The Investing Conundrum: Too Much Information But Not Enough Wisdom

By Barry P. Mitchell Jr.

Achieving financial success is a long-term proposition. That’s something you may not realize if you regularly watch any of the broadcast and online financial networks.

Every day you can see “experts” talking about market performance, what stocks are up or down, and whether you should be buying or selling. If you listen long enough, you’re liable to think that the key to financial success is just following what these talking heads tell you to do.

But the funny thing is, it is not an anomaly to see the expert who told you to sell today may very well tell you to buy that same stock next week and people who religiously follow their advice rarely seem to get ahead. It can be fun to tune in to the financial news channels or websites and hear different opinions and other information about the markets, but where many people go wrong is mistaking all that information for wisdom.

Sure, there’s more information than ever available to do-it-yourselfers, but that information can be useless if you don’t know how to use it. Too often people mistake the plethora of information for wisdom and end up making poor decisions that are based on their fear, greed, and personal psychology around that are based on their fear, greed, and personal psychology around that.

One of the things that too much media exposure and stories about companies that have really taken off can do is to make people feel like they made a mistake by not buying that stock when it was still a bargain. That fear of missing out (so-called “FOMO”) on the next big thing is what makes people buy into an investment that has already peaked or a bubble that’s about to pop.

It’s something I’ve seen time and again throughout my career, starting with the bursting of the dot.com bubble in the 2000’s. In the years leading up to it, investors were pouring money into internet stocks even though it would be years before many of those companies had even a hope of being profitable.

Look at Amazon. It took almost eight years for it to show any kind of profit and even then, it was only one cent/share on revenues of more than $1 billion. Many others just disappeared. Then the bubble burst. The Nasdaq declined almost 80% during this period, also known as the tech wreck, followed by 9/11.

We’ve seen the same thing happen with cryptocurrencies. Bitcoin hit its all-time high of almost $67,000 in early November 2021. I think I got more calls in the fourth quarter of that year to buy Bitcoin than for any other single security in my 35-year career.

But by then it was already too late. Six months later the value was less than half of that and started this year at about $16,000. Although it was back over $20,000 in early March, anyone who bought Bitcoin in late 2021 has likely lost a considerable portion of their initial investment.

People who bought Bitcoin and didn’t care what it cost at the time because the “experts” said it was going to go to $100,000/coin, weren’t investing. They were making a bet based on nothing more than a hunch and a prayer, which is speculation or a gamble, not investing.

Rather than listening to television talking heads or reading their favorite financial columnist, people should make sure that they have a long-term plan. If you have a solid plan and you manage to stick to it, you are less likely to make as many financial mistakes. But unfortunately, some people spend more time planning their vacations than they do planning their financial futures.

As I said at the start, achieving financial success is a long-term proposition which takes careful planning and ideally working on a plan with a trusted professional advisor. I tell people to think of their financial life as a business and the plan as a personal business plan. Your financial plan is where you keep track of your assets and liabilities, lay out your plans for future growth, and where the cash flow is going to come from to fund your goals and dreams.

No plan is set in stone. It should evolve along with life’s circumstances. Making a revision to a carefully thought-out plan is not the same as having a knee jerk reaction and making an impulsive mistake because you don’t have a personal roadmap to fall back on.

Remember, financial success is never guaranteed, but your chances will be a lot better if you have a thoughtful, detailed plan and stick to it.

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