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Investing: Good News for Newsletters?

The pricey services may get a boost as investors look for easier ways to search sources of investment info

By [David Bogoslaw](#)

If investing newsletters were stocks, what would the financial gurus who produce them think of their prospects? The number of subscribers of financial newsletters has been declining steadily for the past 10 years, which "is more a phenomenon of the Internet than of bull and bear markets," according to Mark Hulbert, publisher of *Hulbert's Financial Digest*, which rates the performance of paid investing newsletters. "Even at the top of the bull market in 2007, there were a lot fewer subscriptions, half of what there were in 1999."

The longer-range downturn in the stock market has exacerbated the decline in newsletter readership, says Hulbert. The jury is out on whether the widespread market damage brought on by the credit crisis has increased investors' doubts about the ability of financial advisors to offer valuable market advice—or whether that advice has become more appealing as the aversion to big brokerage firms grows and more investors become aware of the many potential conflicts of interest these firms have due to their investment banking arms.

Jeff Broadhurst, president of Broadhurst Financial Advisors in Philadelphia, says his more sophisticated clients are increasingly distrustful of the big brokerage firms like [Goldman Sachs \(GS\)](#) and [Morgan Stanley \(MS\)](#). Clients of these brokerages have been moving to fee-only advisors to avoid the flawed advice being dispensed by the big brokerage firms, he adds.

Steven Podnos, president of Wealth Care, a financial advisory firm in Merritt Island, Fla., doesn't like the fact that the big brokerages are always trying to sell something. "I tend to really discount what I hear coming from any brokerage house spokesman. They already may have an agenda," he says.

FOR CONTEXT AND ANALYSIS

But Podnos is equally skeptical of the stock-picking advice sold by investing newsletters, most of which he regards as not worth reading. He subscribes to a variety of newsletters more for background information and opinions about the markets, the economy, and geopolitical issues that may influence different asset classes. He says he's convinced that investors can't use the advice in newsletters to beat the markets consistently over time and would be better off filing it away for use along with an assortment of other information to make investing decisions.

It's the market context and deep analysis that draws Podnos to certain kinds of newsletters, such as one that provides a wealth of information about Canadian energy trusts that he has difficulty finding elsewhere.

The drop in newsletter readership correlates more to the long-term trend in the Nasdaq Composite index, which now trades at less than half the peak it hit in March 2000, than that of the broader market, says Hulbert. "That suggests that if the market takes off you'd have a cyclical trend working in favor of the industry, but you would still have a secular trend working against newsletters until they figure out how to exploit the Internet in a better

way," he says.

NEWSLETTER BUNDLE

One site may have come up with a way to do precisely that. Zepinvest, an online service that aggregates more than 80 individual investor newsletter Web sites under a single umbrella, launched on Jan. 7, 2009 and hopes to arrest declining subscription trends by offering these resources at a more affordable rate and in a format that makes searching for advice much more convenient than having to keep track of log-on names and passwords to a multitude of different sites.

Only 2% to 3% of roughly 50 million U.S. investors currently subscribe to paid investing newsletters, while most investors are either unaware of them, find them too time-consuming to consult individually, or simply can't afford to buy them all, says Michael Rodov, founder and chief executive of Zepinvest. "We feel we can reach those people and drastically grow the market. Many newsletters believe that, too," he says.

Rodov likens what Zepinvest is attempting to what occurred in the cable television industry in the 1980s. The emergence of a multitude of paid television channels drew niche audiences to individual channels but overall accounted for just 2% to 3% of total television viewership. "After these [channels] were bundled together and sold as cable TV, consumer penetration went up from 2% to 3%, to 50%, and now it reaches 58%," says Rodov.

Subscribers can access *The Cabot Market Letter*, Bernie Schaeffer's *Option Advisor*, and 80 other newsletter sites on Zepinvest for an introductory rate of \$600 a year, a 25% discount to the regular price, says Rodov. Substantially less than the \$30,000 they would pay for all 80 sites if they subscribed to them separately, it's a "massive value proposition," he says. The price will stay fixed at the regular rate of \$800 even as Zepinvest adds more individual newsletters.

NOT WILLING TO PAY

In a sense, the shrinking audience for newsletters is part of the broader challenge facing all print journalism. There's still huge demand for what investment advisors write, but readers no longer want to pay for it, says Hulbert. "Hopefully, by getting enough newsletters in the corral, [Zepinvest] may entice enough people willing to pay money" in exchange for access to all this information that they would never buy individually, he says

Podnos acknowledges that a site like Zepinvest might be helpful when searching for investing topics, but says accessibility in one place doesn't address how reliable any particular source may be. "Just because you can find something easily doesn't mean it's worth reading," he says.

For that matter, it's not as if he constantly has to search the individual sites of the various newsletters he already subscribes to. Most publishers send e-mail alerts to tell him when a site has been updated with new information. He would prefer to take advantage of the short trial offers at reduced prices and money-back guarantees that most newsletters provide to attract new readers.

While it's tempting to see newsletter publishers' willingness to join Zepinvest as a sign of the market decline, Hulbert views the startup not as a symptom of the decline in subscriptions but an attempt to capitalize on the potential audience for aggregated investment info.

EMPOWERING INVESTORS

Not every financial advisory Web site has seen its audience shrink, but the exceptions to the broader trend seem to be sites oriented toward empowering investors to think for themselves rather than put their trust in a professional advisor. *TidalWave Trader*, an online-only newsletter focused on technical charts, has seen

subscriptions triple since the site relaunched in October with new video capabilities that make it much easier to show readers how to recognize and trade off of chart patterns, says Kevin Neel, chief operating officer for the site. TidalWave will be accessible through Zepinvest starting the week of Jan. 19, and Neel expects to attract "a ton" of new subscribers in a way that suits his site's limited marketing resources.

Neel also believes the problems in the stock market have helped his site, since they've encouraged investors to look inward and become more self-reliant. "People are getting away from the large brokerage houses because they didn't trust them and want to know what's going on on their own," he says. "Everything in the economy has helped us. People are re-evaluating how they're doing."

Publishers are very familiar with the economics of bundling products together, says Rodov. When you put two pieces together, you get more revenue. "People's Web experiences or experiences with publishers are no longer focused on going to one publisher" the way they used to buy individual magazines at the newsstand, he says. "Until paid publishers can accommodate that user behavior, it's going to be difficult for them to continue to generate revenue." The newsletter outfits of the post-meltdown era may well want to heed that advice.

Bogoslaw is a reporter for BusinessWeek's Investing channel.

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