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Adviser Letter - Purpose in the Investment Industry

Have you thought about why you do investment work? Many investment professionals haven't. They enjoy the work.¹ They certainly enjoy the income. They know what they do. And they know how they do it. But they haven't really answered the core question of why?

I believe the investment industry is missing a huge opportunity by responding to this question of "why?" with a blank stare. Or fumbling about with, "We're trying to create alpha." (Alpha is a "what" answer, not a "why" answer. What you do is create alpha, but why? Why does the world—or the client—need alpha? And why is it meaningful or gratifying to create it?)

To be sure, the CFA Institute and other industry groups have stepped up with "client first" programs. The intention here is good. Fiduciaries should put their client interests first. But again, these programs are mostly in response to bad behavior and low Edelman Trust² scores for the industry. They don't really answer the "why?" question.

I have been playing with this purpose question (the "why?") for a long time now. It is becoming increasingly important as Millennials enter the workforce. They want to know why: "Is the firm contributing to make a better world?" They are choosing purpose over profit. And while I acknowledge both are important, I like their ordering: purpose, then profit.

At the other end of the age spectrum—Baby Boomers—also are taking more interest in purpose. As Abraham Maslow, Ken Wilber, Richard Barrett and others note in their research, there is a natural evolution from basic needs (safety, security, community, self-esteem) to higher wants: purpose, service, making a difference, and common good. So, both ends of the age continuum seem to be searching for this deeper meaning: why?

To give an example, a colleague and I were facilitating an investment offsite recently in which the CIO—to our surprise—started the second day with a video clip of Simon Sinek (author of Start with Why). Sinek argued that successful firms have a clear sense of mission. They understand the underlying "why?" of their business. After recovering from my initial shock—that a CIO would start the day with this clip—I asked him a predictable question, "So, what is your 'why?'" In a candid response, he said, "I've been thinking about it a lot. I'm not sure. I know what we do and how we do it, but I can't give you a clear reason for why." I provide this story because it captures what we often experience in the industry. Good people, doing good work, but with no real answer to the "why?" question.

¹ Our research on "meaningful aspects of work" reveals that the top five reasons in this order are: 1) the work itself, 2) clients, 3) colleagues, 4) financial gain, 5) larger purpose

² For Edelman Trust Barometer: <http://www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/>

To continue the story, a short while later Michael Falk was asked to speak about his new book³, commissioned by the CFA Research Institute, on sustainable economic growth and entitlement programs. Michael held up the book and said, “This is my ‘why.’ Ever since my 20’s I’ve known that I wanted to positively influence the financial lives of as many people as possible.” It was a powerful moment. The alignment and congruence were palpable. Michael loves investments. And he loves helping people. Michael’s passion for his work is evident because it is purpose driven.

This experience set off a lightbulb in my mind. Couldn’t everyone in the investment world rally around this statement? Or a variation of it? I began to play with the statement and to bounce it off leaders in the investment world. The version I’ve landed on is:

As a member of the investment profession, I commit to positively influencing people’s financial life.

Here’s what I like about it. For starters, it short and memorable. And it’s very inclusive. When I bounced it off a CIO of a large US pension fund, he immediately began exploring the possibilities:

- Helping people understand how to budget, save and invest.
- Helping people understand the connection between healthy finances and good health.
- Helping with the whole topic of financial literacy.

Yes. All of these activities could fit under this broad purpose statement. The statement works for active firms and passive firms. For institutional and retail. Regardless of your role in the investment firm, you could find a way that your efforts contribute to this mission. Some examples:

- **PM or Financial analyst**: by researching and finding appropriate investments, the analyst contributes to financial well-being of the client.
- **Adviser**: by helping to understand the client needs and fashioning appropriate investment goals, s/he contributes to the person’s financial well-being.
- **CIO**: by ensuring that a given firm’s investment philosophy, process, and execution are sound, s/he contributes.

I can imagine professionals in each of these roles embracing the purpose statement above and then tying it to the work they are doing. And so on, throughout the organization: trading, compliance, marketing, operations, etc. Each person, asking themselves: “In my role, how do I positively influence people’s financial life?” We can tailor the general statement to our own passion and life purpose.

Moreover, I would encourage all investment professionals to expand their view of service from just their own clients to people at large. The statement above encourages investment professionals to move

³ Let’s All Learn How to Fish...To Sustain Long-Term Economic Growth. Available online at www.cfapubs.org for free. Also at Michael’s home page: www.letsalllearnhowtofish.com And as a webinar offered by I, see our website: www.focuscgroup.com

from a competitive (win/lose, zero-sum) mindset to a cooperative (win/win, abundance) mindset. Specifically, it allows us to say, “We support all people, everywhere having financial well-being.” Admittedly, that is a huge dream—think: Martin Luther King, Jr.—but it is a noble aspiration. And each of us can do our small part in moving towards it. As in the Hippocratic Oath for doctors, the charge is to serve “all my fellow human beings” not just my patients, or the rich ones, or the ones that I particularly like.⁴ Imagine the change in our industry’s reputation if investment professionals routinely stated that their mission was: ***to positively influencing people’s financial life.*** And meant it.

Personally, my deepest “why” would be to help people attain peace of mind about their finances. I know people who are multi-millionaires but lose sleep over money.⁵ That’s crazy. So, my personal tie in to the statement would be to help people realize that money won’t buy happiness. The research is clear that over a certain level (around \$75,000 per year, higher in major cities), money does not positively influence happiness. A quick story. An Eastern spiritual teacher was explaining his spiritual training to a Westerner. The final stage involved the monks meditating in the jungle amongst wild tigers. The Westerner exclaimed, “Oh my! That is quite the test: to maintain your peace of mind with tigers prowling about!” The Eastern teacher replied, “Yes, in the East we have tigers. In the West, you have money.” In many cases, money is dangerous to peace of mind. We’ve been trained to believe, “If I just had more money, I’d be happy.” I’d like to help people realize that peace of mind can be attained without buckets of money.

Back to the opening points in the article about Millennials and Boomers. Both of these age groups are indicating a desire for a noble calling. And when we state our purpose as ***positively influencing people’s financial life*** how can our calling be anything other than noble?

I must be missing something. This all seems so logical and simple. And yet very bright people in our industry struggle to find a statement of purpose. I invites you to play with this simple statement and find ways that it does fit with your life purpose and your career aspirations.

It’s time for the “wealth” profession to realize that they are every bit as important as the “health” profession. People’s basic needs are “health” and “wealth.” If either one is missing, the quality of our life is severely impacted. We may not be saving actual lives, but by saving financial lives, we hugely impact people’s quality of life and pursuit of happiness.

So, say it out loud and see how it feels:

As a member of the investment profession, I commit to positively influencing people’s financial life.

⁴ https://en.wikipedia.org/wiki/Hippocratic_Oath

⁵ My work in Australia, has given me ample opportunity to see the “money issues” up close and personal. Many focus on “only” getting a \$1 million bonus, rather than the joy of doing work they love at huge income levels, i.e. higher than 99% of the world’s workforce! We often let money become a big dissatisfier.

And don't get derailed by the enormity of the task. People who fight crime, sickness, drugs, terrorism and the like know that it's a huge undertaking, but the task is noble. And well worth the effort. So, claim **your purpose**.

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