



Rodney's Take

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From Shoeshine Boys to Porn Stars

Joe Kennedy, Sr., famously knew that the 1920s stock market had reached a top when his shoeshine boy began giving him stock tips. As the story goes, Kennedy took this as a sign of mania, with thousands if not millions of people with limited knowledge piling into stocks in the belief that prices could only go higher. Such bubbles ultimately play out by failing under their own weight, because there's no one left to buy. Kennedy got out early.

The story has repeated itself over the decades, with different groups providing the advice. In the 1990s dot.com bubble, it was cab drivers. From there, the story jumped to college kids showing people how to flip properties in the housing boom. But the latest advisor to would-be investors seems to be the equivalent of when Fonzie jumped the shark on *Happy Days*. It's too much.

Recently retired porn star Lana Rhoades sent a message to her Instagram followers about a stock trading seminar. Her pitch wasn't exceptional. She simply noted that many people are jumping into stocks and perhaps her followers want to know how or want to know more, so they should check out the online seminar.

If Rhoades is a savvy equity investor, she hides it well. Unlike the shoeshine boys and cab drivers of old, she isn't trying to make herself out to be a genius at picking stocks. Instead, she's clearly just a pitch man driving people to a seminar. But the fact that a stock trading firm thinks it's a good idea to hire a porn star to reach out to online followers speaks

volumes about how far investing groups will go to bring in more clients. This particular firm offers newbies the chance to be part of their group on a trial basis for just \$3 for the first week, although it's a sure bet that the seminar on offer leads to a much more expensive product or membership.

I've no idea if the move was successful. Typically, companies hire pitchmen who can transfer credibility from themselves or their organization to the product in question. It's not clear what sort of transfer the investment company expected to get from Ms. Rhoades, or if they did any market research to determine whether their respective clients share any attributes. Or maybe none of that matters. Maybe it was all about reach.

According to Instagram, Rhoades has 12.5 million followers. Perhaps the ability to reach that many people was too good of an opportunity for the company to pass up. If the company gets just one half of one percent of her followers to sign up for their seminar, it's still 62,500 people. And if just 10% of them purchase, that's 6,250 new clients, which could be very profitable.

Maybe the markets keep heading higher. Maybe not. Either way, Rhoades and the firm she's fronting will still get paid. As for how the eventual clients will fare, that has yet to be determined.

The clients will be jumping into equity markets at near record highs, in a year when GDP is expected to fall between 4% and 7%, just before a crazy election that could lead to higher taxes on individuals, corporations, and investors. And we're still dealing with the pandemic, which has thrown millions out of work, has caused a crisis in commercial real estate, and has roiled the residential housing market to the point where no one knows what will happen with foreclosures and evictions in the months ahead.

This seems like a dangerous time for new investors to be jumping into the markets, no matter who is giving them a nudge to take the leap.

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Got a question or comment? You can contact us at info@hsdent.com.