Make saving as easy as spending

Savings: We do not save enough, we take on debt and spend as it is easy and convenient.

Investing: We do not invest our retirement assets appropriately, either due to carelessness, lack of knowledge or because the investment industry is not aligned with our best interests.

Here is what I propose:

Savings
Our environment (not least the financial industry) is geared to spending. We provide credit cards, debit cards and unlimited ways to spend at every opportunity.

Think about it – within a one-mile radius of where you stand, there are probably a thousand places where you can spend money. How many are there where you can save money – five or 10?

What is even more perverse is that when someone is spending, perhaps more than he should, no one is there to know whether he can afford it.

But when we want to save and invest – oh no, how can you possibly do that? Let’s face it – our society makes saving difficult compared to spending.

Investing
If I get on a bus, all I want to know is that it will get me from point A to B – I do not need to know how the engine works or who the bus driver is, as long as it gets me there.

In investing the same.

It is not the investor that needs financial education – it is the investment industry that needs to keep its financial jargon to itself.

To do that, all investment products should have only a description of target gain and maximum loss. Product benchmarks need to be abolished.

The only benchmark is absolute return. The concept of market benchmarks is ridiculous.

Most of us in the industry do not get paid salaries in terms of market benchmarks.

We do not articulate our liability in market benchmarks, and we certainly do not use market benchmarks to define how much return we need or what risk we are prepared to take.

Let every investment product have just two parameters – target return and maximum drawdown – on the label, and get penalised if they don’t deliver.

And just as my daughter knows when she visits the M&M’s store in Times Square how much candy she can buy with her $10 and what each colour tastes like (without knowing how it is made), every one of us will know which investment products are stacking up and which we can skip.

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