

<p></p> <p> </p> <p>Money is Like Sex!</p>

<p>In the case of the "keep up with the Jones" types, it is easy to see the parallels between money and sex and how financial decisions can often be corrupted by impulses and emotions.♦ You see that flat-screen TV in the store.♦ You know your friends all have one (social proof) and you simply must have one of your own, even if you don't have the money to pay for it today!</p> <p>But what about those of us who are more practical and rational - those who consult with others on financial choices and think things through before making a decision.♦ Certainly, we have things under control, don't we?</p> <p>The short answer is, "No, not really!"</p> <h3>Herding Mentality - A Private Orgy
</h3> <p>There is a great article in today's Wall Street Journal by Jason Zweig that explains Why Investors Can't Think For Themselves.♦ The reason - getting confirmation of value from others not only increases the value you see in something, hearing that validation also releases dopamine into your brain.</p> <p>The very same reward centers that trigger during sex and drug use fire up when someone else (or many other people) says that they see as much value or more in the same object as you do.</p> <p>This is built into our hard-wiring, so even if you pride yourself on NOT being a "keep up with the Jones" or impulsive type person, your opinions and valuations are being heavily swayed by what those around you are saying.</p> <h3>Your Financial Circle of Influence
</h3> <p>If most financial decisions are heavily influenced by the opinions of others - and mountains of clinical research in behavioral finance shows that it does - what/who is influencing you?</p> <p>It is worth taking a moment to understand your particular situation and circle of influence because those people have a significant impact on your financial choices and net results.</p> <p>A new independent study commissioned by the Financial Planning Association shows that the top resource most people turn to for financial assistance is "friends, family and colleagues."♦ More than one-third (38%) seek out advice (and validation) from people who are close to them in their lives.♦ Second on the list at 32% was "none" (more on this in a bit).♦ #3 (29%) was the internet.</p> <p>"Professional Financial Advisor / Planner" was tied at #4 (16.8%) with newspapers and magazines.</p> <h3>Friends = Trusted and Free Advice
</h3> <p>One reason why "Friends, Family and Colleagues" is the #1 resource for financial advice has to do with the trust factor.♦ These people already know you.♦ You are familiar with them.♦ Familiarity breeds trust (even when it shouldn't necessarily do so) and since financial decisions are often held close to the vest, the opinion of a trusted, familiar person would seem appropriate.</p> <p>Also in the grand scheme of things, the advice offered by friends is free - often with no visible strings attached (although I think we all know deep down that often there are strings we just don't see).♦ Because it costs less, we often equate a higher value to it.♦ Humans are always looking for a bargain.</p> <p>I have written in the past about the relationship between price and value and this is a situation where common logic is completely twisted.♦ Especially when it comes to getting help with rational or logical choices like personal finance, medicine, law or business; valuable advice is never free - you get what you pay for.</p> <p>If you are sick and present your symptoms to a close friend who doesn't have thousands of hours of medical education and thousands more of experience, how

much confidence should you really have in their diagnosis? Very little, but people do it all the time - equating free advice with valuable advice.

Sure, 9 times out of 10 the free advice will be similar to the doctor's expensive diagnosis. But it is that one out of ten times where the free advice is dead wrong (pun intended) that is the problem.

None = Delusion

The #2 response on the FPA survey was "none" - people are trying to navigate today's treacherous financial waters totally on their own. That's like shooting a white water rapid without a kayak, raft or even a swimming suit.

I also think this response is delusional at the core - these respondents are ignoring the reality that they ARE influenced by others. Most likely that influence is the evening news, headlines or talk around the water cooler. In today's high-tech world, it is impossible to make financial decisions in a vacuum. Even if you could, those decisions would have to be based on some sort of education or research. To me, the "none" response is more likely an "all of the above but I'm scared to admit it" response.

The Internet

The #3 resource for help in making financial decisions was the internet. This also has appeal because it is free - I won't repeat that price vs. value argument again.

What is interesting is the belief that if you have a lot more information (which the internet offers), somehow all of that information will come to a result that can be trusted more than just one resource. To an extent I agree with this, but with one caveat - you have to be willing to read through ALL the information that is available and that takes a lot of time and energy.

You are at the whim of the search engines and they aren't perfect. Search engine results are heavily manipulated by Search Engine Optimizers and other games.

The general dialog about financial issues is also swayed by those that have a vested interest in keeping the status quo. Certain truths (like the [10% Myth](http://bit.ly/RAFblg22)) don't immediately (if ever) gain national traction.

The internet is a useful tool. There are resources for financial information that are full of useful facts and ideas without all the impulsive, manipulative stuff. I know I am biased in this opinion, but I believe it is better to start working with a fiduciary professional and access his/her list of trusted internet resources than it is to jump into the wild wild west and take whatever Googles to the top as gospel truth.

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