

THE PRICE OF WANTING QUICK SOLUTIONS

WRITTEN BY
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We live in a world where patience is no longer a virtue. We like quick fixes and fast results. And so, we produced fast food, instant meals and beverages for a quick fix. We manufactured slimming drugs for fast results. We don't like to wait, especially when waiting is painful.

But speed comes with a price, which we may not be aware of

In the documentary, "Food, Inc." Director Robert Kenner lifts the veil on the food industry, exposing often-shocking truths about what we eat and how it's produced and what the cost to our health is. In the bid to produce food faster and at a higher profit margin for a world that is growing to be fast food nations, chickens are grown in small coops with little light and no space for movements. They grow faster and fatter, but with bad organs and body that is too weak to even walk. Cows were fed with corn instead of grass, and because they were not created to eat corn, they developed harmful bacteria E. Coli that we subsequently eat in beef, which has caused deaths in the US. In a bid to lose weight without the pain of exercise, slimming pills were sold. However, it caused a controversy many years back when Slim 10 caused one of our local celebrities to lose her liver and almost her life.

This deep-seated belief for a quick solution is also manifested in the financial markets. When the markets fell like a pack of cards late last year, investors around the world felt the pain of seeing the value of their hard-earned savings go down. Many were looking for a quick fix. So financial experts appeared and began proclaiming: "Asset allocation will not work! Buy and hold is dead! What has worked for the last 100 years will not work anymore!" So each came out with their investment theories and many investment firms and financial advisory companies also seized the opportunity to set up and sell the idea of a "Recovery fund". The value proposition is simple: The old ways won't work anymore; our new products will help you



make your money back quickly. Many investors embraced it, fleeing the old school of investing. The pain of seeing their investment value fall and slowly waiting for it to recover was too much to bear. They will rather place their hopes on these new products that promises a quick recovery.

This is indeed behavioural finance at work. When pain is present, we sometimes become irrational and look for ways to take away that pain. But yet, we know that many a times, it is the tried and tested way that will really solve our problem. But how many will want to listen when we are hurting badly? Well, I'm glad I did.

I have to admit that I was also tempted to start a "Recovery Fund" for my firm. As I see clients getting upset with the temporary losses of their portfolios and comparing it to the faster recovery of competitors' portfolios. I was hurting in my ego and fearful that clients may leave. I am after all human, prone to failure. Thankfully, my investment committee chided me and kept my focus on the long-term goal of the clients and doing what is right for them. With my eyes now opened, I can see how foolish I would have been.

There is no better way to staying healthy, being slim and looking good. The old school of eating well, sleeping well, avoiding smoking and drinking and exercising is the key to that. You can take a short cut by eating pills, but things

can go wrong and sometimes become disastrous. Of course, we have also witnessed people who have had a healthy lifestyle becoming victims to dread diseases. We can't explain why, but do we then say that the old school is out of fashion? Doctors will often use the clinically tried and tested methods of treating patients and unless all options run out, they will never use a new untested method. I have seen my loved ones suffered pain in illness, I wish many times that I can find a miracle drug to take away their pain, but the truth is that the road to recovery is often long and we just have to bear it.

I am not going to use any numbers or statistics to prove anything, it is my Chief Investment Strategist, Daryl's job, not mine. Also, I think it has been done enough by many others who have written before me. Besides as Mark Twain have said: "There are lies, damned lies – and statistics". Investors are often confused by what they read and watched on media. What seems to be so positive one day can be so negative the next, depending on who gave the analysis and how the numbers are crunched and presented. I want to admit that I do not know and guess the future, I am not God and I better not act like Him.

So what is the old school of investment? It is that you are investing in real businesses. If you do not know each of them well, diversify by buying into a low cost indexed fund or ETF. Buy it at a reasonable price, buy and rebalance regularly. The fluctuation in market is just a manifestation of human's fear and greed. It has nothing to do with the value of the businesses you invested in. Most importantly, know your long-term required return. Avoid greed and do not be flee tried and tested methods for quick solutions that seem to work in the short-term. Do not yield to fear, for you must believe that in the long run, our economic systems that support the businesses remain stable and rational. If you do not believe in it, there is no point investing at all,

for the day will come when your money cannot buy you anything anyway.

Sometime ago on a local web forum, someone commented that it is easy to be a financial planner. Just say the same old thing like what I have said above. I think that person missed the whole point altogether. The saying is simple, the execution of the investment plan is difficult, but the toughest part is in coaching the clients, understanding their money patterns, their psychological tendencies towards money, and having the courage to keep the client in the right direction, no matter how strong the storm is.

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METHODS FOR QUICK
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