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FINANCIAL FOCUS

||| OBJECTIVE
WEALTH

Don't Make Assumptions

We are all wired to make assumptions, such as the 'prepared fear' of being afraid of snakes from birth. The brain is ready to be more wary of snakes than of other objects, such as flowers or pencils, and that is before all of the learning we do in the early years from our parents.

There remains an assumption that branded products are of better quality and safer than their non-branded counterparts. Coca-Cola surely would not have endured since 1886 with all of the generic incumbents without this subconscious feeling of happiness generated by all of the Santa Claus adverts. There is a warm and familiar feeling to the sight of Coca-Cola that has no place in any rational human being's psyche, but there it is ubiquitous, perhaps until the end of time.

Rory Sutherland, the Vice Chairman of Ogilvy UK and the most vocal of marketers considers, through great storytelling, the way we all make assumptions. In his book, *Alchemy*, he tells the tale of a Canadian man named **Kyle MacDonald** who set out on an absurd-sounding mission: he wanted to trade a **single red paperclip** for something better, and keep trading up until he eventually got a **house**.

THIS MONTH'S FEATURED ARTICLE

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Step by step, he traded:

- The red paperclip → a fish-shaped pen
- Pen → a handmade doorknob
- Doorknob → a camping stove
- And on it went – each time, the object wasn't necessarily more objectively valuable, but it was more **desirable to a particular person**.

Eventually, after 14 trades, he ended up with a **house in Kipling, Saskatchewan** – all starting from a simple red paperclip. I am not sure what Kipling is like, and one imagines that the property could resemble a wooden hut, but you get the point.

Sutherland's opinion is that Economists would call this madness. Standard economic theory says value is intrinsic and measurable. But Sutherland argues that **value is subjective** and shaped by **context, emotion, and perception**.

“What MacDonald had discovered was psychological alchemy: value is not in things themselves, but in how people feel about them.”

You should be wary of those making bold assumptions about the future, especially economists who often speak with great authority. In late 2022 and early 2023, a Bloomberg survey indicated that 70% of economists anticipated a U.S. recession in 2023. Contrary to these forecasts, the U.S. economy demonstrated resilience, with GDP growing by 5.2% in the third quarter of 2023.

Predicting **doom and gloom** can position an economist as a “**cautious expert**”, someone who takes risks seriously and is “better safe than sorry.” As ever, the more negative the story, the more likely you are to gain wider attention through clicks and readership. Making assumptions does not just come as part of human nature; it also comes from the motivation of making a point to others, to stand out.

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As Financial Planners, we are always making assumptions about the future. Isn't that what planning is? We find ourselves in the position of **"cautious optimist"**, somewhat at odds with our economist friends. Life experience paired with having a vested interest in ensuring our clients are in a happy place is not so different from taking the opposing view.

Going back to Rory Sutherland, in an interview with the Yardstick Agency, he suggests that advisers should help 'clients view wealth not just as monetary accumulation but as a means to live richly'. Unabated expansion of wealth may just be the enduring assumption that Financial Planners make about their clients' requirements for their services. Facilitating a spend-spend-spend policy in retirement may be just the answer that Financial Planners should be providing. After all, HMRC will have the final say.

John Wheatley
Managing Director
Objective Wealth

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