

Podnos: How Much Life Can You Buy With Your Money?

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Steven Podnos, Financial QA Published 8:02 a.m. ET Aug. 13, 2018

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One of the most enjoyable aspects of financial planning is goal discovery. Early questions I ask in the planning process include the inquiry on long term as well alternative goals. I love asking-“if money were no object, how would you live differently?” Also in the planning process, we also seek to find any regrets of things not done (that might still be possible).



It is then my job to try to help my clients achieve those goals- financially and otherwise. Each family has to strike a balance between spending now and later, and judging how much financial risk is tolerable. At the same time, a prior career in Critical Care Medicine showed me over and over how ephemeral life can be. Things put off might never happen.

Several studies suggest that people value experiences more than “stuff.” This makes sense, as memories result from shared time and events with those we love and value. We can carry our remembrance and learning from an experience for life, long after something more material is tossed away. But, some of us do indeed get a great deal of pleasure from material things as well-a special car, or boat, or even some really nice clothes.

Figuring out the timing of buying these experiences and material objects is part of financial planning. It is common during the accumulator years (early in the job and family life) to put off spending in order to build security. But, we can get into habits of too much spending or too much saving during those years. Of the two, too much spending is the worse habit, but I find many families that are not enjoying the fruits of their labor and saving efforts due to long formed habits.

One of my favorite examples of trading “life” for money is the decision process in withdrawal rates in early retirement. Rather than stick to a safe rigid withdrawal percentage, a better process is to then reexamine what goals are still not achieved. Has the entry into retirement now allowed that spectacular long trip dreamed about for a lifetime? If so, maybe spending to accomplish this with the understanding that some belt tightening might be needed later on when poor health and age prevents the travel may be appropriate.

Of course, there are extremes of spending that risk impoverishing a family, and this must be avoided. But I think everyone should go through the discovery process of what is yet to be done with their lives, and then determining how to best accomplish that goal financially.

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