

BY MITCH ANTHONY

# Maslow: meets retirement

(PART II)

The eminent psychologist's work can help advisors and their clients grapple with income and survival issues.

*"There is in the act of preparing the moment we start caring."*

—WINSTON CHURCHILL

Many people have told me they go through life with an eerie, haunting feeling about their financial lives. They're afraid of those aching questions that never quite make it to the surface of a conversation: "Am I walking a financial tightrope with my debt and spending?" "What if my income took a hit? Would my lifestyle fall like a house of cards?" "Is it OK to spend some money to have fun once in a while?" "Am I really living within my means?" "Am I going to be financially stressed and miserable in my later years?"

## LOCATE YOURSELF

These people need a conversation about how our money meets our life and heart, where we organize our financial expenses and income sources and attempt to bring them into alignment with our hierarchy of needs. By going through this brief financial-planning

### Abraham H. Maslow, 1908-1970

- Born in Brooklyn, N.Y.
- Earned a Ph.D. in psychology at the Univ. of Wisconsin, 1934
- Taught at Brooklyn College (1937-1950) and Brandeis Univ. (1951-1969)
- Wrote *Motivation and Personality* (1954) and *Toward a Psychology of Being* (1968)

Source: Columbia Encyclopedia

exercise, we can synchronously settle the emotional and financial ledgers. People need both the financial and emotional knowledge that they will survive — and be safe in that survival. These are the first two steps of psychologist Abraham Maslow’s Hierarchy of Needs, a good guide to follow in an income-planning discussion.

Like a lost tourist in the mountains who discovers a GPS instrument, just discovering where you are at brings a degree of comfort — especially compared to that grinding fear in your belly telling you that you are miles from safety.

The exercises outlined here can serve as your financial global positioning instrument. You will gain clarity on where you stand with regards to funding your personal survival, safety, freedom, loved ones and self-actualization. No more wandering and wondering. Even if these exercises reveal that you still have a ways to go, there is newfound hope in finding clear direction to your destination. It helps you to locate yourself, or a client.

### PAYING FOR SURVIVAL

How much money do you need each month to survive? Many of us have a general idea of how much it takes each month to make ends meet. But, making ends meet can include many items outside the purview of survival, such as dining out, club memberships, extra vehicles, expensive toys, etc.

I was surprised to discover while conducting “income for life” dialogues with people that the majority (over 80 percent) had never bothered to calculate their “survival” expenses. Top financial planners across the country have affirmed that because of disorganization, lack of initiative or just plain denial, most people wouldn’t think of calculating survival costs unless they’re suddenly put in a position where survival is an issue (i.e. the loss of a job with no good prospects for employ-

ment on the horizon).

Some people act like they aren’t sure they want to know. They’re like someone with a nagging abdominal pain resisting a doctor’s appointment and X-ray, because it might be too depressing to discover the truth.

But after calculating their survival costs, most people feel comforted knowing where they are. Those who calculate and do not like where they are begin to

### FINANCIAL HIERARCHY OF NEEDS



see the relationship between their chosen survival lifestyle and the stress they are experiencing in their lives. Many of these people become more resolute about taking steps to bring peace of mind to their financial lives.

### THE GOOD OLD DAYS

I called my son at college the other day to see what his survival budget was. He’s 21, living in a beautiful cabin on a lake, a scene many middle-age men dream of and will pay dearly for in their retirement years. My son informed me that it took a total of \$450 a month to maintain this lifestyle. I asked for the details on his monthly survival ledger. They were:

- Rent: \$250
- Groceries: \$40
- Gas: \$50
- Utilities: \$50
- Bait, beer, babes (his words): \$60

He says he buys potatoes, onions, flour and staples and catches and hunts the

rest: “We make up big pots of deer stew and ice-fish with a sense of purpose.” Oh, for the ingenuity, resourcefulness, and contentment of youth. I remember stringing together such an existence myself — surviving on the tips from waiting tables over lunch.

It was refreshing for me to hear his budget. It highlighted how our modern definition of survival is inflated with luxury. We could get by with much less if we really had to and, somehow, even with a break-even survival cost — many thousands beyond my son’s — it brings my soul comfort to know that my family and I could survive with much less and still have one another. We will continue to enjoy the existence we have as long as we can, but there is solace in knowing we could be content in a place where we may never have to go.

Like me at his age, my son dreams of someday having a “newer” truck, a house to call his own, a spouse and children after that. The survival costs will escalate as will the need to earn more. Hopefully, he will heed my lessons on debt management, living below his means and paying his bills on time. And, hopefully, he will never talk himself or be talked into a survival budget that strips away the joy of living, the joy of working and the joy of building for the future.

The survival issues include:

- Home/utilities/related needs
- Food/health/medical needs
- Clothing/personal care needs
- Transportation needs
- Taxes

### SAFETY MONEY

Once you ensure that you can meet your family’s survival needs, it’s time to think about protecting that survival. “Me build hut, me build fence around hut to keep out thief and tiger.” Inflation is a thief over time. If you are 50 and live to 100, and inflation continues at the same rate it has for the last 50

## TheBottomLine:

- **Advisors should start at the bottom level of the financial hierarchy of needs and have a detailed discussion with clients about their basic or “survival” needs and related expenses.**
- **Advisors can then help clients protect their next level of need, their emergency or “safety money,” using a variety of financial products.**
- **By determining how comfortable a client is with risk and designing the appropriate strategies, advisors assist clients in meeting their full financial hierarchy of needs and realizing their dreams.**

years, it will take a big percent of your spending power in the next 50 years. Predators such as disability or long-term care for a love one are waiting to pounce upon us at vulnerable moments in life:

I get paid to give speeches and have been for the last 20 years. What if I lost my ability to speak publicly? How would I replace that income for my family? That is a safety issue.

In another case, Fred’s mother is showing signs of decline at 75. Her home and life savings would be consumed if she were placed in an assisted-living facility. This is a safety issue for Fred’s entire family.

Bob has longevity in his genes. His father is 92 and going strong. His mother is 90. His grandparents all lived into their late 90s. Bob’s finances, invested as they currently are with his current rate of withdrawal, will disappear when he is 83. This is a safety issue for Bob and his children.

Jerry has worked hard and saved a lot of money in his career. He’s two years from eligibility for his pension. His daughter, a recent graduate from college, can’t find employment and has no health coverage. If a catastrophic illness or accident should happen, Jerry could be

wiped out, erasing the 35 most fruitful earning years of his life. This is a safety issue for Jerry and his wife heading into the next phase of their lives.

Many of these safety issues can be addressed through insurance products, such as long-term care, health insurance, health-insurance supplements, disability coverage, life insurance and homeowners’ coverage. Many people also choose to use insured investments that guarantee their principle and a rate of return that outpaces historical inflation rates to address their long-term income needs such as the possibility of living to 100.

Insurance companies are in the business of helping people manage risk. Exactly how much risk your clients can tolerate is up to them. Each individual has a distinct and individual tolerance for risk in his or her life.

For the sake of awareness, it’s important for each one of us to have a conversation about the exposures and vulnerabilities in our lives and in the lives of our families. At the end of that conversation, we can each decide where we desire protection and, ultimately, how much protection we can afford.

### HOW MUCH RISK?

The fact that people continue to build homes on fault lines proves that everyone is unique in their response to risk. Some people are comfortable with the risk of living to 100 and trusting that income will be there — others are not. Some people are comfortable dealing with aging and long-term care issues when they arise, while others would rather prepare ahead and remove future exposure. As with all risks in life, we must first acknowledge that the risk is there, and then decide how to respond to that risk.

A friend of mine who spent 30 years in the insurance industry put it this way: “No one buys insurance wanting to use it. It’s a lot like a plunger — no-

body ever buys one hoping they get to use it; but should they ever need one and don’t have it, they’ll find themselves knee deep in it and wishing they had one then.” Risk protection is not something you get excited about having. But, according to Maslow, it is a basic emotional need in our lives. There’s some peace of mind in knowing that, if life or Mother Nature brings adversity, we will be safe.

The safety issues include:

- Living past 100
- Experiencing a serious family illness
- Parents who need advanced care
- Helping uninsured family member
- Losing the ability to earn income
- Losing a job
- Having income sharply reduced
- Needing a major home repair
- Needing to replace vehicle
- Paying for a major vehicle repair

### FREEDOM MONEY

Taking the time to help your clients itemize their actual survival and safety expenses each month goes a long way toward creating a sense of calm for both client and advisor. Once these needs are met, we can begin investing other assets to meet the higher needs on the pyramid — freedom, love and dreams (self-actualization), which we will discuss in a later article.

By first covering the survival and safety bases, we introduce a baseline of calmness into the investment conversation. And, every advisor knows that a calm and emotionally settled client is a more enjoyable client to serve. **IR**



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