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My Take: Two Seconds Matter Little to a Long-Range Plan

Neal Merbaum

In a recent New York Times column, James Stewart wrote about how some companies have been paying to get an early look at various kinds of potentially market-moving data. In one case, a select group of Thomson Reuters customers were paying to receive the University of Michigan's Consumer Sentiment Index two seconds before other customers. The article focused on the debate about whether some companies should have access to certain data sooner than others.

From a fairness perspective, it might be interesting to see how this plays out. But from an investing perspective, a question to ask is: Who is really affected by this? High-frequency traders and scalpers certainly are, and perhaps some day traders, but not investors who are committed to their long-term plan.

Why? Because while it might be clear to a high-frequency trader (or a computer) how the market will react to a Consumer Sentiment Index number over a matter of a few seconds or minutes, it's less clear what that information will mean over the next few years — the time frame long-term investors probably find more interesting.

This leads to the question: When should you change your plan? Simply put, when your circumstances change (not minute-to-minute circumstances, but life circumstances). For example:

--Has your employment situation or outlook changed?

--Have there been changes to your medical situation or that of a family member?

--Have you inherited a significant amount of money?

These are the kinds of issues that should cause investors to take a fresh look at their investment plan.

Those who trade off the details of news stories or data releases have a vested interest in how this two-second sneak-peek debate turns out. The rest of us? Not so much.

About Neal Merbaum, President, Rocktree Financial Advisors, Boston

Neal Merbaum is president of Rocktree Financial Advisors LLC. His diverse background includes stints as a commodities trader, trading-desk manager, executive director of a family foundation, and nonprofit consultant. For fourteen years he worked for John W. Henry, the principal owner of the Boston Red Sox, in a variety of roles. Neal is trained as a mediator and has mediated small-claims cases and landlord/tenant disputes in the Boston court system.

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Neal enjoys playing tennis when he's not injured. He and his wife reside in Boston.

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