermath of the Zimmerman Trial

Elsewhere in this edition of the newsletter, you will find an article on the media and how they did their best to “coach” trouble following the “not guilty” verdict delivered by the jury in the trial of George Zimmerman. Still, despite their best efforts, it appears that any rioting or other outbreaks of disobedience have been a good deal milder than what had been “predicted.” I live in Central Florida, and have done so for what has now been several decades, so I am as familiar with the tenor of this area as anyone, and while I cannot say that I “knew” there would be little in the way of rioting or riot-like behavior, I was pretty confident. There have, of course, been outbreaks of trouble in select cities through America, but those have been relatively minor compared to what had been predicted. Turns out our fellow Americans remain very decent, overall.

James L. Paris
Editor-In-Chief

A Fresh Attack on Supplements

By Robert G. Yetman, Jr.

It's reasonable to believe that many politicians are frustrated school hall monitors. Some people just insist that they know better than the rest of us; Senator Dick Durbin of Illinois may well be one of these folks, and his efforts to make life difficult on the manufacturers of over-the-counter health supplements could have a direct impact on your own well-being.

Every politician seems to need a pet project or two for which he wants to be particularly well known, and, in the case of Durbin, one of *his* is the hyper-regulation of supplements. In 2011, Durbin made a high-profile push to see his proposed Dietary Supplement Labeling Act become law, to no avail. The bill, which prescribes onerous labeling and disclosure requirements for the supplement industry to such a degree that it would likely drive many supplement manufacturers out of business, died an appropriate death in the year it was proposed, but Durbin recently announced his firm intention to resubmit the bill here in 2013.

As it is, the FDA already has authority over supplements by way of the Dietary Supplement Health and Education Act of 1994, and currently requires that supplement manufacturers report any instances of adverse reactions to their products. Durbin's legislation takes the existing oversight many steps further, and would demand that supplement manufacturers provide lists of all products (including ingredients) every time they're made or reformulated. Also, the bill mandates that regulators create lists of supplement ingredients that have the potential of causing adverse reactions. All of this information would ultimately find itself in new warning labels. While, to some, these requirements might seem reasonable, the fact is that the time and cost associated with complying would be enormous, and would financially devastate many of the supplement makers. The requirements mandated by the '94 law are perfectly reasonable, and it is the proper enforcement of *that* which is the reasonable option –not more laws on the books.

Furthermore, evidence shows that supplements are safe, and produce far fewer adverse reactions than pharmaceuticals. As a matter of fact, if Durbin's legislation were to pass, there would be greater regulation of supplements than there would be of pharmaceutical drugs, which are, by any measure far more dangerous to the public!

People largely have themselves to blame for the fact that efforts like Durbin's are able to gain any traction at all. A century ago, Americans were rugged individualists who took responsibility for their own health and welfare, and resented the sort of government intrusion so prevalent today; now, the situation is largely reversed, with many people all too happy to defer responsibility for their well-being to the government. Until the people, as a whole, reconstitute a climate wherein efforts like Durbin's would be entirely unwelcome from the get-go, then those of us who "get it" will be burdened with making sure this kind of proposed legislation falls short of becoming law.

Equities Investing & Higher Rates

By Robert G. Yetman, Jr.

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When rates rise, it is because the overall economy is improving, and while it is reasonable to question the overall soundness of our financial infrastructure over the long term, it is just as reasonable to accept that that there is some legitimacy to signs that the economy is getting better, especially given how mired in stagnation it has been for so long now. So, better economy, better stock market, right? Not so fast. Higher interest rates mean it will cost businesses more to borrow money and otherwise invest in the expansion of their operations, and that will ultimately impact earnings. Higher rates also mean that other kinds of instruments, like bank CD's, will become increasingly attractive to some, and thus prompt a wave of stock and mutual fund selling.

So how should an equity investor position himself for a long-term rise in rates? First, he needs to remember that any industry that is especially sensitive to movements in rates can be problematic. A glaring example of this includes utilities stocks, but can also include any manufacturer who derives a direct and obvious benefit from the consuming public when rates are low, like auto manufacturers. Car companies are examples of big-ticket *cyclical* stocks, which are stocks of companies that make things people buy when times are good, but which suffer when rates rise and the cost to consumers to borrow in order to purchase these products goes up. Rising rates obviously create an unfavorable environment for real estate, so real estate investment trusts (REITs) deserve your wary eye, also. In a nutshell, think of those sectors that are especially owing to low rates to do well, and consider those as possible problems as rates move back up.

Financial services stocks can be a little tricky. When the yield curve is steep, the difference between what banks are paying depositors vs. what they charge borrowers can be sizable, and in cases like that, bank stocks can be good plays. However, when that differential is smaller, the issues can be real plodders.

Over the last seven decades, the two sectors of the economy that have performed the best during the initial 12-month period that followed the first time rates were hiked at the outset of each cycle of secular increases were, first, technology, and then health care. Perhaps the biggest reason for technology's rise during these periods has to do with its acute usefulness to businesses when the overall cost of *doing* business increases – technology lets businesses cut costs by replacing both people, as well as other, more expensive and less-agile systems. As for health care, it is the ultimate defensive issue; people will need health care regardless of what else is going on in the economy.

If you're an entrenched equity investor, then you're likely still a longer-term investor, and if that's the case, you by no means need to go into panic mode as signs of rate increases become more apparent. If you have a smartly-diversified portfolio, anyway, the changes you need to make may be more like minor adjustments, anyway, but don't be lazy about making them if your analysis reveals they're warranted.