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Build Flexibility into Your Financial Life

"Life is what happens to you while you're busy making other plans."

Allen Saunders, the writer of the dramatic comic strips Mary Worth and Kerry Drake

Developing a financial plan is a very good move. It helps you understand where you want to be and how to get there. But financial plans also have a big failing. They are based on what we know now, which is made up of all our past experiences. The one thing we can count on in the future is that there will be surprises. In financial planning, as in all aspects of our life, we must build in flexibility, i.e. the mental capacity to adjust when life happens outside of our planning zone.

Flexibility means understanding that the unexpected can happen. No matter how much we might think we control our lives, there are forces beyond ourselves that can change the parameters of life. Surviving change (both good and bad) starts with understanding who we are and what our resources are.

What are your personal strengths?

What are you good at? What do you like to do? How have you successfully overcome challenges in the past? How good are you at changing your mind or learning new skills?

What resources can you tap into?

Do you have peer groups, family, business associates, or others that you can turn to and ask for advice and support? Have you created goodwill within these groups by offering support to others?

What are your liabilities?

Do you have debts or financial obligations that limit your flexibility? Is there a way to limit or reduce your liabilities or balance them with insurance or other risk management techniques? If your liabilities are people, such as children, can they be protected in the event of a disaster?

What are the essentials versus luxuries in your life?

If you had to cut back on aspects of your life, what do you truly need? What makes life worth living to you? Are there ways to achieve your greatest enjoyments with less cost? Can you cut back the amount of money you need to withdraw from your savings in retirement to wait out difficult periods in the market? If you must start over, what are you willing to do to survive?

Many people set a value on their knowledge and time and refuse to accept positions they believe will not fairly reward them. If you have sufficient assets to support this position, go for it. But you also need to weigh the cost of waiting for the right position with deteriorating attractiveness in the job market and loss of current income. If your prior job has become obsolete, how will you find the training and knowledge you need to repurpose yourself?

What if a financial shortfall requires you to find a job in retirement? What could you physically do and what abilities do you have to convince someone to hire you?



Don't Stress Out, Stretch Out

The reason to ask yourself these questions is to open up your thought processes to consider alternatives. Given we can't see the future, we need to be willing to accept that it may bring the unexpected. We may need to adapt our plans and our thinking.

After an unexpected event has occurred, too many people become frozen, unsure what steps to take to move forward. Role playing potential disasters and identifying small steps to break out of inertia can build confidence in one's ability to survive and provide a sense of stability to your present life. In addition to helping you mentally prepare for the unanticipated, working your way through these questions can also help you break out of mindsets, jobs and liabilities that are limiting your current life.

When we stop and ask ourselves, what do we really want? What makes us deep-down happy? new opportunities can open that, with a little planning, can help us create more satisfying present lives. Flexible thinking can mean more flexible lives and much better long-term survival rates.