Blogging
A Financial Advisor’s Opportunity

By Andy Hyer, CIMA®, CMT

The J.D. Power and Associates 2009 U.S. Full Service Investor Satisfaction Study reveals that the financial advisor is the most important aspect of overall investor satisfaction, accounting for 30 percent of this satisfaction in 2009, an increase from 22 percent in 2008. In contrast, investment performance declined in importance and accounted for only 15 percent of overall satisfaction in 2009, compared with 24 percent in 2008.1

Given this trend, blogging is becoming an increasingly effective way for financial advisors to communicate investment philosophy and keep in touch with clients.

What’s a Blog?
Around the start of this century, a few programmers and other geeks started writing about their lives on their Web sites. They posted about the cool things they discovered on the Internet as well as pictures of their families and their pets. They dubbed these posts “Web logs,” later conflating the term to “blog.” Today, blogs are a mainstream and global phenomenon. In the United States, unique blog visitors number 77.7 million.2 The number of blogs doubles about every six months.3 Bloggers discuss everything.

Wikipedia defines a blog as a Web site, usually maintained by an individual, with regular entries of commentary, descriptions of events, or other material such as graphics or video. As the blogosphere grows in size and influence, the boundaries between blogs and mainstream media are blurring.

Decline of Traditional Media, Rise of Blogs
During the past two decades, sources of media information have broadened beyond network television and national newspapers to include talk radio, new networks, cable television, and the Internet—particularly the Internet. The 2009 Pew Internet & American Life Project reports that significant percentages of Americans of all ages rely on the Internet for information (see table 1).4

While young people use the Internet the most, older people are using it more, too. In fact, the biggest increase in Internet use since 2005 can be seen in the 70–75 year-old age group.

This information source fragmentation is a positive development for financial advisors. Investors trying to understand recent financial events are flocking to financial blogs; some popular financial blogs are attracting 50,000–100,000 page views a day.5

Community
Psychologists have long studied the human need for community.6 Psychologist Seymour B. Sarason proposed that psychological sense of community “is one of the major bases for self-definition.”7 Blogs can help fill the need for community. Here are six ways in which blogging can provide a means to cultivate communities:

1. Financial advisors find that blogs provide a new way for them to stay relevant to customers. Clients are bombarded with messages about financial markets, some of which, if acted upon, can lead to poor investment decisions. Blogging allows a financial advisor to demonstrate financial expertise on important topics and become the source of guidance for clients.

2. Differentiation is important for retaining and attracting business. A blog lets an advisor explain how he or she differs from the competition.

3. Blogs help promote an advisor’s business without being pushy. A financial advisor can blog about challenges facing investors and provide commentary about services in an educational rather than marketing manner.

4. Thought leaders use blogs to share expertise and experiences, providing readers with current information. This

TABLE 1: INTERNET-USING POPULATION BY GENERATION

<table>
<thead>
<tr>
<th>Generation Name</th>
<th>Ages in 2009</th>
<th>% of population that uses the Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Y</td>
<td>Ages 18–32</td>
<td>30%</td>
</tr>
<tr>
<td>Gen X</td>
<td>Ages 33–44</td>
<td>23%</td>
</tr>
<tr>
<td>Younger Boomers</td>
<td>Ages 45–54</td>
<td>22%</td>
</tr>
<tr>
<td>Older Boomers</td>
<td>Ages 55–63</td>
<td>13%</td>
</tr>
<tr>
<td>Silent Generation</td>
<td>Ages 64–72</td>
<td>7%</td>
</tr>
<tr>
<td>G.I. Generation</td>
<td>Age 73+</td>
<td>4%</td>
</tr>
</tbody>
</table>
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communication that emanates from a person rather than a firm seems more human. When someone blogs over an extended period of time, it’s impossible for their personality not to come out. When people read your blog, they feel like they know you.

5. Blogs are global by nature and reach a worldwide audience. Although communities often connote closeness among members, it needn’t be geographic in nature.

6. Blogs provide an opportunity for ordinary people to voice their opinions. Blogging allows financial advisors a deeper understanding of clients’ likes, dislikes, interests, and concerns, and an opportunity to respond to or address comments.

What Makes a Good Blog?

Like most aspects of the financial services industry, blogging is a meritocracy. One person’s definition of a good blog will be different than that of the next. Don’t blog to appeal to some imaginary “blog expert”; blog to make a positive difference in your clients’ lives and on your business.

My favorite blogs have two important traits, however. First, they reflect a focused obsession; people start a blog because they think about something a lot. Second, my favorite bloggers are disciplined and committed to working harder than the competition to make frequent and thoughtful posts. If clients and other readers don’t feel like they get timely insight from one blog, they will go elsewhere. As with most things, if bloggers aren’t committed to doing the job well, then it’s probably better they not do it at all.

Compliance


**Registered Investment Advisor.**

From a compliance perspective, blogging is advertising and should be treated as such under the advertising rules. The Investment Advisers Act of 1940 outlines the following areas of advertising, which are deemed fraudulent, deceptive, or manipulative:

- Testimonials are prohibited.
- Past specific recommendations, performance advertising, graphs/charts/formulas, and statements of free services are restricted, and conditions must be met, to be in compliance.
- The Act contains a general anti-fraud prohibition against any statement “which contains any untrue statement of material fact, or which is otherwise false or misleading.”
- Touting stock to manipulate the market is prohibited.

**Registered Representatives.**

FINRA advertising rules state that communications with the public must:

- include no false, exaggerated, unwarranted, or misleading statements or claims;
- be based on principles of fair dealing and good faith, be fair and balanced, and provide a sound basis for a customer to evaluate the facts regarding the product or service being offered;
- disclose all relevant material facts without omission;
- not contain legends or footnotes that would inhibit an investor’s understanding of the communication;
- make no predictions or projections of performance, imply that past performance will recur, or make any exaggerated or unwarranted claim, opinion, or forecast; and
- prominently disclose the name of the firm on advertisements and sales literature.

Furthermore, Internet communications are subject to record-keeping requirements. A financial advisor likely needs e-mail archival software to ensure retention and retrievability of Internet communications.

Conclusion

Blogging poses risks and challenges for financial advisors. But the risks and costs of not blogging are rising, too.

Clients these days are demanding better communication from their financial advisors. Blogging provides a unique and useful platform for communicating with clients and prospects effectively and efficiently, especially as traditional forms of communication are becoming increasingly irrelevant. Indeed, many people already check their favorite blogs instead of or in addition to reading a newspaper or watching television. Financial advisors who are willing to enter the blogosphere will reach a broader audience and strengthen their client relationships.

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