

Thought-provoking questions

Issue 108: Nov 2024

Financial services representatives and their intermediaries often bring the same standardised solutions to individuals, regardless of personal differences. This approach is partly due to increased regulation and compliance requirements. However, each of us needs solutions tailored to our specific needs, as we are all unique.

Our conversations and debates around financial topics often involve people talking past one another, as participants have different objectives and financial goals. Don't we all have unique aspirations, come from different generations, and have diverse family backgrounds and upbringings? Our values, backgrounds, and beliefs around money differ. No wonder we experience and interpret financial conversations differently.

We've posed some thought-provoking questions about personal finances, because finances are deeply personal. There are no definitive right or wrong answers here. If you are open to introspection and willing to examine your own biases, it can be a valuable personal exercise.

Some thought-provoking questions

1. *What really matters, and what is within your control?*
The rest might be noise. We live in a society filled with distractions. Bombarded with information daily, **how do we discern what truly matters?** This often comes down to our individual thought patterns, temperament, and behaviour. For instance, do I control the Rand/US Dollar exchange rate, or is my personal monthly budget more within my control?
2. *What financial habits could you improve?* A peculiar aspect of habits is that they often operate automatically and without conscious thought. Habits drive our behaviour; in theory, we should be able to control them (related to the previous question). When do we overextend our credit or spending rather than live within our means?
3. *What is it about investment volatility that concerns us?* Volatility is not the permanent loss of capital but rather the natural ups and downs of financial markets and economic cycles. Despite abundant behavioural data, why do so many investors continue to make poor decisions at the wrong time? Perhaps a helpful approach is to see volatility as an "access fee" rather than a penalty. An entrance fee, like that for a game, movie or round of golf, provides access to something enjoyable or worthwhile. A penalty on the other hand is for something you have done wrong. Similarly, volatility is rather the access fee to superior long-term returns; without paying it, one may need to settle for mediocre outcomes;
4. *What is your relationship with money, and how does it influence your financial decisions?* Or, what emotions do money and finance stir in you? Do you have an abundance mindset? Would you describe yourself as frugal or stingy? An individual's experiences, whether positive or negative, often shape their "money story," which can complicate rational (emotion-free) or unbiased (e.g. overcoming overconfidence or lack of confidence) decision-making;
5. *If you could turn back time, what advice would you give your 25-year-old self?* This is a powerful thought

experiment and certainly not an exercise in regret. Instead, it's a chance to reflect and possibly share insights with others willing to listen and learn. I recently came across a quote from novelist D.H. Lawrence: "If only we could live two lives: the first in which to make one's mistakes, and the second in which to profit by them." Doesn't each generation have the chance to listen and learn?

6. *Could you be naïve about something due to a lack of first-hand experience?* In other words, what conditions shape the way we or others make choices? For example, I have no idea what people endured during the Great Depression, let alone the post-WWII years and how that era shaped people's realities. Not to mention someone living in a squatter camp, striving to survive and care for a family.
7. *What might we overlook today that will seem shockingly obvious in 5 or 10 years?* Occasionally, when we look back, we experience those "how could they have thought that?" moments. Take the 2008 financial crisis or, more recently, COVID. Are we missing something about AI, or have we overlooked aspects of cryptocurrencies? **Everything makes sense with hindsight.**
8. *Who might have the right answers, but you ignore them,* because they are not articulate enough? How often are we swayed by narratives that sound compelling, rather than by their truth? We tend to listen to those who are loudest or most controversial. Who do we hear because it sounds good or makes sense, though it might be incomplete given the complexity of the world? People love a good story, but articulating it well isn't the same as having the right answers.
9. *How much is enough for me? Or, rephrased, who do you admire for their accomplishments, yet they may be secretly unhappy?* This question touches on contentment and happiness. Most of us, myself included, show primarily the best parts of ourselves. The lifestyle or car someone drives is only a small glimpse of reality. What might you see if you could understand someone's inner thoughts? This question helps foster empathy for others.
10. *How many factors beyond my control contributed to the successes I credit myself with?* This is a humbling thought. Saying someone was "lucky" may sound dismissive, but if you truly consider it... the country, era, town, and family you were born into largely shaped your opportunities, all of which were beyond your control. Reflecting on this thought reminds us that our lives could have unfolded in countless different ways.

Season Greetings

Thank you for reading our letters. We wish everyone a blessed Christmas and joyful time with family and friends. This time of year, offers an opportunity to reflect and re-evaluate.

May 2025 be a year in which good and just leaders emerge in South Africa. May those fighting crime and corruption succeed. Let us keep a positive attitude and work to improve the general atmosphere brought in by a new government of unity.