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## Living Dangerously in a Safe Harbor

Disclaimers are routinely ignored, but they have one advantage



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Since 1995 American companies have been able to issue guidance to investors as long as they surrounded it with some legal boilerplate. This “safe harbor” language is spelled out in the Private Securities Litigation Reform Act.

Now some CPAs say the PSLRA is just an exercise in CYA. A study published in [The Accounting Review](#) concludes that disclaimers are routinely ignored by investors. But, the study says, the forward-looking statements, if they are optimistic, tend to drive up the share prices of firms making the forecasts just as much as those without a disclaimer.

These statements are more than just mere words that can be used effectively to defend against lawsuits. Using a crowd-sourced experiment, the study’s authors, H. Scott Asay of the University of Iowa and Jeffrey Hales of Georgia Institute of Technology, showed that the existence of a disclaimer made people less likely to feel wronged if an investment went badly.