

## FINANCIAL PLANNING

# WHAT CAN BOARD GAMES TEACH US ABOUT FINANCIAL PLANNING?

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I grew up with a variety of board and card games like Monopoly, Chess, Cluedo, Risk, Careers and Poleconomy followed by Trivial Pursuit, Pictionary, Hearts and even Bridge.

It is amazing to see how board games have changed over the past decade. A lot are less random and often require more skill. For example, very few games now use the throw of a dice to move, the player choices are much more complex and often you also have to decide between different competing options. There are definitely more consequences to your actions and different paths to victory. Euro-style games, in particular, are less aggressive and don't generally have a total dominance intention (unlike games like Risk or Monopoly). I enjoy the interaction with people, thinking strategically, making logical decisions and living in a different world for a while.

This got me thinking about the similarities between financial planning and these types of board games. Are there some principles that we can also apply when advising our clients?

When I explain rules of new board games to people, I always try to start with the victory conditions. What do you need to do to be the winner and how do you achieve that? In some games, it is the person with the highest victory points at the end of the game. Often, it involves the first to accomplish a particular task/quest and in co-operative games either everybody on a team wins, or the game beats all the players. If you know what you are ultimately trying to achieve, it gives you a framework for playing the game and for making decisions during the game, helping you to remain focused on that goal. Often, you have to focus on the range of things needed to achieve the goal, for example gathering resources, when you can forget the goal (you need the resources to buy a building or generate victory points, for example).

When it comes to financial planning, the first question needs to be around your own victory conditions.



You need to identify the goals and objectives that are important to you. How much is enough for you to live the life you want? How will you know when you have “won” the game or achieved your goals? How will you assess that on your journey of life? Are your decisions navigating you towards your goals or further away from them? We can all win at creating better financial outcomes for ourselves.

The next question is about the tactics you need to move towards the victory conditions. What actions can you take on your turn? In a game, you might be able to collect a resource that is needed later to build something, or a card that gives you a special ability, or move to a square to take an action or block another player. Normally, you have a few competing options that you can select on your turn, sometimes leading you to “analysis paralysis” or too much choice as you wrestle with which move is going to put you in an optimal position in the future.

In the same way, there are many decisions you need to make around your financial plan. Should you buy another property, take money offshore, increase



your RA contributions or invest in a tax-free savings account? And often you can't afford to do all of this at the same time! However, you need to consider how these different options will take you closer to your goals or victory conditions. One of my roles as a financial planner is to help you weigh up the merits of each of the different options to see how they align with your overall financial plan.

How do the other parts of the game work? There might be cards that appear, buildings that you can buy and resources that can be reset. There are rules as to how the game works. Understanding the rules helps you to comprehend the parameters, which has an impact on the actions that you can take on your turn. It's important to agree to the rules you are playing by. Some players have "house rules", based on previous experience, which aim to make the game "better" to play as they change a card that might be too strong, or a set-up that might seem too random. Often, the reason for these is to make sure that everybody has a positive experience and wants to continue playing, and to play again, even when they lose. If you have a bad experience, you might not want to play that game again.

In the same way, there are "rules" in financial planning. Some are legislative (i.e. capped tax deductible contributions to RAs or capped tax-free savings accounts) but others relate to things such as asset allocation, liquidity, etc. In addition, even though you can act at any time, sometimes you need to step back from the "noise" to make sure that your actions remain aligned to your objectives. For example, maybe you want to restrict your actions to once a year when you review your financial plan.

Let's look at some of the obstacles. Sometimes in a game, there is an enemy to fight, a player who has stolen the resource you want to use or a square that gets blocked. How you respond to these challenges will determine how successful you will be in the game. Often, there is nothing that you could have done to prevent this action from taking place.

In life, we encounter similar obstacles, be it a market crash or a change in personal circumstances like divorce, the death of a family member or a business failure. It's important to focus on what you can control and detach from the rest. Only then can you consider changing your strategy to still reach your goals.

We can plan in advance and think about what could possibly go wrong. For example, we can have a cash reserve or make sure that our will and beneficiary nominations are up to date. Just like in a game, we need to adjust as our circumstances change and plan for future possibilities. There are often multiple strategies for playing a game and no right way to win. In the same way we need to have multiple strategies to help us with our own financial planning and not

be restricted to only doing things in one particular way. There is value in diversification of assets and not having all our eggs in one basket.

What noises can you hear when playing games? Sometimes players like to divert attention away from themselves, especially when they are winning! Do you keep an eye on how other players seem to be doing (i.e. trying to keep up with the Joneses) and is that influencing your own financial decisions? Are you in debt to afford a better car or house than your neighbour to create the impression that you are doing well in the game? Are you listening to others (latest quick-win stock tips around the braai), instead of focusing on your own game plan?

In a game, there are no quick wins. You plan, build and generate resources. You need to be patient and build up a mechanism which produces ongoing benefits instead of expecting instant rewards. You also need to plan a few moves ahead to get to the right place to take the action you need in the future. The same is true in life, you need to make short-term sacrifices (for example cutting back on impulse buying or eating out) to ensure a positive outcome over the long term (for example, making sure you save enough money for retirement).

In conclusion, you need to ask yourself the following questions:

- What is my objective? (What are the victory conditions?)
- How do I get there? (How do I play the game?)
- What can I do? (What actions can I take on my turn?)
- What obstacles might I encounter? (How will the game/others distract me?)
- What has changed since I last looked at my strategy? (What has changed since my turn has passed?)

At times it is useful to play it with somebody who knows how to play or watch a video to get a good sense of the game. Sometimes that is easier than reading the rule book to try to understand how the game works.

In the same way, you need to have the right team on your side, including people who have played the game before in different cycles of the market. Investment professionals can help you every step of the way.

Moving towards financial freedom is a journey, you might as well make it fun!