

ON THE PLATFORM**AT THE COALFACE****Stephen Jones**

Behavioural finance theory should guide investment approaches, the Smith Coffey adviser tells *Ben Harvey*

Q. Why did you enter financial services?

A. I changed from physics to accounting after a couple of weeks in high school and did much better in accounting. After university I went to London to work in corporate accounting. The work was great but after a couple of years the weather back in Perth made it much more appealing. While in a financial hub like London it's easy to access the corporate decision-makers, I thought it would be a little more difficult in Perth and most people are more interested in decisions that affect them, so I decided to change to the personal financial advice industry.

Q. What is your favourite part of the job?

A. The people, both the team I work with and clients. I was fortunate to start work nearly 20 years ago in a business with great people who had a plan to work with a specific industry group of clients who did not have the time necessary to devote to financial decisions and would value assistance.

Q. What is your investment approach?

A. I'll add some insight from our side of the desk that might help and that is the bias to act — one of the biases recognised in behavioural finance theory. Are you jumping at shadows "in the market" or "out of the market". If you're making in-or-out decisions this assumes you have a high probability of consistently picking the best time to buy and sell. What if we assume you have a low probability of picking the best time, once, let alone consistently. It could then follow you should never be completely out nor completely in. Instead, you could determine the long-term percentage of your funds you want to be exposed to the market and rather than "in" (100 per cent shares) or "out" (100 per cent cash), consider the percentage allocation to different sectors.

Q. Name one regulation you would like to change.

A. Canberra seems to be finding it hard to change any regulation at the moment. Rather than hoping for change perhaps we could consider contributions from other sections of the community. The media, for example, plays a big part in shaping our view, therefore it's great to see *Your Money* helping their readers make better financial decisions.

Stephen Jones is a financial services consultant with Smith Coffey



Picture: Bill Hatto