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Investing in marijuana no safe bet

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The question of whether Connecticut will ultimately legalize marijuana for recreational use is still up in the air. The idea floated around the state legislature during the last session but didn't go far . . . this time.

Although medical marijuana is already legal in this state, and recreational marijuana has been decriminalized for possession of a half-ounce or less, there remain significant reasons to be wary of looking to marijuana for investment purposes. The most significant reason, of course, is that it remains illegal on the federal level.

Proponents of decriminalizing marijuana tout tax windfalls that other states have reaped. But that still does not mean marijuana — cultivation or sale — is necessarily a good investment. There is significant reason to believe that many other forms of investment would be likely to generate a higher — and potentially safer — yield.

Some analysts have noted the value of the emerging \$50 billion marijuana industry. And some investors see this number as proof that financial opportunity exists. Medical marijuana is already

legal in 36 states and with continued pressure to legalize recreational use, an argument could be made for getting in on the ground floor.

But there are additional factors to take into consideration. First, there already is a well-developed and very aggressive, illegal marijuana industry that has an established customer base. I cannot imagine that black market dealers are simply going to disappear with the development of a legal market for the drug.

That black market customer base is accustomed to making purchases with prices controlled directly by quality, quantity and the age-old factors of supply and demand. There are no taxes, no added fees and no limit on how much can be purchased at one time. This means that the black market availability of marijuana may always be a factor — and a significant competitor to whatever legal market may evolve.

Researchers note that the drug trade is so profitable that even if the drug cartels have to lower their prices to undercut legalized sales, they still will profit hugely, giving them plenty of reason to stay in the business.

Notice also should be taken of the ongoing and thriving illicit market for untaxed tobacco products.

There are also plenty of alternative investments that have the potential for positive returns at considerably less legal risk. Even stocks make more sense to me, despite the market's recent roller-coaster ride. Other options for consideration: Real Estate Investment Trusts (REITs), Exchange Traded Funds (ETFs), mutual funds, as well as a diversified portfolio of higher-yielding U.S. and even international equities.

What this all boils down to is a pretty strong case for avoiding the lure of investing in marijuana, even if the next session of the General Assembly makes it legal for recreational use.

Call me old-fashioned, for now. Maybe I'll change my mind if and when I see marijuana on the Chicago Board of Trade, right alongside wheat, corn and hogs.

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