

BY MITCH ANTHONY



Maslow meets retirement

Insights of the sagacious psychologist can be translated into a critical financial-planning tool.

According to studies by Cerulli and Associates, seven years 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. With the confluence of an aging revolution, rising health-care costs, and the power of inflation to erode the worth of 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 remember vividly 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 little old ladies buying large amounts of dog food when it was known by some that they did not own a pet. Jeannie began to walk the streets and when she would find an older house in somewhat dilapidated condition, she would 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 for non-payment. 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 (i.e. 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. The fear of outliving one's income is becoming palpable in America.

OUR HIERARCHY OF FINANCIAL NEEDS

We will all eventually need to engage clients 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 with famed psychologist Abraham Maslow's Hierarchy of Needs (with money in mind) and walk through the process of designing an income for life.

Maslow taught that human beings are motivated by unmet needs and that lower needs must be satisfied before

“Self-actualization is the desire to become more and more of what one is, to become everything that one is capable of becoming.”

—Abraham Maslow

the higher needs can be addressed. We must meet people's most basic needs (like physical survival) before they will be able to address other needs (like love or actualization). Rather than study 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 Douglas. The hierarchy Maslow offered was Physical Survival, Safety, Love, Esteem and Self-Actualization.

For the purposes of our discussion, I have taken the liberty of tweaking a couple of Maslow's categories. I have titled “Love” as “Gifting” (as this is most often the material expression of love), “Esteem” as “Freedom,” and “Self-Actualization” as “Dreams.”

Following are the phases of financial preparation we need for “Income for Life” planning:

Survival Income: (money that I have to have to make ends meet).

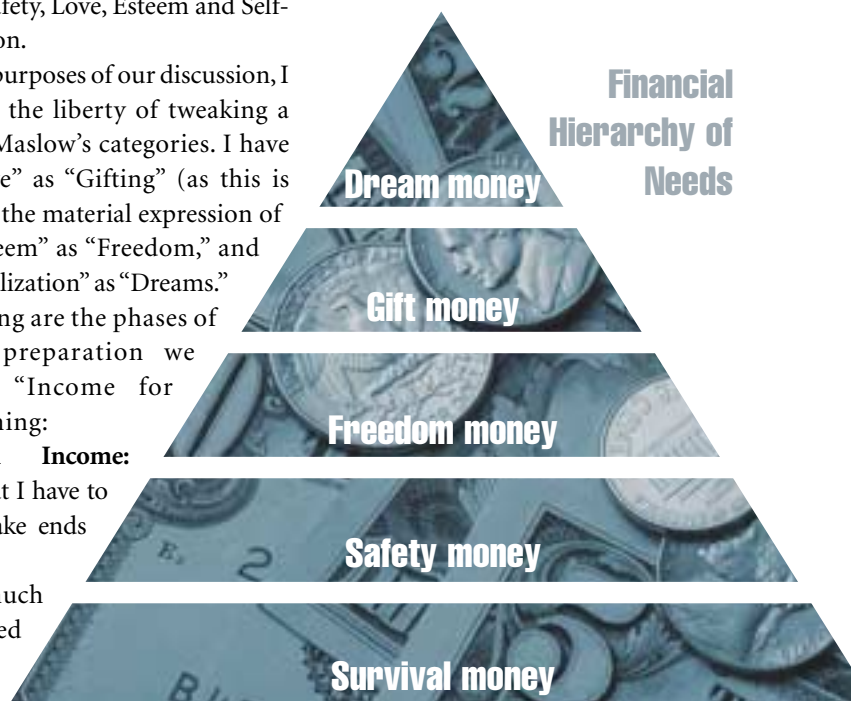
How much do you need simply to survive

each month? \$3,000? \$7,000? If you stripped away all the frills and thrills and just paid the bills of survival — what is that cost? The majority of people have never taken the time to answer this most basic financial question of all — what is the cost of survival? 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 financial risks in every category of our lives. Take divorce, for example — a path that is guaranteed to cut your assets in half and diminish your capacity to save.

A leading risk in the minds of individuals approaching retirement is the risk of outliving their money. Other



top-of-mind risks are health and paying for health-care, investment risk, loss of income and financial needs within the family. As much as is 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), and others engage in high-priced activities (like walking after a golf ball). Travel, adventure and education/personal growth are also 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 are your Gifting income.

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

What do you want to be? What do you want to do? What do you want to have? These are all part of the financial

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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 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 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 your own musings on self-actualization have surfaced, there will be bills to pay in the process. The money needed to pay these bills is your Dream income.

After sorting out all of your clients' income needs, you will need to help clients examine their income sources to see how far they can rise on Maslow's Hierarchy of Life needs, and determine the preparations and self-negotiation necessary to cover every level. Potential income sources include

income from work, retirement funds, income-earning investments, Social Security and rentals.

PAYING THE BILLS

The final phase of the “Income for Life” discussion is to match income sources against income needs — 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 the client will at least have the comfort of knowing those two critical bases are covered.

They will also have a clear picture of how much they will need to meet their other needs. You can then set goals around saving and budgeting to expedite 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 exercise, you can bring both clarity and hope into your clients' financial lives. Help them get a handle on what they need and what they have — without scaring them witless.

This exercise produces clarity and brings hope. Begin to view income not as just a way to pay the bills but as a means to funding a life — the life your client wants.

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