

Good afternoon everyone, and thank you for inviting me to take part in this event in beautiful Slovenia.

I have prepared a fair bit of material for this event, and all of this, including the slides we have up now, can be found in a special page we have set up in the UK Shareholders' Association web site. It is easily found by googling "savers take control" and by following the link to the Slovenia page.

I am hopeful that this is part of a journey to change things radically in the interests of the ordinary citizen. Let's ask where we are today.

I think there is no better place to start than Better Finance's excellent report "the real return". Looking at this the other day, I was surprised – it actually made me angry.

At times, to a native English speaker, reading the report, you hesitate for a moment to work out quite what it is being said - and I guess we could help a little here - but the message is actually really clear. The passion, as well as the careful research the authors have carried out, comes through well. The return after expenses that is achieved on pension savings is simply poor. This raises a number of questions:-

1. What is the contribution of expenses? And I mean all sorts of expenses – explicit costs, levels of intermediation, trading costs, complexity, regulation?
2. What sorts of real returns might we expect in the future on equity portfolios in a world which successfully manages to avoid a climate change disaster? I think that means a much lower growth world, and that we can't possibly look at the last 100 years' equity returns as a benchmark. And Andy Agathangelou's passionate speech this morning in the "Sustainability" – or perhaps we should have called it the "survival" session – can only help to make the point even more strongly. This makes minimising expenses even more vital. It also calls, as Andy also alluded to, for some sort of informed citizen

participation in determining the principles for corporate behaviour. And I think that the controversial issue of the impact of executive pay on corporate culture has to be faced up to as a vitally important part of this.

The plan for a new Pan-European occupational pension model that is more transparent and has cost caps definitely seems to be a positive step. But it won't change the balance of power between financial sector and the people.

So what are the fundamental problems? And why did I devise the idea of Savers Take Control?

- I believe that the financial sector, especially the fund management and intermediary sector and the savings part of the insurance sector, is hugely profitable, perhaps even egregiously profitable, at the expense of the rest of society, including at the expense of pension outcomes, and I think it is also the most powerful sector of all in terms of its influence on the political and regulatory process. Simply engaging in politics is not going to change anything, nothing has ever changed anything, so it is going to take something radical to turn this seemingly unstoppable supertaker around.
  - More than any other sector, this profitability arises from the relatively **weak position of consumers** that permits such a powerful wealth extraction process. The fundamental reason for this is the long term nature of the investment process, the extreme non-transparency of costs, and the fact that to appreciate the issues, let alone to be able to calculate the impact, you need a fairly deep understanding of the principles of compound interest. As well as the ability to face up to uncertainty and still make decisions.

- Now what's the chance of most people suddenly discovering the principles of compound interest, and working things out for themselves? Absolutely nil.
- And what's the chance that better financial education will make a **big** difference? Again, I think the answer is nil.
- The key idea has been dawning on me over the last 10 to 15 years – it has taken a long time. It is simply this – for those of us who have the knowledge, and who don't need help, to voluntarily speak up and help the rest of society.
- So what do people need?
  - I believe they need someone they can trust to be well informed.
  - And someone who is not in conflict with them, and will tell them the truths and give them the insights that the financial sector would rather they did not hear. Such as that active management destroys value. And that a 2% annual cost or reduction in return across an investing lifetime will reduce your outcome by approximately 50%.
  - People need simple solutions that they can trust. Everyone knows that. But everyone also knows that there is a problem with trust if everyone you talk to or deal with wants to take a significant annual percentage of your wealth.
- This “who to trust” group of people must be both knowledgeable about finance and investment –and yet – and this is absolutely vital – it must be completely independent from the financial sector. People who have worked in finance, are now retired, and who want to give something back to society, are quite prominent in this.
- They have to be unpaid volunteers, prepared to share ideas freely and to learn from each other.
- We don't need masses of people, but it would be great if as a result of this session today, a number of suitably non-conflicted people from across Europe were to come and talk to us.

Thank you