

Is your quest simplicity?

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Our search for simplicity is not easy. We are reminded of our physician's recommendation to a particular symptom... stop smoking, eat healthy, or get ample rest and exercise – so basic and simple, but often so difficult to implement. People expect something complex or grandiose. Maybe a new type of medication, treatment or surgery; ie a quick fix to my problem. Is it our human nature to complicate matters? Or are we impressed by jargon (we know so little and they so much)? Why this contradiction? It seems we resist these recommendations because it often requires us to change our cognitive patterns and behaviour.

Simplicity

Why do individuals often seek comfort in complexity? Besides greed it could explain the reason why people get caught up in Ponzi schemes, which usually masquerade as "hedge funds" with complex structures (that few people understand) with impressive and unbelievable consistent performance. Take note of a few recent hedge fund schemes by Bernard Madoff, Helmut Keiner and the late Herman Pretorius.

Steve Jobs in summary stated (through his Apple product series and design philosophy) that ultimate sophistication is obtained through simplicity. Many designers and engineers worked pain-stakingly through numerous problems, configurations and prototypes in order to settle on a particular design that presented the "clean" and superior solution. In other words, a lot of work needs to be done in order to get to the optimal answer and process.

Unfortunately we need quick solutions and regularly get bogged down in complexity, information and uncertainty. If we could simplify our financial goals we would most probably be more effective (sketches courtesy of Carl Richards, The Behavior Gap). The Afrafin inflation-targeted investment strategies and personalised financial plan is very much a testimony to this underlying philosophy. The secret is in simplicity



because that is when we could also be effective.

A competitive environment

Today companies compete for our attention. In an attempt to differentiate they try to impress us. It is about who shouts the loudest, loyalty programs, colourful pie charts/graphs, advertisements, sleek conversations by agents, flashy brand names and offices that make a bold statement. In the noise we could easily get lost... what was my initial objective? To buy a Mini and then walk out with the BMW? What are we trying to accomplish and how do I stay focused on my goal(s)? How do we compare alternatives if services and products change so fast from one year to the next? How do we factor in uncertainty? Our financial trouble or uncertainty can be easily solved by a simple answer – we need to spend less and save more. But how if my bank and credit card company tells me continually to save by spending on discounted items; ie one has to spend in order to save? At Afrafin we believe a budget, financial plan and a **clinical** (without emotion) investment process is paramount.

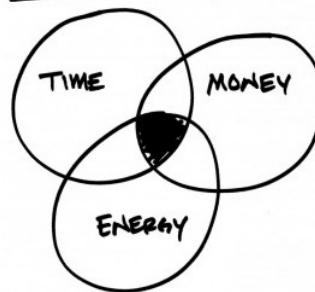
Practical tips

We know the saying "old habits die hard" and nowhere is it as true as with our health, relationships and spending habits. Is it possible to determine what I **need** versus what I **want**? By looking at those two [the need or want] we could quickly assess that we don't really need much.

The following could help us make more effective decisions about our money:

- Get a partner. Choose someone to work with you
- We need to balance our time, energy and money
- Before you buy, stop. List what you need and why
- Refrain from any purchases for a while and only spend on necessities such as groceries
- Track your spending patterns
- Determine an amount for your goal(s); ie come up with a financial plan. There is no quick fix
- Factor in taxes and determine what you can save

A BALANCED FAMILY BUDGET



At Afrafin we would like to engage with our clients in order to make meaningful and well-informed decisions about their wealth and well-being.

A Stanford longitudinal behavioural study by psychologist Walter Mischel in the 1960's and 70's that was later

dubbed the "Marshmallow test", observed young children. In these studies, a child was offered a choice between one small reward (sometimes a Marshmallow, but often a cookie) provided immediately or two small rewards if he or she waited until the experimenter returned (after an absence of approximately 15 minutes). In follow-up studies, the researchers found that children who were able to wait longer for the rewards tended to have better life outcomes, test scores, educational attainment, body mass index (BMI) and other life measures. In essence, are we able to delay gratification? Do you want a pumpkin or an oak tree?



"Could you kindly pick up the tempo a bit?"

Having a prudent and consistent approach to our finances is locked up in simple answers. We all know the story of the tortoise and the hare. Often the one being slow and steady

[calculated and seemingly uninspiring] wins the race.

General

We intend to publish a 20 year celebratory promotion in Die Burger on Saturday the 13th of April. We have asked our Finsolnet associates to contribute as well. Be on the lookout for us!