

OUTSIDE THE FLAGS

By Jim Parker
Vice President
DFA Australia Limited



June 2014

The Seven-Day News Diet

The financial media have been consumed by the issue of ultra-fast, computer-driven trading and what it might mean for ordinary investors. But arguably it is people's own responses to high-frequency news that do the most harm.

The growth of 24/7 business news channels and, more recently, financial blogs, Twitter feeds, and myriad social media outlets has left many people feeling overwhelmed by the volume of information coming at them.

The frequent consequence of the constant chatter across mainstream and social media is that investors feel distracted and unanchored. They drift on tides of opinions and factoids and forecasts that seem to offer no single direction.

The upshot is they end up second-guessing themselves and backing away from the resolutions they made in less distracted times under professional guidance.

Remonstrations by advisors can steer them back on track for a little while, but soon enough, like binge eaters raiding the fridge, they're quietly turning on CNBC and opening up Twitter to sneak a peek at what's happening on the markets.

Quitting an ingrained habit is never easy, particularly when asked to go cold turkey, but there are ways of gradually

weaning oneself off media noise. One idea is a "seven-day news diet" that eliminates the distractions a little at a time:

- **Day 1:** Switch off CNBC. Business news is like the weather report: It changes every day, and there's not much you can do about it. If you really want drama, colour, and movement, stick to "Downton Abbey."
- **Day 2:** Avoid Groundhog Day and reprogram the clock radio. Waking up every day to market headlines can be more grating than Sonny and Cher.
- **Day 3:** Read the newspaper backwards. Start with the sports and weather, and skip the finance pages. Small talk will be easier, at least.
- **Day 4:** Set up some email filters. Do you really need "breaking live news updates" constantly spamming your inbox?

- **Day 5:** Try “anti-social” media. Facebook is great, but it’s like a fire hose. If you want to be social, pick up the phone and ask someone to lunch.
- **Day 6:** Feeling the pangs of withdrawal? Go to the library and look up some old newspapers. They can give you a sense of perspective.
- **Day 7:** You’re nearly there. Use this window to decide on a long-term financial media diet. You might decide to check the markets once a week instead of once a minute. The important point is to have a plan.

Those who swear off the financial media, if only for a little while, often find they feel more focused and less distracted. The ephemeral gives way to the consequential, and they come away from the hiatus with a greater sense of control.

Any changes they make to their investments are then based on their own life circumstances and risk appetites, not on the blitzkrieg of noise coming at them minute-to-minute via media outlets.

Ultimately, going on a news diet can be about challenging our patterns of consumption and thinking more intently and less reactively about our decisions.

We can still take an interest in the world, of course, but at our own pace and according to our own requirements, not based on the speed of the information coming at us from dozens of gadgets.

In the words of the American political scientist and economist Herbert Simon, “A wealth of information creates a poverty of attention.” So it follows that if you economize on your information diet, you can maximize your attention.



“Outside the Flags” began as a weekly web column on Dimensional Fund Advisors’ website in 2006. The articles are designed to help fee-only advisors communicate with their clients about the principles of good investment—working with markets, understanding risk and return, broadly diversifying and focusing on elements within the investor’s control—including portfolio structure, fees, taxes, and discipline. Jim’s flags metaphor has been taken up and recognized by Australia’s corporate regulator in its own investor education program.

For more articles, visit Dimensional’s client site at my.dimensional.com/insight/outside_the_flags

Past performance is not a guarantee of future results.

All expressions of opinion are subject to change without notice. This article is distributed for informational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products or services.

Diversification does not eliminate the risk of market loss. There is no guarantee the investment strategies will be successful.

Dimensional Fund Advisors LP is an investment advisor registered with the US Securities and Exchange Commission.

www.dimensional.com



AMSTERDAM
AUSTIN

BERLIN
LONDON

SANTA MONICA
SINGAPORE

SYDNEY
TOKYO

TORONTO
VANCOUVER