

Face to Face with...

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Steven Orr – President and owner Orr Financial Group

Steven Orr has been in the financial industry since 1986 and is teaching several courses at Houston Baptist University, University of Houston and The Victoria College. He recently decided to sit down and pen a book titled “The Noisemakers: Why they keep losing your money and how to make them stop.” He expects the book to publish later this year. Orr was interviewed by Christine Hall.

Q: What led you to write “The Noisemakers?”

A: I had wanted to write a book about the way the investment world treats investors for a long time. Investors are taught, or I should say not taught, about capitalism and investments correctly and therefore become unconsciously trapped in a dysfunctional system that loses them money on a regular basis. There are many myths perpetrated by the traditional investment giants that hold investors down and out so the reality has been the only folks who make money consistently are the brokers and the companies they represent.

It became even more pressing that I write this book after the downfall of 2008. I just couldn't keep from it any longer. I also needed to explain the capitalist system and an individual's relationship to the system as the brilliance of the system if being lost and possibly even intentionally harmed by politicians for their own gain. Investors are getting the triple whammy from the politician, poorly run corporations and a stagnant nonfunctioning investment system sometimes being promoted by outright crooks. We are losing confidence in our system. Politicians have exploited both conservative and liberals and have pitted them against one another to get themselves elected. They are transferring the wealth out of the private system into the public or as one could say a socialist system which will destroy opportunity for all except the government.

Q: What bad advice are financial advisors giving their clients?

A: There is much bad advice being given. They convey to investors that: 1) They are long-term investors and therefore they should ride out all the storms. 2) Past performance is not an indication of future gains is distorted. 3) They say “When stocks go up, bonds go down.” They are putting “conservative” investors in bonds when they know that during an inflationary cycle interest rates go up and the value of bonds goes down and traps the investor in low-interest bonds that they must hold to maturity or they will forfeit principal. This is what perpetrates the big myth that there are only two asset classes to invest in, when we know that investors have at least eight other asset classes besides stocks and bonds to use that the big investment companies don't sell. 4) Asset allocation as traditionally practiced just does not work. They show investors this nice pretty pie chart that matches their “risk tolerance” and tell them if they follow this allocation they will do just fine. “Tell me Mr. and Mrs. Investor, how well did this work for you?” Not a lot of risk tolerance profiles existed that weren't violated this last go-round! There are others, but that's what the book is for.

Q: What should they be telling them?

A: The book tells investors about other ways to invest and what to look out for with a broker or advisor. I explain how the system works and encourage the reader to think!

Q: Should there be investment education in America?

A: We live in the richest (so far) country in the world and they don't teach us how it works. This allows others to take advantage of our ignorance at the investment level as well as on the political level. I have dedicated myself to education. It is amazing that I have found even our most educated citizens don't know about our system. Some folks think they can get an opinion from their attorney or CPA, but these folks get no formal education in investing. I know because they come to my class.

Q: How can people make money in today's environment?

A: When people (governments, investment firms, etc.) do dumb things that hurt some investment, they create huge opportunities elsewhere. Money is made when blood is running on the streets. You just don't want it to be your blood. If folks keep doing what they have been doing, they will keep making the same mistakes they have been making. There is fabulous potential right now for investment gains in areas traditionally overlooked by most. You have to play ball in the major leagues where the big boys and girls play, and you can participate even if you consider yourself a regular person and are not yet wealthy. If you are wealthy, you better figure out how to keep it.