



LETTER TO INVESTORS



To: Anyone who has ever taken a financial education course or bought a financial product

From: We, the financial educators and industry at large

Subject: It's not you; it's us

Dear Investor

Study after study indicates that our efforts to help or teach you to learn about financial topics haven't worked. For years, we secretly blamed you. However, the more we have reflected on this, the more we thought about the two sides of the coin, as it were. We had an epiphany (a.k.a. we read the trust surveys about our industry) and realised that blaming you was wrong; it was never your fault. In light of the evidence, it was we who didn't know how to educate or communicate with you. Can you ever forgive us? Can we try to make amends?

We're sorry.

With a bit of study, soul-searching and hindsight, we're changing.

Do you recall whenever we explained a financial topic, all the characters in our story behaved appropriately? We did this because really smart people (e.g. finance PhDs and Nobel Laureates) "proved" with really complicated maths how people behave and make decisions. We were seduced by their brilliance, and their equations gained our trust. And, if we're really being honest, we never really understood their maths. We are so sorry for mistaking their classroom learnedness and financial models for the real world in which we all reside.

Furthermore, we were wrong to provide you with answers we knew were tenuous at best, simply because that's what you wanted to hear. We worried that if we didn't offer answers, you wouldn't hire us or buy our products. Do you realise how difficult it is to sell hope?

Again, we're sorry. The truth is that the future is unknown, and no answers will be known as right (or wrong) until the future. We all need to come to terms with that reality.

So... our new, "enlightened" reality will be to offer explanations and education that CAN actually help. We need to help you learn:

1. How needs and wants impact financial plans. Can you imagine a spending plan – budgets are SO constricting – that prioritises your needs, allows for aspirational spending and helps alleviate the stress of debts?
2. Why most ads/commercials are about stimulating wants, and how to defend yourself.
3. How spending and happiness relate. Hint – it's not about accumulating "stuff".
4. Why we mostly "satisfice" (satisfy and suffice) when we make decisions, and how that can hurt with certain types of decisions.
5. How what feels good affects our decision making, and how this is influenced by our environment and our mood.
6. Bonus learnings – why today seems so much more important than the future, and why opposite-styled choices today (e.g. buying stocks when the market falls versus when it rises) often benefit your future.

We need to change too:

1. **Our language needs to be understandable AND useful. Case in point, risk to you is simply about falling short of your goals versus our volatility, standard deviation or permanent loss of capital.**

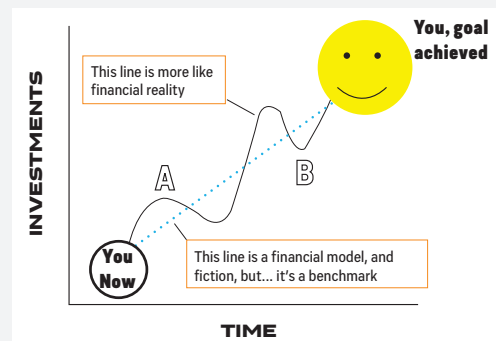
- ▶ We will re-frame the goal as yours versus ours (like a stock-market bogey).
- ▶ We will regularly remind you of where you are and discuss your potential paths to success. For example, when the probability of your success rises (as in A below), you could save less, invest more conservatively or stay the course and maybe achieve your goal earlier. However, when the likelihood of success falls (as in B below), you could start to save more, invest more aggressively or delay/change your goal. And, we will work to flatten the red line, to help minimise such decisions. Hint – be diversified.

2. **We will offer standardised benchmarks to help with your decisions. For example:**

- ▶ We will discuss how much of your income should be spent or not spent on your mortgage, or how much your household should have in an emergency fund.
- ▶ We will teach you how to estimate the savings needed for goals (the dotted line to the right).
- ▶ Bonus – we will show you how to spot flaws (exceptions) in standardised benchmarks.

Help us help you reach your goals, be more financially literate and rebuild your trust in us.

Yours tru(thful)ly,
The Financial Services Industry



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