Financial Management/Wellbeing

How should government/regulators meet their obligation to educate the public on financial management so that members of the public budget for their needs over their lifetime?

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Mechanical Engineering (MEng) -Loughborough University – June 2016

It is clear at the moment that a large percentage of the working population of the UK (as well as a significant portion of the rest of the devolved world) are not budgeting adequately. In the UK alone it is estimated that fifteen million people are not budgeting for the full duration of their life; by not the participating effectively in a pension program. This could lead to people having to continue working in to their 70s and 80s, at least part time to be able to fund a retirement. This problem looks unlikely to 'go away' as the younger generations are struggling to purchase property; this is shown by the term 'generation rent'. No security of a roof over your head and the long term final stability from a pension or investments during retirement can present some serious risks and the health effects of the stress alone can lead to the shortening of people's lives.

A possible solution is to provide tools that would enable people to make sound lifestyle, savings and investments decisions to meet their needs and desires. The tools that would be provided would be free at the point of use to the public through all high street banks and building societies. The tool's customer interface would be simple and easy to use and would help achieve the 'high level goals' such as to retire at 65 and never have to work again or to save for a deposit for a house within the next 3 years etc. The back end of these tools would be far more complex. The application of 'big data' would allow banks and building societies to be able to collect and share the data of all of its members. This data could then be used to understand how best to support people to enable them to achieve their goals. The first stage of this would be to conduct prediction analysis with the intent to prevent people from 'falling off a cliff edge' with their finances and other alike events. This would be by targeting people who are likely or highly likely to reach a point of uncontrolled debt. This would allow the financial institutions to take action to help these people to get back on their feet. This would also help protect institutions from a personal debt crisis.

The second more detailed stage of the support tool would require a well-developed Artificial Intelligence (AI) system for this to be effective in understanding the needs of people. If this system is able to interface securely with a connected world such as systems like connected home, social media and smart phone services on individual and population levels. The system would be able the truly understand the lifestyles of people and their needs. This data and platforms could be used to adapt people's environment to allow them to build habits that will aid them achieve their financial and lifestyle goals.

An illustrative example of how his might work is that Person X wants/needs to save £100 per month to be able the retire at 60. The 'big data system' notes that a person spends £25 on sandwiches in the work canteen and £15 on food to eat in the car on the way home after the gym every week. The AI system then use the techniques of nudging (through a range of areas such as news feed on social media and placed advertising) to get this person to make his own sandwiches and to buy bananas as post exercise fuel. This then yields an approximate monthly saving of the £100 and without a significant lifestyle change.

The benefits of this system are clear; we could allow people to achieve long term financial stability. The limitations of this is the technology such as AI capability needed and the raw computing power, data capture and security needed to enable this, which result in a massive cost. There is still a more fundamental area of concern; free will. As in affect we as a society would be inviting AI to modify our habits, even though this may benefit us. Many people would have deep objections to allowing AI to change their ways of thinking and acting.

This would clearly have to be regulated by the government in a range of aspects, from data security to what areas of life can be impacted can be given. An initial area of concern would be who can use the data? A lot of the data that would be collected would be strictly private data and people may not want to have their data sold at to the highest bidder who could then exploit people as they know how much people can and willing to spend on a product.

This idea is very much in the blue sky area and way off in the future. Although if done correctly this could solve many peoples financial problems. At the same time this may raise far larger ethical and moral questions. The real questions that we need to ask as a society is where do we draw the line for the application of big data and AI, is just to advise us? Or is it to make the decision for us? If so what decisions should AI make for humans?