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Protocols and checklists help in saving lives and in managing money too

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The first line of defense against Covid 19 has turned out to be the simple practice of washing hands. What seems like a simple practice is actually the most important protocol in the world of healthcare. Protocol is a set of rules and guidelines related to a particular field. In the medical world the protocol of washing hands was first introduced in mid 1800s by Ignaz Semmelweis in Vienna. As a house officer of obstetric clinic he faced a challenge of high maternal mortality rate. On careful observation he concluded that most doctors and medical practitioner did not wash hands before entering the clinic leading to rise in infections and high mortality. Semmelweis recommended that every practitioner scrub his hands with chlorinated lime solution before patient contact. This simple practice brought down the mortality from 16% to 3%. And washing hands since then became a protocol in the medical world.

To achieve a particular goal or a result we take a series of actions or steps. We follow what is commonly known as process. Process is designed to achieve error free results. From cooking to flying an aircraft to performing a surgery there is a process involved. Not having a clear process or missing out a step in a process can lead to disastrous results or sub optimal ones at the very least. How does one ensure that the steps of the process are not missed? Answer lies in the simple practice of following a checklist. If you wish to dwell more on how checklists can save lives the best person to listen to is Dr. Atul Gawande who has popularized the usage of checklists. His lectures are available on youtube. Not only the medical field, across a wide variety of other fields usage of checklist is mandatory. In fact it is said that airline pilots have an elaborate pre-take off checklist and landing checklist of more than 20 items.

The importance of protocol and processes is the highest wherever there is a question of life and death. Naturally the protocols and processes are followed to the tee in the armed forces and the medical world. Investing and managing money is a very emotional process. It is also therefore subject to many common human biases. Investment management at the retail level is a young science and the profession of personal finance advisory is evolving like any other profession. Compounded by the deluge of information in this digital age, the lay investor is faced with a confusing array of advice and recommendations. While all of them are probably well meaning and is subject to every persons individual and unique situation, there can be a broad guideline that can help establish a checklist on our journey of wealth creation. To me, the one I read in an article by Morgan Housel of the collaborative fund made intuitive sense.

1. Spend less than you earn.
2. Save the difference.
3. Invest in a diversified set of options.
4. Have patience.

It looks so simple but on a lighter note, step 1 and step 4 are quite difficult for some of us. You can make your own checklist for each step above. For eg: in the third step of 'Invest in a diversified set of options', your checklist should include appointing an experienced and trusted financial advisor. To achieve financial freedom there is a scientific process that needs to be adhered to. I know for sure that some of the successful advisors have a detailed checklist of activities to be done during onboarding of client as well as on ongoing basis. They will help you follow the sequence from first ensuring your protection and insurance needs to establishing emergency funds to then helping you with investments, tax optimization and wealth transfer steps like making a will. Some of you may be excellent at leading a very organized life, but the journey to achieve financial freedom is as much a test of emotions as it is of financial acumen and discipline. Having a financial advisor who has a strong process to help you with your personal checklist can make all the difference between feeling less or more anxious about your financial goals.

Protocols, process and checklists may appear as a burden to begin with; But in my own experience they ease your anxieties and help us in gaining quality time creating memories with our loved ones. If you already have them please stick to it and if you are a new convert to the thought start today.

Take care and stay safe.

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