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From the Editor

The first article in this issue raises a very interesting question given the intense level of discussion on the future of Social Security. Steven P. Fraser, William W. Jennings, and David R. King in their article entitled, “Strategic Asset Allocation for Individual Investors: The Impact of the Present Value of Social Security Benefits” argue that Social Security benefits should be included in portfolio asset mix decisions. They start out by asking three questions:

1. “Should investors consider Social Security when making asset mix decisions?”
2. “How should an investor determine the value of Social Security benefits?”
3. “How does proper valuation of Social Security affect the asset mix of a financial portfolio?”

Their analysis indicates that when social security wealth is included, there is an incentive for more stocks in the asset mix.

Gregory A. Kuhlemeyer evaluates a recent product that the insurance industry has developed in his article entitled, “The Equity Index Annuity: An Examination of Performance and Regulatory Concerns.” He raises issues about the performance of this type of annuity, its appropriateness for different investors, and the lack of regulation by the SEC.

Is there a differences in black versus white households financial asset portfolio holdings? If so, should financial planners structure their product offerings differently? These two questions form the basis of an article by D. Anthony Plath and Thomas H. Stevenson entitled, “Financial Services and the African-American Market: What Every Financial Planner Should Know.” Their analysis looks at the statistically significant differences by race and argues that planners need to recognize the difference in risk preferences when making recommendations.

Ralph R. Trecartin Jr. tests the book-to-market ratio in his article entitled, “The Reliability of the Book-To-Market Ratio as a Risk Proxy.” He finds that the ratio is a better predictor of return than cash flow, size, and sales growth. However, it is not reliable for periods of time that are less than 10 years and it is not a reliable proxy for risk.

The last two articles provide two very different views of finance theory, based on reviewing literature from other fields. In an article entitled, “On Time: Contributions from the Social Sciences,” author Barbara S. Poole examines the anthropology and psychology

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literature on time. She discusses time in terms of culture, pace, environmental factors, and temporal orientation. An earlier version of this paper received the 2000 AFS paper award made by the American Association of Individual Investors.

The last paper by Douglas E. Allen and Elton G. McGoun is called, "Hedonic Investment." They argue that investing and consuming may be more similar than traditional theory would suggest when examined from a psychological or sociological prospective. They draw on marketing literature for their theoretical discussion and use a literary analysis of "The Motley Fool Investment Guide" to illustrate the concepts. Both the Poole and Allen and McGoun papers will hopefully provide the basis for further thought on alternative views of finance.