

Title: **LOOKING TO THE FUTURE**

Panelists: **ANDREW LO, ROBERT MERTON, STEVEN ROSS & JEREMY SIEGEL**

Moderator: **MARTIN L. LEIBOWITZ**, Morgan Stanley

Andy Lo: The regulatory environment for the financial industry is filled with animosity and frictions. This is not good for the industry, and, more importantly, the prosperity of the economy.

Technological advances in other fields, especially in data science and big data techniques, will be applied to finance.

Financial structures will be applied to solve humanity's biggest challenges.

Bob Merton: The industry needs to address issues of trust and inherent opacity; we have difficulty providing advice in a framework which is readily accessible to those in need of our services. We need to move toward goal-based investing: set a goal (funded retirement) and apply dynamic strategies to achieving that goal.

We need to develop more global solutions based on finance principles, including developing securities that replicate dynamic strategies.

Steve Ross: We need to make the social case for the value of finance. Since 2008 we've been cast in the role of the villain. Micro finance has been tainted by the confusion of macro-economic policy.

Jeremy Siegel: Jeremy focused on expected returns over the next decade. Based on historical rates, it appears that stocks are slightly overvalued, but bonds are really overvalued. Why? An aging population of baby boomers experiencing greater longevity worldwide is demanding safety and fleeing from higher volatility investments. Compounding the problem is the low growth of the world economy.

Discussion questions:

How do we address the issue of funding retirement? Unfortunately, we can't combine longevity with early retirement and maintain a high standard of living. We need to save more but explaining that need and the solutions are not being done well. We can address the problem through a portfolio that converts to an annuity at an appropriate time. Also, we need better explanations of deferred compensation programs. We need to better explain the virtues of liquefying the primary asset of housing through reverse mortgages. These can be addressed, but explaining them is not easy. Which is why managing finances for a single person is much more difficult than managing a billion-dollar mutual fund. The problem is communications: would it be better to describe goals in terms of sustainable income rather than asset values?

Why is finance viewed so negatively? We are viewed by the government and most of the populace as a source of problems, not solutions. Until we can gain more credibility, we cannot hope to make progress in solving these very real problems. For example, index funds are very credible and very transparent, because what they do and how they do it are easily explained. Recent television commercials about “orange money” head in the right direction.

Audience rating: 4.53