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Fantasy Football and the Stock Market: A Stark Comparison

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Personally, I don't follow football much. I attended a university that, at the time, didn't have a football team. As a result, I was never glued to the television on Saturday afternoons watching college games. My wife, I can assure you, is extremely appreciative for that twist of fate. This year, however, I finally got sucked into a pro fantasy football office pool.

Like many young American boys, I did watch NFL football growing up. And being from Texas, I became a fan of "America's Team," the Dallas Cowboys. Outside of watching the Cowboys on Sunday and tuning in for the Super Bowl once a year, I don't claim to know that much about the game or its players (other than those making headlines for obscure things like deflating footballs). So it was without any great expectation of winning that I decided to take my chances and participate.

Playing fantasy football begins with having a draft and selecting your roster, which basically involves picking players that have been pre-rated for you based on last year's statistics. I perused the list and made my picks based on the nearly infinite amount of research available through Google, ESPN and Yahoo Sports. Some other participants in my league defaulted to "auto-draft," letting the computer pick the next best-ranked player available. With auto-draft, there is no human behavior or biases associated with choosing a roster.

First-round selections typically include a good running back, since the disparity between a fantasy football team with a good running back and one with a not-so-good running back comes to about a 10 point differential. A good wide receiver is next, followed by your quarterback. My quarterback draft choice ended up being Drew Brees of the New Orleans Saints because he was ranked 3rd in total fantasy football points from 2014, and because the first- and second-ranked quarterbacks were already taken by the time it was my turn to select.

As week one approached, we were all excited about our draft picks and who was going to beat who became a frequent topic of discussion. By week three, most of us were scrambling to find new players and make changes to our line-ups as injuries, suspensions and poor performance forced us to find replacements.

My office colleague lost Dallas quarterback Tony Romo to a broken clavicle. Brees was out with a bruised rotator cuff. My back-up quarterback, Matt Stafford of the Lions, was fighting bruised ribs and a bruised arm and chest. The Steelers then lost Ben Roethlisberger with a left knee injury. That was four of the top 10 quarterbacks in the league out with injuries heading into week four of a 16-game season. In short, what once appeared to be a sure thing was quickly derailed by the unforeseen.

In football, there is a term for this. It's called being "blind-sided." Quarterbacks deal with this all the time. A player can come from behind them, outside of their peripheral vision, and then make a big hit. Believe it or not, the same thing happens daily in the stock market.

I have been investing for more than 25 years. Thankfully, some of my greatest mistakes were made early in my career. For example, I used to work in an investment center where people would come in sharing individual stock "tips" with me. They would know someone who knew someone who had the inside scoop. I would do a little research on the company and then pick up some shares, only to watch the stock price fall.

The financial media provides this sort of "advice" to us daily. You can tune in 12 hours a day, if not more, to watch "expert" commentators discuss what stocks they think are poised to do well. One popular financial magazine comes out with an annual list of stocks they think will outperform the market in the upcoming year.

I recall reading about Enron, the up-and-coming energy company that had cornered the utility market, back in 2000. It was on this magazine's list of top picks. By the end of 2001, Enron was no longer a company. I think you know where I am going with this.

You don't even have to go back 15 years, and to Enron, to find companies who have been "blind-sided," their stock taking the subsequent hit. Look at the headlines recently. Volkswagen is embroiled in a scandal regarding software that helped falsify emissions tests on their diesel engines. Toshiba lost its CEO to an accounting scandal. And that's just to name a few. How has the stock of these companies performed recently? Could you have foreseen these events?

Even when things go better than expected, you can still be blind-sided. I have a client who works for a large, publicly traded packaged food company. He recently sent me an email sharing his company's announcement of record earnings that surpassed analyst estimates. I pulled up the company's ticker symbol only to find the stock trading down nearly 5 percent that day.

So where am I going with this?

Trying to pick stocks, or call the market's next big move, is like thinking you can sign up for Draft Kings and become an overnight millionaire. It's most likely not going to happen.

With the market's recent volatility, it's tempting to make changes to your asset allocation (your "line-up") and go with recent winners and dump your losers. In fantasy football, there will be weeks where a player might do well and earn 20 or 30 fantasy points. You add them to your roster expecting great things, and they only get four or five points the following week.

The stock market is known as the "great humiliator" for a reason. It is the discounter of all known information. Don't get caught in the game of trying to make mid-course corrections because you think you know something others don't. In reality, what you know has probably already been priced into the market.

Instead, be pragmatic and focus on the long-term. Don't make bets on individual stocks or the next "sure thing." Rather, stay disciplined, diversified and stick with your well-constructed plan.

About Bill Kaiser, Wealth Advisor, Bland Garvey Wealth Advisors, Richardson, TX

Bill joined Bland Garvey Wealth Advisors in 2011 to champion the firm's outreach and client service activities. He brings a depth of experience working wih both individuals and companies seeking assistance with their investments, as well as coordinating their related accounting, estate and other wealth concerns in alignment with their financial goals.

Bill began his career as a public accountant for Ernest & Young in 1987, specializing in investing since 1992, when he joined Fidelity Investments. He has served as vice president at Northern Trust as well as Fisher Investments, a private client group. Bill holds a bachelor's degree in accounting from the University of Texas at San Antonio.

Bill is active in the Richardson Chamber of Commerce through the Leadership Richardson program and the Education & Workforce Committee. Bill also serves on the UT Dallas Gift Planning Professional Advisory Council and is a member of The Dallas Estate Planning Council. He is an avid tennis player and is actively involved in the tennis community.