



News & Views / October 2016

[www.pfpg.com](http://www.pfpg.com)

In this issue: Politics and investor behavior, new money market rules, financial literacy, cellphone malware, PFPG news

---

## Politics and investor behavior

The saying goes that people vote with their pocketbooks. Investors generally expect that if their favored presidential candidate wins, the economy will be more likely to behave in certain ways, so they make investment decisions accordingly. “The Hidden Way Our Politics Skew Our Investing Choices” in the *Wall Street Journal* referenced a study about political impact on investor behavior from 1991 through 2002 (three presidential election cycles). The researchers found that when investors’ favored candidate won, they tended to have greater confidence in the economy and were more willing to incur risk, favored domestic over international stocks, and traded less often. The study made the argument that the losers, who conversely tended to trade more frequently, affected their portfolios adversely since more frequent trading on average results in lower returns. The effect of bias even applies to professional money managers and their stock choices, according to another study.

No surprise that our biases affect our behavior, especially when politics has become so polarized and objective information gets lost in a firestorm of opinions. Richard Geist, president of the Institute of Psychology and Investing, says that the best way to balance the influence of our biases on decision-making is to seek out and examine a range of opinions from reputable sources, not just those that mirror your own beliefs. And if you’re feeling a bit like Chicken Little about the whole thing, take a look at Vanguard’s online article, “Worried about the election’s impact on your portfolio? Markets are nonpartisan long term.”

## New rules for money market funds

Beginning October 14, institutional prime and municipal money market funds are subject to new SEC rules allowing the value of their shares to fluctuate or “float” to reflect the market price of their holdings. This is intended to avoid a repeat of the destabilization of 2008 when massive redemptions occurred after the Reserve Primary Fund “broke the buck.” How might this affect money market funds? Some investors may see a gain or loss in the net asset value (NAV) of their prime or municipal money market account. But the retail funds that are used by most PFPG clients, including those offered by Vanguard and Ameritrade, are exempt from a variable NAV.

If a period of severe market stress compromises a prime or municipal fund’s ability to raise cash by selling holdings, the fund is permitted to impose temporary fees of 2% and suspensions on redemptions for up to 10 business days, regardless of whether it is institutional or retail. (Government funds are exempt from the withdrawal rules and can continue using a fixed \$1 per share NAV.)

If you have any questions about whether these new rules affect you, take a look at the *Investor's Business Daily* online article "Do The New SEC Money Market Fund Rules Impact You? Only If You're Very Rich, Unless ..." and consult your financial advisor.

## What do you really know about money?

Do people actually know as much about money as they think they do? A long-running study by the FINRA Investment Education Foundation suggests that not only do most Americans fail to grasp basic financial issues, but most rank themselves "very high" on financial knowledge in spite of it. In addition, their "positively biased self-perceptions of their financial knowledge" are often disconnected from their actual spending and investing behaviors.

The 2011 study "Old Age and the Decline in Financial Literacy" indicates that normal cognitive decline in individuals over age 60 (about 1% decline each year regardless of education or background) affects their financial literacy scores on the topics of financial basics, insurance, investment, and credit. But as people age, their confidence in their own financial decision-making ability generally *increases*.

Try the six-question quiz described in the *New York Times* online article "What You Think You Know About Money, but Don't, Can Hurt You." For example, what do bond prices do when interest rates rise? If you're like the average person, you'll get three or four answers correct. If you're approaching your senior years and find you're just a little less nimble with complicated financial or mathematical issues, be sure to run important decisions by a trusted family member, friend, or financial advisor.

## Hold the phone app

As if there weren't enough ways that thieves can infiltrate our digital lives, our mobile phones present a window of opportunity via malware that targets banking apps. Both Apple iOS and Android operating systems are equally vulnerable. The malware often installs itself when the user taps on a text from an unknown source or a website ad, and permits the thief to extract credentials when the phone is used for online banking purposes. How do you protect yourself against these invaders? 1.) Update your phone's operating system when updates are available; 2.) employ antivirus or antimalware software, 3.) change your bank password regularly, and make it something different than your non-banking passwords; 4.) avoid using your phone for financial transactions over wi-fi in public places; and 5.) review your accounts regularly for unauthorized transactions, and if one appears, report it to your bank quickly.

## PFPG news

We're very pleased to welcome Sarah Delahanty as our new Office Manager. She has fourteen years of office managerial experience and has worked for both private practices and non-profit organizations. Sarah holds a bachelor's degree in English Literature from St. Michael's College in Vermont, and will play an active role in managing PFPG's client workflow and compliance-related tasks as well as maintain office systems and work routines.

Tom and Brian recently attended the National Association of Personal Financial Advisors (NAPFA) Conference in Arlington, VA, where they attended sessions on portfolio rebalancing strategies; new developments in estate planning, Social Security, and long term care; advanced student loan repayment strategies; and the future of financial planning.

Have an enjoyable autumn,

A handwritten signature in black ink that reads "Tom Brian Debra". The names are written in a cursive, flowing style.

Thomas Rogers, CFP®  
Brian L. Dietz, CFP®, CFA  
Debra Yoo

**Portland Financial Planning Group LLC | 511 Congress St. | Suite 804 |  
Portland | ME | 04101 207.771.8821**

*Information contained in this newsletter does not serve as the receipt of, or as a substitute for, personalized investment advice from Portland Financial Planning Group LLC. At any time you may request a copy of our current written disclosure discussing PFPG's services and fees.*