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Maslow Meets Retirement By Mitch Anthony

"Self-actualization is the desire to become more and more what one is, to become everything that one is capable of becoming." – Abraham Maslow

According to studies by Cerulli Associates, a decade ago the greatest fear of Americans was dying. Today, Americans' greatest fear is living. People are mortally fearful of living to be 100 and being poor. Call it "bag lady/poor old man syndrome." This socioeconomic anxiety is deeply rooted in the fear of outliving their money. With the confluence of an aging revolution, rising health-care costs and the erosive power of inflation on our money (What will a gallon of milk cost in 2040?), it is easy to see how people might not have the most optimistic of thoughts regarding their later years.

As a young man in Iowa, I vividly remember working with a social worker named Jeannie to create a charity for widows in our town who were denying themselves food or heat in the winter months. Jeannie discovered the problem by talking to grocery store clerks who told of older ladies buying large amounts of dog food—when it was known by some that they did not even own a pet. So Jeannie began to walk the streets in search of older, disheveled homes. She would then knock on the door and ask for a visit. What she found was appalling.

Little old ladies would answer the door in winter months in full winter gear because they had to turn their heat down to 55 degrees or risk having their heat turned off by the power company. Those who chose to heat neglected to eat. Or they ate dog food, as Jeannie stealthily discovered when checking the contents of their cupboards. These women were too indoctrinated in Depression-era self-sufficiency to ask for assistance, and so we had to find creative ways to help them (specifically, by anonymously paying their heat bills in the winter).

The impression of Jeannie's journey, however, has stayed with me 25 years later in a visceral way. I don't want to be old and poor.

Our Hierarchy Of Financial Needs

We all eventually will need to engage in a conversation about developing an income stream that lasts as long as we do and that outpaces the inflation that threatens to rot our nest egg, slowly but surely. The best way I know how to accomplish this task is to work Maslow's hierarchy of needs (with money in mind) and walk through the process of designing an income for life. I have developed a financial rendition of the hierarchy for this purpose. (See chart, above.)

Maslow taught that human beings are motivated by unmet needs and that lower needs must be satisfied before the higher needs can be addressed (Abraham Maslow, *Motivation and Personality*, 2nd Edition, Harper and Row, 1970). We first must meet people's most basic needs (like physical survival) before we are able to address other needs (like love or actualization). Rather than studying rats (like Skinner) or the mentally ill and neurotic (like Freud), Maslow developed his theory by studying people such as Albert Einstein, Eleanor Roosevelt and Frederick Douglass. The hierarchy that Maslow offered started with physical survival and then worked down progressively through safety, love, esteem and self-actualization.

For the purposes of a financial/life discussion, I have taken the liberty of renaming and juxtaposing two categories: love and esteem. Love, according to Maslow's definition, had to do with "belonging"—to a mate, to a family, to a community or to a group. I have titled this category "gifting," as this is most often the material expression of love.

What Maslow called "esteem" I have called "freedom." Maslow was referring to the self-esteem that results from doing things well and being recognized for the doing. In the "income for life" model I have renamed this category "freedom money" because, unless people have the freedom to do what they want with their occupational lives, they will forgo the esteem and satisfaction that comes from doing what they are best at. How many people do you know who desire to apply themselves occupationally to something that they are naturally good at?

There is also an aspect of financial freedom that allows individuals to address not just esteem but

enjoyment as well. Hobbies, trips and explorations cost money, and if we don't prepare an income stream to address these costs, they may never get the chance to realize those experiences. The following are the phases of financial preparation we need for "income for life" planning presented in the format of a conversation with your clients:

Survival Income: Money that I have to have to make ends meet.

How much do you need to survive each month? Is it \$3,000? Is it \$7,000? If you stripped away all the frills and thrills and just paid the bills of survival what is that cost? Most people have never taken the time to address this most basic financial question of all. The money needed to pay for your basic necessities is your survival income.

"What If?" **Income:** Money that I must have to meet life's unexpected turns.

What if everything doesn't work out as you hoped and imagined it would? In life, the one thing we can predict with great assurance is that things will rarely go exactly as planned. We are surrounded by risks—physical, familial, financial, relational and circumstantial. Financial risks exist in every category of our lives. Take, for example, the financial risk associated with a divorce, a path that hastens financial ruin. This is an outcome guaranteed to cut your assets in half and diminish your saving capacity.

A leading risk in the minds of those individuals approaching retirement is the risk of outliving their money. Other high-ranking risks are health problems (and paying for health care), investment loss, loss of earned income and financial needs within the family. As much as possible, we want to protect ourselves against catastrophes with our bodies, our money and our "stuff." The money needed to guard against these risks is your "safety income."

Freedom Income: Money to do all of the things that bring enjoyment and fulfillment to my life.

What is the exact cost of the activities and indulgences that bring pleasure and relaxation into your life? Some people engage in low-cost relaxation activities (like walking), while others engage in high-priced activities (like walking after a golf ball). Travel, adventure and personal growth/education are also some of the considerations when calculating the amount needed to fund your freedom.

Gift Income: Money for the people and causes that I care deeply about.

As we move up Maslow's pyramid—securing our survival, safety and freedom—our money can be utilized in the higher calling of bringing blessing to those people and causes we care deeply about. If you are a part of what has been characterized as "the sandwich generation," you are experiencing financial concerns on both ends of the generational spectrum. Many of us would love to do something for our parents and our children. Many of us also have aspirations to support causes and charities that connect with our heart and purpose. The money needed to pay for these gifts and benevolent annuities is your gifting income.

Dream Income: Money for the things I've always dreamed of being, doing and having.

What do you want to be when you grow up? What do you want to do? What do you want to have? These are all part of the financial conversation necessary for paying the bills of self-actualization. For some people, only a career change will bring them to this place. For others it may require part-time involvement in activities more closely aligned with their sense of passion and purpose.

The cost of self-actualization is the time it takes to do the things that bring meaning into our lives. If we do not own enough of our own time to engage in these activities, then we must negotiate with our work schedule and personal finances to make the time available. There is often a cost associated with being what we want to be.

There are also costs associated with doing what we want to do and having what we want to have.

Some people dream of owning a sailboat and spending a year sailing from port to port. Others dream of owning a recreational vehicle and seeing America. Whatever dreams and adventures have surfaced from your own musings on self-actualization, there will be bills to pay in the process. The money needed to pay these bills is your "dream income."

To complete this process (after sorting out all your income needs), you will need to examine your income sources to see how far you can rise on Maslow's hierarchy and then determine the preparations and self-negotiations necessary to cover every level. Potential sources include income from work, retirement funds, income-earning investments, Social Security, rentals, etc.

Paying The Bills

The final phase of the "income for life" discussion is to match these income sources against your income needs. You should identify which sources will pay for which needs. If it's a case of only having enough to pay for survival and safety at this point, then you will at least have the comfort of knowing those two critical bases are covered.

You will also have a clear picture of how much you will need to meet your other needs. You can then set goals around saving and budgeting to achieve the income necessary for funding these important needs of freedom, gifts and actualization. As one financial planner stated, "If your outgo exceeds your income, you may need to downsize to realize your upside." In other words, if your income isn't enough to meet your needs, you may have to negotiate with your needs.

By working through this sort of "income for life" exercise, you can bring both clarity and hope into the financial lives of your clients. Get a handle on what your clients need and what they have—this produces clarity. Get a handle on what your clients need to do to get what they want and how long it

will take to get there—this brings hope. Begin to view income as not just a way to pay the bills but as a means to fund a life—the type of life they want.

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