

# A BETTER BOTTOM LINE

ARUN ABEY IS A FINANCIAL ADVISOR WHOSE NUMBER ONE PIECE OF ADVICE IS TO BE HAPPY. HE BELIEVES YOU CAN MAKE BETTER FINANCIAL DECISIONS WHEN YOUR ACTIONS ARE IN LINE WITH YOUR BELIEFS AND VALUES.

BY CHELSEA HUNTER

Arun Abey is a man in love with big ideas. As the only child of two creative parents who loved and worked in the arts, he was constantly surrounded by them. Ideas were the currency of the Abey family. So it comes as no surprise to learn that Abey has a rather big idea of his own. Happy people, he believes, make better investors. At first glance it may seem a stretch. What has happiness to do with money? We all know happiness can't be bought, but it's entirely possible that creating and maintaining a personal sense of wellbeing puts you in the perfect position to make wise financial decisions.

It's an idea that is explored in a great deal of depth in *How Much Is Enough?* (A & B Publishers, 2007), a book Abey co-wrote with marketing expert, Andrew Ford. Happy people, it posits, make better investors because they're living authentic lives. The authors further define authenticity as knowing who you are and what you're good at and employing both these strengths in activities you can lose yourself in and that bring you great pleasure (psychologists call this being in the "flow").

Possessing these attributes means you are more capable of making decisions that are in keeping with your own set of values and beliefs, so you are less likely to feel the need to keep up with the Joneses or, as Abey puts it, the herd. Abey points out that most of our thinking is based on the need to survive, which 200,000 years ago meant not being separated from the herd, but that mode of thinking is outdated. We need to move on from "surviving" to "thriving" and the best way to thrive is by leading an authentic life.

It's a concept the Sri Lankan-born, Sydney-raised Abey embodies. He was drawn to the area of finance not for its big dollars but in the hope he might discover a way to alleviate poverty, particularly in developing

countries. He studied economics and Asian studies at Australia National University (ANU) in Canberra and later worked at the research school of ANU while doing his honours. While Abey revelled in the exposure to numerous, cutting-edge ideas and the mental rigour that came with academia, a key factor was missing: how to apply the breakthroughs being made in research to the lives of regular people.

"The self-insight I got from that time period was that I was part architect with these big ideas and concepts," Abey says one afternoon while sitting in a busy cafe in Sydney's CBD. "But, actually, I was part builder as well. I wanted to get my hands dirty, do something and see what actually happened. Second, I was finding it hard to see how working in a university — though the ideas were great — was going to have a direct impact on poverty alleviation; and, third, modern academia was such that tenure no longer existed, so before I could worry about anyone else's poverty I had to solve my own."

This was all happening during the 80s, just as the Australian government was setting in motion plans to float the Aussie dollar and, among other initiatives, deregulate the financial market. This presented Abey with the perfect opportunity to set up Ipac Securities, whose core goals were to take academic theories and make them useful for clients and also to help the lay investor navigate their way through all the massive changes that were about to take place.

"I was beginning to sense that deregulation was going to change this country and massively improve life's opportunities," Abey says, "but equally it was massively going to increase complexity. So when you have the combination of far greater choice but also complexity, then strategy, planning and knowledge were

going to become far more important. The core idea of Ipac was how do we take leading-edge academic research and build a bridge so it could be applied to the day-to-day lives of individuals."


Ipac Securities was such a successful venture it was bought by financial giant AXA Asia Pacific in 2002 for \$25 million. Abey and his co-founders — Paul Clitheroe, Peeyush Gupta and Suvan De Soysa — were financially set. They no longer needed to work, but a love for their profession has kept them all involved with Ipac. Part of the appeal for Abey has been the continual challenge of integrating personal happiness — which relies a great deal on clients possessing a certain amount of self-awareness — with a business structure.

"When I launched this business I thought I was dealing with people's money and I was reasonably well qualified to do that," he says. "What I discovered pretty quickly was, when you start dealing with people's money, you start dealing with people's lives and I had zero qualifications to deal with that." This realisation led him to explore why and how clients made their decisions and how this process could be improved.

## THE PSYCHOLOGY OF DECISION-MAKING

Research into behavioural psychology indicates the area of the brain we thought was responsible for decision-making, the neo-cortex, seat of all things rational, is not. It is actually the older, more developed part of our brain, the limbic system, seat of emotions and intuition, that controls this process. The neo-cortex creates a rationale to explain the automatic, sometimes unconscious reactions of the limbic system. "So what comes out is a set of expressions that don't fully reflect the driver of the decisions we make and it



A man with short dark hair, wearing a dark grey suit jacket over a white button-down shirt, is sitting on a wooden bench outdoors. He is smiling and looking towards the camera. The background consists of lush green foliage, including what appears to be a large plant with long, pointed leaves. The lighting is bright, suggesting it's daytime.

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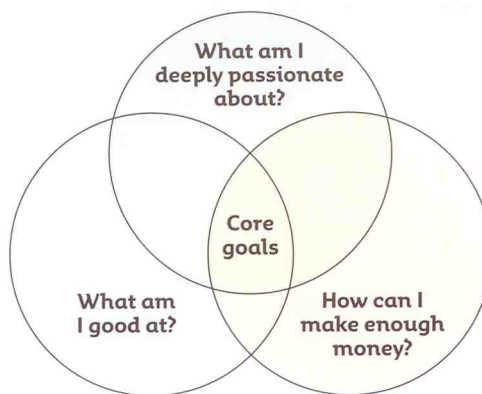


results in a lack of clarity," Abey says.

The limbic system was incredibly helpful 200,000 years ago when survival meant relying on the entire group to keep us safe, fed and sheltered. And, while the biological urge to survive is still strong, and still needed, not all aspects continue to serve us well in modern life. An example given in the book relates to how our brains perceive visual information. In the African savannah, were we to come upon a lion our brains would assess the clarity of the picture. Is it blurred, meaning is the lion in the distance? Then danger is not imminent.

If the image is clear, the lion is therefore close and the instinct to run — as well as the flood of relevant hormones such as adrenaline and cortisol — kicks in and potentially saves our lives. Transfer this instinct to a more modern scenario, for instance London's M25 highway, which is famous for fogs that can potentially blur the lights of the car in front of you. What does your brain tell you? Don't worry about it; danger is not imminent. It is relevant to note that the M25 is known for its multi-car pile-ups.

"What is programmed into



Passion, competence and money: all three factors are important. Financial security and happiness are likely to increase if we focus our goals on where the circles overlap.

our minds is to survive," says Abey. "But many people are unaware of how much of our thinking is hardwired from hundreds of thousands of years ago."

Identifying what your values in life are, as well as your goals (financial and otherwise), will help you understand what is ultimately driving your decisions. Once you know this, you will be able to create a financial strategy, confident that your decisions are being made in a reasonable and rational place. The next step is to learn how to thrive, which involves knowing what will bring lasting happiness.

## THRIVING INSTEAD OF SURVIVING

Recent research contends that happiness can't be found in material goods. Studies by neuroscientists and psychologists specialising in behavioural and positive psychology all indicate you may get a temporary buzz, or slight increase in happiness, but you'll return to your "set point" of happiness; that is, your natural level of wellbeing. What truly elevates your happiness is being caught up in something you love to do. Writing, riding a horse, tackling complex equations, spending time in a studio or darkroom ... these are all activities in which time can very easily get away from you because you're in the moment, experiencing "flow".

Abey's advice is to discover what gives you this sense of pleasure and then take a look at the skills you possess. Do you already have, or can you learn, the skills that will allow you to turn your passion into a living? "There are some skills you can't develop," he points out. "I happen to love opera but there is no chance that I will be able to sing operatically — that's something you either have or you don't have. But I could become the director of Opera Australia, support it and be exposed to what I love.

"The modern world offers so much potential to monetise your skills. I'll give you an extraordinary example. I was giving a speech in Brisbane a few months ago and a young guy, about 30, puts his hand up and says, 'At 24 I

was in commercial law but I was there for the wrong reasons, so I got out. I became a poet.' I thought, 'My god, this guy is now destitute.' But he went on. He said he still writes poetry but he also has an online business helping people to write heartfelt speeches, whether it's for a eulogy or a wedding or any other situation. With the internet he can reach a global audience while working from home. He makes about \$100,000 a year."

## THE ROAD AHEAD

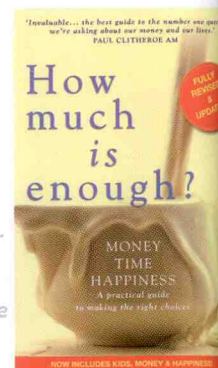
Knowing what makes you happy, understanding your internal drivers and capitalising on your passions and skills are lessons Abey believes we need to pass on to our children. He has started with his own two sons and also visits high schools to further spread this essential message.

"I come across high schools where 99 per cent of the kids want to become investment bankers," he says. "Not because they know what an investment banker is but because they know it is the highest paying profession. Commercial law is now one of the more popular courses to study but research has shown it is the profession with the highest rate of suicide. It's nothing to do with the profession per se, but there are people doing it for the wrong reasons. They were either pushed into doing it or were attracted by the money but were not getting a sense of fulfilment."

This, Abey believes, is the antithesis of thriving yet is the message so many teens receive when they are urged to get top marks, get into the best tertiary institutions and study courses that lead to high-paying jobs. If we are able to pass on sound financial advice to our children, it needs to start with the message, find what you love and do it.

Through his work as director of The Smith Family, a charity that uses education as a means to assist children and families in need, Abey hopes to give young people the opportunity to learn positive behaviours that will help to bring them out of poverty and build financial confidence. He has once again turned to experts in education, human behaviour, psychology, finance and economics to search for the practical answers that may currently exist only in academic papers. It's another big idea in the process of becoming reality.

You can buy Arun Abey's book, *How Much Is Enough?* at bookstores or online at [www.howmuchisenough.net](http://www.howmuchisenough.net). You will also find more of Abey's thoughts on finance and happiness on his blog.



**Lifestyle financial planning involves looking inward to uncover your values and goals, then making choices that are consistent with these rather than treating money as a measure of success. Here are some ways to ensure you can do this.**

- Make sure your job gives you real satisfaction. For those of us in the workforce, most of our conscious hours are spent at work. Does your current job help you realise your own goals and values? If not, why not? Can you re-examine and re-interpret it so it makes you feel better? Remember that the most basic job can give satisfaction if you put your heart into it.
- Spend time thinking about what gives you a sense of gratification. Gratifications typically involve skill and drawing on your "signature strengths" to pursue activities that completely absorb you.
- Plan your time to maximise the gratifications (including work activities that provide this feeling), mixing pleasures in between. Don't spend most of your time on pleasures.
- Have a financial strategy for you, not just for your money. In other words, make sure the key elements of your financial strategy — your level of savings, money behaviour, spending patterns, the risks you take and your overall investment approach — are all geared to help you achieve your goals. Too often, people make investments on an ad-hoc basis because of tips, or simply through having the opportunity placed in front of them, rather than as part of an overall strategy. The result is that their lifestyles end up being dictated by a series of random investment decisions instead of decisions geared to support their lifestyles.