The Robin Hood myth

Among the great medieval myths that have come down to us, there is one that has kept its popularity over time, that of Robin Hood.

It's true that this romantic hero stealing from the rich to give to the poor has everything to please. Yet this myth, as pleasant as it may be, sometimes misleads us in the management of our individual and public finances, with very concrete consequences. It leads us to think that it is possible to take from one economic agent to give to another without any repercussions.

Let's start with public finances and the myth of the Robin Hood state regarding taxes.

Sometimes the public debate comes down to asserting that the Robin Hood state will be able to tax companies and give back to citizens without any consequences. As if behind a company (a legal entity), there were no employees, no family, no suppliers. It goes without saying that what is taken away from companies will be taken away from the stakeholders in that society. More taxes means less wage increases, less hiring and less productive investment.

Let's continue on the Robin Hood state and the myth of debt.

Central banks are injecting abundant liquidity in order to limit the effects of the economic crisis related to the containment and Covid-19. However, if no one pays back their debts, don't we risk forgetting the reforms that are indispensable to our societies? Isn't the risk to increase still further the debts and to weaken the currency, to generate inflation and to harm the consumer in the long run? In short, is not the Robin Hood state stealing from future generations to give to present generations? It is amusing to note that the first historical mention of Robin Hood is made in 1228 on an English judicial parchment which mentions the incarceration of a man named Robin Hood for non-payment…of a debt.

Let us then talk about the Robin Hood myth of finance.

This narrative explains that the world of finance "steals" investors. Obviously, we must continue to make progress on transparency, independence and the quality of client information. However, it is easy to denounce the fees of insurers, banks, financial managers, brokers, etc. It is less easy to finance IT developments, to maintain high levels of equity, to spend time studying an asset/tax situation, and to provide advice while meeting regulatory requirements. Furthermore, what about the low costs, or even the free service offered by some players? They may be lures hiding other fees such as dumping to establish a monopoly and then charge more afterwards or attacking the suppliers' margin, lack of alpha and customer service, or profitability brought by the cross-selling of another product... Regulations such as MIF2 on remuneration have moreover pushed banks (and even brokers in the UK with the RDR) to sell off certain clients whose portfolios had become "unprofitable". These clients, often young people with less savings, have a great need of support to finance a very uncertain retirement. In reality, the perverse effect is to penalize the most fragile savers and increase the quality of service...but for the wealthiest savers.

Let us finally evoke the myth of the Robin Hood investor living in self-sufficiency in his forest.

The investor can manage his portfolio efficiently himself in live securities and/or in ETF and thus reduce management, custody, UCITS funds, insurance fees etc. Are we sure that this practice is a win-win situation over time? Among the sites that surf on the lexical field of low fees, we will obviously think of the Robinhood investment site that recently made headlines with the tragedy that cost the life of a young man who thought he was ruined. The *do it yourself* for a Swedish furniture is one thing, for the financing of his life projects, the preparation of his retirement or tax issues, that is another.

It is likely that the switch to phygital, the use of indexed instruments and regulations will lead to a reduction in overall customer costs. However, it is difficult to automate the creation of innovative investment solutions administered by solid institutions without a thorough knowledge of the client, his or her asset objectives and risk appetite. For the time being, the best way for "unsophisticated" investors to achieve their wealth objectives remains to entrust the management of their savings to professionals and to remunerate them.

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