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Putting Money in the Context of Life™

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THE NEW RETIREMENT - "NO RULES" APPLY

Our concept of retirement is undergoing a metamorphosis. Demographic, societal, and workplace trends have all converged to offer a stage of life—at mid-life and beyond—that is much more fluid and flexible than we previously thought possible. When planning for retirement, we are discovering that the "old rules" have been thrown out and that "no rules" apply.

In other words, **our retirement experience has become a matter of personal definition**. Because of increasing longevity and more active lifestyles, many individuals are viewing this time in life as an opportunity to explore their potential.

Instead of "not working," retirement has come to mean emancipation, the freedom to choose the activities and pursuits they find the most satisfying and rewarding.

For example, many of those who embrace the "no rules" concept will actually experience multiple "retirements"—moving from one endeavor to another in the second half of life. Some will choose career sabbaticals to pursue new learning, personal renewal, and/or volunteer service.

Others will stay within their career paths, but find renewed enthusiasm by taking on new assignments or by adopting a new work-life option such as part-time, free-agency, or telecommuting.

For this reason, the "no rules" retirement model advocates proactive planning throughout adulthood and in all areas of life. Retirement should not be viewed as a single event, but rather as one of the many transitions in a continuum of life experiences.

Those who prepare to successfully navigate other life transitions will likely have the same experience with retirement. That's because the habits, attitudes, skills, values, interests, and relationships that have been honed and developed along life's journey will continue to serve them well in midlife and later life.

Therefore,as you think about your life in the future, your skills, interests, values, and preferences should be given thoughtful consideration.

These items should be considered your assets—a set of characteristics that define who you are as an individual and influence the life choices you make.

Combining the information of "who I am" and "what I want" will help you to form your unique definition of "quality of life" now and in the future.

Most importantly, **designing your "no rules" retirement is all about identifying, pursuing, and living in sync with your personal values and priorities**.

In fact, the greater your understanding of what is important to **you**, the easier it will be to "paint a picture" in your mind of what you are working toward.

Do you have a clear picture of how you want to spend your retirement years? The more you focus on and envision what you want to experience, the more successful your retirement transition will be.

In This Issue—

RECOMMENDED READING:
SIMPLIFY & EMPOWER YOUR FINANCIAL LIFE

Three recently published books aim to simplify and empower your financial life. Each one is chocked full of useful and actionable advice, and grounded in down-to-earth wisdom.

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Individually, each book is a standout and will point the way to an enlightened approach to mastering personal finance. Together, these books will revolutionize the way you think about your money. The message they share is that your financial future should be built on a clear understanding of your values and priorities.

The Feel Rich Project: Reinventing Your Understanding of True Wealth to Find True Happiness

Author Michael Kay (www.michaelfkay.com) contends that feeling rich isn't just about money, it's about your whole life. It comes from harmonizing who you are with how you live, and "using your money to live a purposeful and abundant life that reflects your true self."

Therefore, the goal of *The Feel Rich Project* is to help you define "your best life" and then take actions to match your finances to your vision.

An important milestone in this journey is getting in touch with your money attitudes and beliefs:

> *If your money mindset works for you by establishing a set of positive beliefs, it becomes self-empowering. If your money mindset is rife with with negative messages, it can lead to a lifetime of being a slave to your money history.*

Kay believes it is essential to first take the time needed to identify self-sabotaging attitudes and perceptions. Then you can make a commitment to embracing positive thoughts and actions that are in alignment with your values and will support your financial well-being.

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RECOMMENDED READING:
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Simple Money: A No-Nonsense Guide to Personal Finance

Throughout *Simple Money,* author Tim Maurer reminds us that "personal finance is more personal than it is finance" (timmaurer.com).

His easy-to-understand guidebook not only explains how to strengthen all aspects of our financial lives, but wisely insists that the place to start is by reflecting on and clarifying what is truly most important in our lives.

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Likewise, Maurer believes the single best way to simplify the process of making financial decisions is to genuinely understand what motivates us as individuals:

> *Money management is complex because we are complex. Therefore, it is in better understanding ourselves—our history with money and what we value most—that we are able to bring clarity to even the most confounding decisions in money and life.*

In addition, this process of self-discovery combined with a strategy for clarifying meaningful goals will lead many individuals to their "calling."

As Maurer explains, this is the aha moment you realize "I was made for this." A calling doesn't have to be related to your work, but when it is, "a calling and career are an excellent marriage that often leads to personal fulfillment and financial prosperity."

The One-Page Financial Plan: A Simple Way to be Smart about Your Money

Carl Richards (behaviorgap.com) is the *New York Times* Sketch Guy columnist and author of *The Behavior Gap.* In his latest book, *The One-Page Financial Plan,* he emphasizes the importance of asking why money is important to you. To him, the reason for this question is clear:

> *Having an understanding of your values can help you make better financial decisions—not better because they reflect some Wall Street strategy, better because they are tailor-made for you.*

In addition, Richards emphasizes that financial planning is about more than money. He explains that in the process of asking yourself why money is important to you, you will also begin to reflect on additional forms of "capital" (including your time, skills, and energy) and become more mindful of how you "spend" these resources.

For example, everyday we take units of money and exchange them for units of time, skills, and energy. In this process, there is a trade-off and we often fail to look past the immediate return to the potential long-term consequences:

> *When we think about money only in terms of dollars and cents, we risk depleting our stores of energy, time, and skills.*

Instead, Richards believes that "identifying your values, by asking what's important to you, can help you cut out the activities that may bring in monetary income but pull you away from what is truly important in your life."

THE ART & SCIENCE OF "SMARTER" SPENDING

Although a number of studies have focused on the effect of income on happiness, Elizabeth Dunn, a social psychologist at the University of British Columbia, also wanted to understand the effect of spending choices on happiness.

For example, previous research clearly demonstrated that income has a predictably positive effect on level of happiness, but these levels remain flat over time even as income increases. This finding puzzled Dunn and she wanted to find out why happiness did not increase along with income.

Could the reason be, Dunn wondered, that people poured their increasing wealth into purchasing consumer goods that did not provide lasting happiness? As an alternative, **could spending money on other people have a more positive impact on well-being than spending money on oneself?**

As an initial test of the relationship between spending choices and happiness, Dunn worked with a graduate student and an assistant professor at Harvard Business School to survey a nationally representative sample of Americans. The study participants were first asked to rate their happiness and to report their annual income.

Finally, they were asked to estimate 1) how much they spent on themselves (bills, expenses, and gifts for themselves) and 2) how much they spent on others (gifts for others and donations to charities).

Analysis of the data revealed that personal spending was not related to happiness, but **higher levels of giving was significantly related to higher levels of happiness.**

Next, Dunn studied a group of employees before and after receiving profit sharing bonuses. The research team was interested to know if choices regarding how an economic windfall was spent would also affect happiness. One month before receiving their bonuses, the employees were asked to report annual income and general happiness.

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Then, six to eight weeks after receiving their bonuses, the participants were asked to report their level of happiness again and how they spent their bonuses: 1) on themselves (bills, expenses, and gifts for themselves) or 2) on others (gifts for others and donations to charities).

Again, analyses demonstrated no relationship between personal spending and happiness while spending on others was shown to be a significant predictor of happiness.

In yet another study, participants were asked to choose a scenario they thought would make them the happiest. Surprisingly, a significant majority replied that personal spending would make them happier than spending on others.

Therefore, with such a positive influence on emotional well-being, why aren't more people giving or giving more? Dunn believes the reason is that most people don't know about the connection between giving and happiness.