http://www.hartfordbusiness.com/article/20130429/PRINTEDITION/304269969

HARTFORD BUSINESS JOURNAL

CT investors' aero-bias may be a drag on nesteggs

BY VALERIE DUGAN, CFP

4/29/2013

Valerie Dugan, CFP

Connecticut investors tend to shy away from investing in the insurance industry.

That is one of the results from a recent nationwide survey showing, overall, that investors in the tri-state area are more bullish on prospects for the national economy than investors elsewhere in the country.

The survey, commissioned by Morgan Stanley Wealth Management, was conducted January to March, 2013 by GfK Public Affairs and included interviews of 1,000 U.S. investors, age 25 to 75, with $100,000 or more in investable household financial assets.

Despite Hartford being dubbed the insurance capital of America, the survey said that the aerospace industry was far favored by Connecticut investors over the insurance industry.

For many investors, the poll results also suggest that emotion may play a bigger role than hard data. As a result, investors may be missing important opportunities, regardless of the industry.

Many investors, the poll showed, tend to steer away from non-U.S. investment opportunities, despite the higher economic growth rates in such countries as Brazil and China. Tri-state investors, in particular, were more concerned about foreign conflicts than investors elsewhere in the nation.

Of course, past performance is never a guarantee of the future. However, ongoing rapid growth in a select group of developing nations suggests they should not be rejected automatically because of emotion.

The nationwide poll generally showed broad optimism about the markets.

In the tri-state area, however, it is significant that investor views are different on some key issues. For example, while 91 percent of New York and New Jersey investors say they are concerned about a possible downgrade the federal debt, only 74 percent of those in Connecticut held the same view.

For retired investors, 37 percent in Connecticut said their portfolios are better than expected — but just 23 percent said so in New Jersey.

When asked if they were concerned about being a financial burden on their children, 51 percent in New York said yes but only 26 percent in Connecticut.

These and other differences identified in the poll have important implications for investors and those advising them, particularly with the stock market continuing to hover around record highs in recent days. The differences in views about retirement and being a financial burden, for example, suggest that advisors need to place greater emphasis on retirement planning.

Another example: High on the list of "good" investments for 2013 in the eyes of tri-state investors is gold (47 percent), perceived as a comparatively safe financial haven. The fact that gold was so highly rated again suggests a strong reliance on emotion when making investment decisions. The price of gold has fallen 17 percent since late 2011.

Taking the emotion out of investment decisions is often very tough. Fear is a strong motivator. Rationality is easily pushed to the back seat. Investment and emotion are oil and water. They don't mix.

In the weeks and months ahead, it would be wise for all investors to review their portfolios and consider where emotion played a role in investment choices. It may be time to make some changes.

Valerie B. Dugan, CFP, is a Senior Vice President and Financial Advisor in the Hartford office of Morgan Stanley Wealth Management. For more information, please contact Valerie at 860-275-0779.

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