Living on the Edge!

Digital innovation has democratised access to financial information to the point where anyone with a smartphone, a few apps and real-time news and data feeds can be like a pro trader. But who wants to do that? And do you need to?

In the world of information flows, speed is barely an issue anymore. And the old hierarchies, where professionals with state of the art systems had priority access to breaking news, have been progressively dismantled.

For instance, a £300 smartphone with a 1.3 gigahertz processor is more than a thousand times faster than the Apollo guidance computer that sent astronauts to the moon nearly half a century ago. Its internal memory is 250,000 times bigger.

The upshot is that financial and other information comes at us faster and in greater volumes than ever. We no longer have to wait for the six o'clock TV news to know what happened in markets today. Our apps notify us in real time.

But amid this era of always-on news flow, the big question for most of us is not about our access to real-time information; it's about whether we actually need to be so plugged in to have a successful investment experience.

Dealing with that question starts with reflecting how much of an investment "edge" you get by having access to information that is so freely available.

On that score, there's an old concept in economics called the law of diminishing returns. It essentially says that adding more and more of one input, while keeping everything else constant, gives you progressively less bang for your buck.

At the industrial end of this technology arms race, you have the high frequency traders who spend a fortune on advanced communications infrastructure to try to take advantage of split second changes in millions of prices. On the evolutionary scale, these computer programs make smart phones look like old ploughs!

So against that background it's not clear that adding the latest market-minder app to your iPhone is necessarily the path to investment success.

The second question to ask is what you are trying to achieve. Are you trying to "beat" the market by finding mistakes in prices and timing your entry and exit points? If so, and given the competition above, you might want to review your information budget.

The truth for most of us is that investment is not an end in itself, but a means to an end. We want to save for a house or put our children through school or look after aging parents or give ourselves a good chance of a comfortable retirement.

In this context, the most relevant information is about our own lives and circumstances. How much do we spend? How much can we save? What's our risk appetite? What are our future needs? And how much of a cash buffer do we need?

This is the value an independent financial planner can bring, not in trying to second-guess the market or using forecasts to gamble with your money, but in understanding the life situation of each person and what each of them needs.

Ultimately, markets are so competitive that we really are wasting our own precious resources by trying to game them. What most of us need is to secure the long-term capital market rates of return as efficiently as possible.

So our limited resource is not speed or access to information, but our own time. We only have a short window to live the lives we want. And that means we should start any investment plan with understanding ourselves.

That's where the edge is!

Do not act on this information alone!

For further information please contact:

jch: investment management
1 Henley Way
Doddington Road
Lincoln
LN6 3QR

t. 01522 697310
f. 01522 697350

enquiries@jchim.co.uk

www.jchim.co.uk