FINANCIAL PLANNING

What did you do today that brought you joy?®

MADE PERSONAL

LAWRENCE SPRUNG, CFP®

Foreword by Ron Carson, New York Times best-selling author

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FINANCIAL PLANNING MADE PERSONAL

How to Create Joy And The Mindset for Success

LAWRENCE SPRUNG, CFP®

MITLIN FINANCIAL

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All proceeds from the sale of this book are being donated to the Keith Milano Memorial Fund at the American Foundation for Suicide Prevention.

Dedication

To Mitchell Fried and Linda Sprung.
the namesakes of Mitlin Financial,
who gave us the “Mit” and “Lin” in our firm’s name
and whose legacy and inherent values live on
in our commitment to the families we serve.

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Foreword

It's fascinating how much the world can change in a few decades. And yet, how much some things stay the same.

I started my career as a financial advisor in 1983. Back then, rising interest rates and inflation were making their impact known across the country, much like they are 40 years later. As a young man who was raised on a farm in the early 1980s—and then saw his family go bankrupt because of the financial environment—I was determined to dedicate my career to helping others avoid the same financial ruin I saw firsthand with my parents.

On the flip side, unlike the 1980s, today we have countless tools, resources, and technology to enhance our financial lives, from budgeting tools that provide real-time transparency into our financial accounts to predictive analytics that can forecast any number of scenarios years or decades into the future. That's without mentioning any trailblazers in the markets today like cryptocurrency or the metaverse.

Our lives have grown more connected and also more complicated. We expect immediacy with every exchange and measure our experiences based on the convenience and clarity they deliver. However, even with these modern-day standards and ever-increasing expectations, individuals and families still aren't getting the financial advice they deserve.

I've considered myself fortunate to have built a 40-year career as a financial advisor and to see the way our profession has evolved to meet the needs of the families we serve. We have come a long way in helping others find their financial freedom since the days of ticker tape, but the expansive impact we can have has yet to be fully realized. We live in a world full of accelerating change, uncertainty, division, and confusion. This is especially true when it comes to our financial lives. We're starving for someone we can trust. Someone who will simplify our financial lives, take care of our assets just as they would their own, and anticipate our needs before we know we have them.

That's what we at Carson Group call delivering on the Third Level of Trust. Without elevating to this level of service for the families we serve, poor decisions are made, and financial freedom is lost.

Larry and I have known each other for many years, and we partnered with each other because we know what it takes to surprise and delight the families we serve. There is no better feeling in the world than knowing you've helped someone who never expected it and can never repay you. That's the level of impact we both want to have with the families we serve every day. That's the reason we jump out of bed in the morning, excited to take on a new day.

The reason Larry wrote this book—and the reason we decided to work together years ago—is because we both believe there is so much we are capable of doing in our role as financial advisors. Beyond the assets, the wealth, and the money lies a deeper purpose of helping others live out the life they envision. This is something I've always referred to as attaining True Wealth: all that money can't buy and death can't take away. If we can't help you identify what you value most, clarify how to prioritize your resources and energy to pursue those values, and then help you design a path to help get you there, we aren't doing our job as your advisor.

A long-held stigma still infiltrates the minds of the masses. It's the belief that financial planners only work with the wealthy. Nothing could be further from the truth, especially when it comes to the collective mission we share as advisors at Carson Group. My hope for you in reading this book is that it encourages you to think differently, informs you on how to take steps in your own financial life, and equips you with the discerning knowledge of what type of advisor is best matched for you.

Over the next several chapters, you'll see just how connected your personal habits and beliefs are to the goals you pursue in this life, financially or otherwise. Larry thoughtfully connects the dots, from reflecting on how you spend your time, to revealing best practices in living the life you desire, to protecting your assets that can then be used in limitless ways to live your life by design, not by default.

Every chapter concludes with practical advice and helpful questions, allowing you to produce a game plan for making your freedom a reality.

The decisions we make today impact the life we build for ourselves tomorrow. Reading this book is one of those decisions. Just as there are multiple benefits to building a personal financial plan, there are benefits to taking a more proactive approach to building your own life plan. That's the power behind this book because if you have alignment and understanding, you have freedom. And that is the ultimate measure of any client-centric financial advisor—their ability to help you find your freedom.

Now is the time to think about your ideal, authentic life:

- What is it you value?
- What type of life will give you fulfillment and joy beyond measure?
- Who will you surround yourself with when sharing life together?

These are the questions I hope you ask yourself as you dive into chapter 1—and the truth I hope you accept for yourself after reading the approach Larry outlines in the chapters ahead.

Here's to finding your freedom, financially and beyond.

Ron Carson, Founder & CEO, Carson Group
Entrepreneur, Financial Advisor, Philanthropist,
New York Times Best-Selling Author,
Thought Leader

First, a Word About Joy

Joy: The emotion evoked by well-being, success, or good fortune or by the prospect of possessing what one desires: delight

A common theme you'll see throughout this book is *joy*. Many financial advisors and clients focus only on the monetary value of personal financial planning. At Mitlin Financial, we absolutely believe personal financial planning is essential to ensuring your and your family's financial well-being.

However, we view financial well-being as the means to the ultimate goal of experiencing joy in life, not as the goal itself.

We believe that the better you prepare and get your financial house in order, the more capacity you have to experience joy in your life. The more planning you do, the less worry you will likely experience about your future. That translates into more joy!

Life is hard. We all get bogged down with everyday responsibilities, challenges, and unexpected setbacks.

Often, the joy we naturally embraced as children sadly dissipates as we fight the battles of adulthood. So, as adults, we need to be intentional about finding the joy in life and making the most of it—just as we need to be intentional about preparing for a confident financial future.

In fact, we believe joy is so important to people's overall happiness, health, and well-being that we have trademarked this important question that we constantly ask ourselves and others:

What did you do today that brought you joy?®

I have had this question printed on T-shirts, and I often wear these shirts when we go out to enjoy life. I love the responses from people! For example, one day, when I was wearing it, a woman came up to me and said, "Hershey's Kisses."

She had read my shirt and answered the question without even prefacing it by saying, "I saw your shirt." She just wanted to share that she had eaten some Hershey's chocolate Kisses that day, and it had brought her joy. What a great response! It shows that small things can bring us joy, maybe even more often than big things can.

At Mitlin Financial, we love bringing awareness to people about the importance of manifesting and embracing joy in life! I hope you learn, by reading this book, the importance of personal financial planning in optimizing the joy in your life.

Acknowledgments

Thank you to my wife, Denise, for your unwavering support in life and business and for helping me through the process of writing this book.

To our kids, Zachary and Jeremy, I appreciate that you are always supportive of everything I do. Thank you for coming up with great ideas that are helpful to the firm.

I want to thank and acknowledge Ron Carson, founder and CEO of the Carson Group, for your many years of partnership and for writing the excellent foreword for this book.

Many thanks to Mary Kate Gulick, CMO of the Carson Group, for your advice and guidance on the book's content, design, and release.

And to all the Mitlin Financial stakeholders and Carson Group stakeholders, I am grateful for the exceptional support, guidance, and help you provide in serving our families.

PART 1

Accumulating Your Retirement Savings

Preparing for retirement consists of two key phases—*accumulating* savings and *preserving* those savings. The two parts of this book address those phases, respectively.

Part 1 covers the following six chapters:

Chapter 1	Discover Your *Why*
Chapter 2	Pay Yourself First
Chapter 3	"Budget" Isn't a Dirty Word
Chapter 4	Use a Side Hustle to Reach Your Goals Faster
Chapter 5	How to Plan for Retirement Financially—How Much Money Is Enough?
Chapter 6	Save Early for College

CHAPTER 1

Discover Your *Why*

While serving families as a financial advisor for more than two decades, one comment I hear often is that people feel intimidated by the very thought of financial planning. There is an enduring but erroneous stigma that financial planning is complicated. This perception paralyzes many people to the point where it prevents them from engaging in the very process that could increase their financial confidence.

People are terrified that they will run out of money in retirement. Having this fear in the back of your mind at all times absolutely robs your life of confidence and joy. Having a personal financial plan developed by your fiduciary financial advisor is the best way to conquer that fear.

Concerns about being able to retire are reflected in the 2022 Schroders US Retirement Survey. It reveals that only 22 percent of people approaching retirement age believe they'll have enough money to maintain a comfortable standard of living. But the study also reveals an encouraging fact—building and maintaining a holistic financial plan has been proven to be an effective catalyst to a better financial outlook. According to the survey, 91 percent of those who have done retirement planning said it has been useful to them, and 33 percent reported it has been critical to putting them on a better path for retirement. Another survey from Charles Schwab found that people with written plans feel more confident and less stressed. Additional research reports that people with plans make better decisions, develop better financial habits, and have better financial outcomes.[1]

Building and maintaining a holistic financial plan has been proven to be an effective catalyst to a better financial outlook.

That research aligns with my experience in preparing personal financial plans for families during the past two decades.

I wrote this book because I want you to know that financial planning does not have to be complicated and that working with a *fiduciary* financial advisor to develop your personal financial plan can enhance your retirement experience significantly. A *fiduciary* is legally and morally obligated to act in your best interest *all the time*. In chapter 10, “The Value of a Fiduciary Advisor,” I

1. “78% of People Aren’t Ready for Retirement: The Good News? Everyone Can Improve Their Financial Prospects,” Kathleen Coxwell, NewRetirement.com, May 26, 2022, https://www.newretirement.com/retirement/78-of-people-arent-ready-for-retirement-the-good-news-everyone-can-improve-their-financial-prospects/.

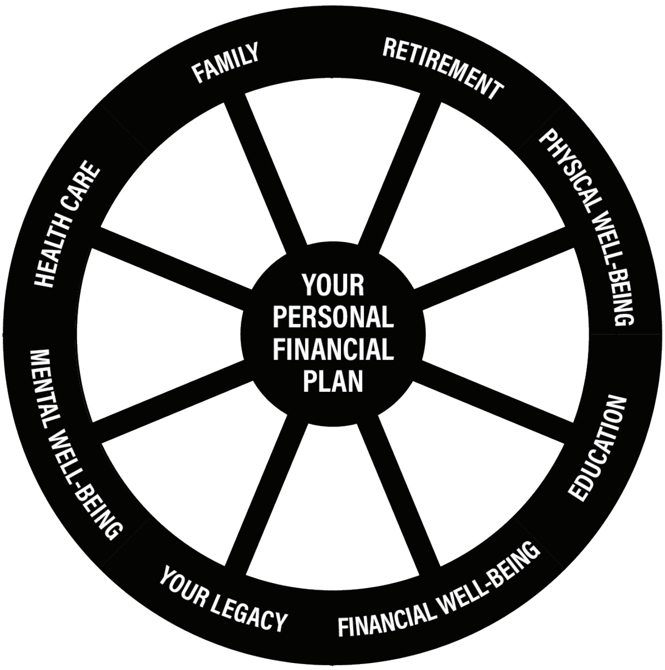
explain what that means, why it is incredibly important, and how to find a financial advisor who is a fiduciary. Partnering with a fiduciary advisor throughout your financial-planning journey will benefit you in every aspect of personal financial planning.

Like anything new you try—learning a new app, playing a new musical instrument, or driving in a place you've never visited—it's unfamiliar. Yet the rewards associated with pushing that fear aside to learn something new are tremendous. If you approach financial planning the right way, it can be a huge step for you toward living your best life. My hope is that this book will replace any intimidation you feel with knowledge and the inspiration to work with a competent fiduciary financial advisor to build your personal financial plan.

No two financial plans are alike. Your plan needs to be tailored to your unique situation, needs, goals, and vision. Financial planning is an investment in yourself, and the sooner you begin, the better. Investing in yourself when you are younger can afford you a better opportunity to achieve the life you desire.

Your Personal Financial Plan Is a "Hub"

Your personal financial plan is like the center of a wheel, the hub. The spokes of the wheel, which represent the different components of your plan, extend from the center and turn with the wheel. Everything is connected:



It's Not All About the Money—It's About Living Your Best Life

It's easy to see why financial planning intimidates many people—a lot of advisors and wealth-management firms focus on the dollars and cents. When they talk about retirement, they boil it down to "Here's how much you will need."

But personal financial planning is about much more than just the money.

Your financial well-being, both now and in retirement, is about living your best life possible. Because of the prevailing focus on the numbers, it often requires a mindset shift to begin thinking about retirement in terms of your quality of life, and joy, instead.

Retirement is a welcome event for many people. That's because they already know what types of activities they want to pursue that they never had time for while they were working. But retirement can be a major upheaval for many people, especially if their entire identities are tied up in their titles, careers, and professional accomplishments.

With proper planning, you can begin to slow down in your career gradually. Then, once you retire, you will already have some idea of how you will spend your extra time on activities that are personally meaningful to you.

I encourage you to start thinking about retirement in terms of your ideal life. Yes, the numbers are important, but money is only the means to the end. Once you know what you want your life to be like, then we can start proactively planning how you can go from where you are today to where you want to be, both financially and otherwise.

We see many people going through life focused on their daily routines, without really forming a vision of what they want out of life, now and in the future. This is the critical first step in personal financial planning—knowing why you are working so hard to earn money.

This is your "why," and it serves as the foundation for everything else.

Having a compelling *why* will inspire you to seek out a competent, compassionate, fiduciary financial advisor to work with and to follow the financial plan he or she develops with you. Discovering your *why* will give you clarity about what you are earning and saving money for and what you want to accomplish.

What Is Your "Why"?

Few parents teach their children the value of personal financial planning, mostly because they don't know about it themselves. Schools typically don't teach financial planning, either. This is why most people live their lives just moving from one life event to another as those events happen—not on the financial aspect of planning proactively for their best future.

They focus on their grades in school so they can get into a good college. In college, they focus on getting good grades so they will be competitive in the job market once they graduate. Once they begin their careers, they search for someone to spend their lives with. Then it's time to buy a home, start a family, and advance in their careers.

In my experience, once people slow down a little and become intentional about determining their "why," they get it. They see why it is the foundation for everything else to come. Life gets progressively more complicated, and you take on more responsibilities over time. Soon, you're so busy that you hardly have time to brush your teeth. That pace of life becomes the norm, and if you don't make personal planning a habit early on, it doesn't happen. Yet it's the most important step toward securing your best future!

When people get wrapped up in those natural life progressions, they typically don't spend the time, effort, and energy to sit down and find their "why." It requires a conscious effort to take this important step.

Your "Why" May Change Over Time

Some of your priorities in life—your "why"—will change over time. Others will stay the same, regardless of your age or life stage.

Everyone who knows my wife, Denise, and me knows that family is our biggest priority. Losing my mom to cancer at a young age affected me deeply. And then, after Denise and I were married about four years, Denise lost her brother at an early age to suicide. The families we serve know that family comes first for us—in fact, our devotion to family attracts many of the families Mitlin serves.

Having a strong "why," or sense of purpose, makes decisions easier. If you are faced with two conflicting priorities, you can simply choose the one that aligns more closely with your main priority. If I am expected to attend two different events on the same day at the same time, and one is for my family but the other one is not, I'm going to choose the family-related event. Having a strong "why" gives you a compass for making decisions in life, both financial and otherwise. Knowing your "why" also gives you the power to say no to things that do not serve that "why."

If you are faced with two conflicting priorities, you can simply choose the one that aligns more closely with your main priority.

If you have a significant other, it is important to determine your *collective* "why"—your shared purpose and priorities. That will make it easier for you both to work toward your goals together. Of course you will both have goals that are personal to you and not shared, but striving toward some shared goals together can enrich your relationship.

In the next section, you will learn how a strong *why* led me to become a financial advisor.

Our Firm's Name Represents Our Family and Our Values

People often ask me, "Why is your firm called Mitlin Financial when your last name is Sprung?"

The answer to that question revolves around our family and the reason I am so passionate about guiding people to financial confidence.

An entrepreneurial spirit emerged in me when I was just a kid. Starting at age eleven, I had a paper route. That was before electronic payments came along, so newspaper carriers had to go door-to-door to collect payments. Yep, that was me, every day, walking or riding my bike to my neighbors' homes. I really enjoyed interacting with people and learning more about them.

We were neither poor nor wealthy; we were a middle-class family. My dad was a New York City schoolteacher, and he had his own business on the side as well—what we now call a side hustle (more about that in chapter 3).

My mom, Linda, was diagnosed with breast cancer when I was just a kid. She was young—in her thirties. I watched her battle the disease for more than a decade. We ended up losing her when she was only forty-seven.

When she was ill, my dad did a great job taking care of her, as well as my sister and me. I remember watching him struggle with all his responsibilities—taking care of all of us, running our household, managing her care and the bills associated with it, working as a teacher, and running his side business. He did not have a financial advisor.

As I got older and headed to college, I became aware of the value of professional financial advice. I often thought that if my dad had worked with a financial advisor, it could have mitigated some of the difficulties he experienced. It wouldn't have changed my mom's health situation or the fact that he was juggling a lot of responsibilities, but it probably would have helped him manage it all better. He would have had somebody he could call to discuss roadblocks or hurdles he was encountering. And he probably could have relaxed and enjoyed life more.

That reality resonated and stuck with me. It's one of the main reasons I decided to become a financial advisor. I felt it would be very rewarding to be in a career that enabled me to design financial road maps to help guide people's future. I had a strong desire to help families navigate the challenges they faced in their lives that affected both their finances and their quality of life, such as a serious illness. I also wanted to guide families as they navigated happy events, such as planning for a wedding, buying a home, or sending a child off to college.

In high school, my friends and I watched CNBC and paid attention to stocks and the market. (Not typical for most high-schoolers, I know.). So, by the time I got to Binghamton University in south central New York, I was somewhat aware of the value financial advisors provide to their clients.

One of my college housemates had an internship with Dean Witter. At one time, Dean Witter Reynolds was one of the largest firms in the securities industry and was among the largest members of the New York Stock Exchange. (I am dating myself a bit here because after several mergers, that company no longer exists.)

That housemate approached me and our other housemates one day and said, “Hey, my internship is coming to an end. The person who runs the office is looking for somebody to take over my role. Is anybody interested?”

I said, “Yes, I’m interested.” I stepped into his role and watched how advisors worked with clients.

It gave me a great opportunity to experience what the career would be like. I saw that, as an advisor, I could set my own hours, to some extent. More importantly, it was fulfilling for me to see advisors serving families and helping them set and reach goals. I knew it was a career I could do for a very long time and that I would always feel good about the work I was doing.

A few months after my mom passed away, I began dating Denise, who is now my wife. Before Denise and I met, she had been living in Philadelphia, Pennsylvania, and I was living in Rockland County, New York. By the time we met, though, she had moved back to Long Island. I asked her, “What brought you back from Philly?” She said her grandfather had been terminally ill, and she wanted to spend time with him and the rest of her family.

During that conversation, we learned that my mom, Linda, and Denise’s grandfather, Mitchell, had passed away within several hours of each other, a few months prior to us meeting online.

When I launched my own financial services firm in 2004, I wanted to choose a name that really meant something and that would continue to impact people's lives even after I'm gone. So I combined the "Mit" in Denise's grandfather's name, Mitchell, with the "Lin" in my mom's name, Linda, to form the name "Mitlin."

Naming the firm after these two strong people of character is fitting. Denise and I did so not only because we wanted to memorialize them, but also because they both possessed characteristics we want to reflect in the way we do business.

My mom was a fighter, a warrior—one of the most courageous people I've ever known. She taught me the importance of family, being level-headed, and maintaining a courageous attitude. She battled cancer for thirteen years, tooth and nail, and she did it with a smile all along the way. She used to say, "Everything's meant to be," and she actually meant it. She was a great human being and role model.

Mitchell was a hard-working man of character who was devoted to his family. A World War II veteran and New York City police officer, he was known for being a good listener and a generous soul. He was the Grandpa who bought everyone on the block ice cream when the ice cream truck came—he wasn't wealthy, but it warmed his heart to see all those smiling faces.

So Denise and I felt that naming the firm after my mom and her grandpa would be a meaningful way to honor these two special people and to create a firm that represents those same values. In many regards, the families we serve at Mitlin Financial represent those same values, which has created a family-like environment. The people who work in our firm and the people we serve are family to us.

"Is There a Fit?"

We are very protective of the values we abide by and the family environment we've created here, through and through—the company, our stakeholders, and the families we serve. For this reason, not everybody becomes a client of Mitlin Financial. We are selective in who we work with. To determine which families we will work with, we use what we call the "Is there a fit?" process.

In fact, we call our first meeting with a potential client the "Is there a fit?" meeting. We have a fifteen- or twenty-minute conversation with the family. We discuss their goals and objectives in working with us and what they're looking for in an advisor. Then we outline what we're looking for in the families we serve. We ask the family to think about whether or not they think we're a good fit for them, and at the same time, my team and I evaluate whether we think the family is a good fit for us.

If it seems to be a good fit on both sides, we then will move forward and schedule the next meeting. If it's not a good fit, we will help them as best we can, maybe by referring them to another firm or advisor who might be a better fit. Sometimes, though, we'll just part and go our separate ways.

It is extremely important for us to lead the families we work with in creating intergenerational wealth. We believe we can make the biggest impact on families when they understand the value of long-term planning to help secure future generations. Today, we are working with the second and third generations of our original client families. We're not looking for client relationships that last six months or one or two years. We want to become an extension of the families we serve and guide them in protecting their financial assets from one generation to the next.

It is extremely important for us to lead the families we work with in creating intergenerational wealth.

We also enjoy working with high earners who are not rich yet. These are people who have a long runway before retirement and can benefit most from long-term planning. People who have a short runway before retiring will not be able to reap the benefits of long-term planning. This was the case with a gentleman who called me one Wednesday a few years ago.

He called in cold and asked for me. When I got to the phone, he said, "I need some help. I'm retiring from my company, and I want to know if I have enough money and assets to be able to retire."

I said, "OK, then let's set up a meeting. I'm booked the rest of this week. Would you be able to meet next Tuesday or Wednesday to discuss this and see how we might be able to help you?"

"Oh no, no. I can't wait that long," he replied. "I'm retiring on Friday."

"Friday—two days from now?"

He said yes. I asked him how I would be able to help him.

"We could go over some numbers," he suggested.

"That's not the service we provide," I told him. "Typically, we're working with people at least a year, and preferably five or ten years, before they retire. I cannot help you much by meeting with you on Thursday when you're retiring on Friday."

This gentlemen simply had no runway left in his career to benefit from the service we provide and the tools we offer for long-term planning. As much as I wished I could have helped this gentleman a few years earlier, he just wasn't a fit for our firm when he came to us.

The Earlier You Begin Planning, the Better

From a financial-planning perspective, the more time you have before retirement when you begin planning, the better.

The primary benefit of beginning to save early is that you can grow your money over time, thanks to compound interest. Albert Einstein said, “Compound interest is the eighth wonder of the world. He who understands it earns it; he who doesn’t pays it.”

According to a study from Vanguard, if you began saving $10,000 per year at age 25 and continued until you were 45 years old, you could have more than $1 million by the time you reached retirement age. However, if you waited until you were 35 to begin saving, and you contributed the same $10,000 per year to your savings until you were 65, you would retire with less than $840,000.[2]

A second benefit of having a personal financial plan prepared for you early is that your advisor can adjust your financial plan as needed when your circumstances change. Sometimes, even minor adjustments will lead to major improvements in your financial situation. All of us constantly face changes in our situations, as well as changes in the markets and economy.

If you’re only three to five years from retirement, you can still benefit from developing a personal financial plan. However, you will have fewer tools to aid you in making adjustments.

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2. “When Should You Start Saving for Retirement? Vanguard, date unknown, https://investor.vanguard.com/investor-resources-education/retirement/savings-when-to-start.

Write Down Your Goals

Setting goals is a big part of planning, whether you are remodeling your kitchen, planning a vacation, or building a financial plan. Once you know what you're striving for, then we build your personal financial plan, which will guide you in every decision you make. Having a plan will provide guidelines for keeping you on track as you pursue your goals. This might mean setting a budget and sticking to it, which we discuss in chapter 3.

We are much more likely to reach our goals if we write them down. Part of the reason this is true lies in the way our brains work.

Having a plan will provide guidelines for keeping you on track as you pursue your goals.

Research shows that writing down your goals improves the brain's encoding process. *Encoding* is the biological process by which the things we perceive travel to the brain's hippocampus, where they're analyzed. From there, we make decisions about what gets stored in our long-term memory and what gets discarded. When you write down something such as a goal, there is a much greater chance that you will remember it. Plus, neuropsychologists say that individuals demonstrate better memory for material they have generated themselves than for material they've merely read.[3]

In my work with families, I have seen that those who take the time to identify their "why," write it down, and specify goals that will lead them to achieve their best lives possible tend to enjoy better outcomes. After you write down your goals, keep them in a place—or several places—where you will see them often. Writing them down causes you to consciously commit to achieving them. Keeping your goals and your "why" visible, so you can read them often, will drive you and inspire you to focus on activities that will move you closer toward your best life.

Taking the time to envision your ideal life, discover your "why," and write down goals to help you achieve that life creates space for your life to be more meaningful. This will lead you to focus on both qualitative and quantitative goals that are really important to you.

Prior Planning Can Prevent Panic

A while back, a potential client and his wife contacted our firm, and we met with them. After our preliminary discussion, we wanted to gather their

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3. "Neuroscience Explains Why You Need to Write Down Your Goals if You Actually Want to Achieve Them," Mark Murphy, *Forbes*, April 15, 2018, https://www.forbes.com/sites/markmurphy/2018/04/15/neuroscience-explains-why-you-need-to-write-down-your-goals-if-you-actually-want-to-achieve-them/.

information and begin putting a personal financial plan together. But they were not ready, for whatever reason.

Two years later, the husband called me, frantic because he learned that the company that had employed him for many years might be closing. He told me, “Hey, I need to know that if they close, am I going to be in a position that I can retire or slow down?”

I said, “I really can’t give you that assessment without sitting down and getting all that information we had talked about getting originally and putting a financial plan together for you.”

“Well, you can’t just give me an idea?”

“You are asking me to give you a diagnosis about your financial health without having seen you for two years and knowing nothing about your current situation,” I replied. “In the medical world, that would be malpractice.”

I encouraged him to come to our office, sit down with us, provide us with vital information, and move forward with the financial plan. We did that, and luckily for him, we discovered that as long as he worked at some kind of part-time job, which he was willing to do, he would be successful in retiring if the company closed down.

His company didn’t shut down, though. This man ended up retiring on his own from the company about six years after that, so it was a nonevent. But during that time when he was in panic mode, it was an emergency situation for him. He needed answers. Had he engaged us earlier, and we started the planning like we wanted to, we could have easily assured him that his financial situation was such that he would be OK financially if his company shut down—as long as he worked part-time somewhere.

Without having a plan in place, it's not easy for us to make that type of assessment about a given "What if?" scenario.

Many people view a financial plan as a static document they have to follow—or that they look at once and put away. It's not. A personal financial plan is a dynamic road map that guides you from where you are now to where you want to be. It makes it easier to adjust your plan when you face unexpected life events, whether they're positive or negative. Your personal plan is a valuable tool that allows us to evaluate how a life event, whether positive or negative, is going to impact your overall situation.

Not only is your financial plan a valuable guide for making decisions and planning how to navigate changes in your life; it also provides you with a level of financial confidence that you likely cannot attain without it. When you have your personal plan in place, you will be less likely to panic when something in your life or in the economy shifts. You can simply meet with your advisor to reevaluate your situation and see how it looks financially, rather than having to start from ground zero.

Combining Effective Asset Management with a Personal Financial Plan

Many times, people come to us because they're not sure how well they are positioning themselves for retirement. Unfortunately, this can be the case even when they are already working with a financial advisor.

As opposed to calling this type of review a "second opinion," we prefer to discuss how, sometimes, *minor adjustments can lead to major improvements*.

One day, a woman reached out and asked us for an appointment, and we scheduled an "Is there a fit?" call. She told us the name of the advisor she was working with. I happen to know the name, and I typed it into the FINRA BrokerCheck[4] website, which anybody can use to check out the background of an advisor in our profession. She was not aware that many complaints had been issued against him over the previous several years.

When she came into our office, we reviewed her statements and gathered more information from her. As

4. The Financial Industry Regulatory Authority (FINRA) is a private, American, self-regulatory corporation that regulates member brokerage firms and exchange markets. FINRA BrokerCheck tells you instantly whether a person or firm is registered, as required by law, to sell securities (stocks, bonds, mutual funds, and more), offer investment advice, or both. On the site, you also can browse the list of brokers barred by FINRA and see any formal actions the SEC has brought against individuals, including those who are not brokers. Go to https://brokercheck.finra.org/.

we reviewed her accounts, a couple of things came to light very quickly.

First, the accounts were not really in line with her appropriate asset allocation. And second, we discovered that she was paying a commission on every single transaction. In 2021 alone, there had been about 110 transactions in a single account. It was a commission-based account, so she was paying the advisor a commission on every trade. That one account cost her almost 3 percent of the value of her portfolio, which is much more than I believe she should have been paying. She was paying the advisor on a per-trade or transaction basis, rather than paying an asset-based fee or a fee for service. This means the advisor was receiving an incentive to trade the account. He made money when he traded the account.

Not only that—the advisor had not worked with her to develop a financial plan. Although she was paying a sizable sum of money, she had no formal plan in place to prepare for retirement. That alone had made her question whether she was receiving an appropriate level of service.

Now that she is working with us, we are managing her accounts on her behalf in a manner that aligns with her risk tolerance, goal, and objectives. We are also developing a personal financial plan that will guide her to and through retirement. Using that plan as the starting point, it will be easy for us to show her where she is now, where she's going, and how she can make progress toward those goals. She has thanked us on numerous occasions already and is really enjoying being part of the Mitlin family.

This scenario happens more often that it should. Again, I strongly advise you to seek out a financial advisor who is a "fiduciary"—one who is obligated to act in clients' best interests. Not all financial advisors are fiduciaries. We discuss this topic more in chapter 10.

Practicing What I Teach

It's hard to imagine how this could be possible, but there are insurance agents and financial advisors out there who stress to their clients the importance of protecting their families' futures with planning, yet they do not do it for themselves. Since before entering this profession, I understood the importance of practicing what we teach. If we aim to be positive role models for the families we serve, we need to follow our own advice.

This is so important to me, in fact, that I established a 529 plan—a college savings plan—for my children, years before I had children! I named myself as the beneficiary, and when our children were born, I named them as the beneficiaries. That planning put Denise and me in the significant position that we are now paying for our children's college education with money we saved over the years. Because we began planning so early, approximately 70 cents on every dollar that we are pulling out of our older son's college savings plan is growth, and only 30 cents on every dollar is money that we put into the plan.

This is just one example of the tremendous value you can derive by beginning to plan early.

Now that you realize the importance of having a compelling "why," we will discuss, in chapter 2, a valuable strategy you can follow. It's a three-word mantra that many successful people follow to make the most of their financial situations: "Pay yourself first."

Chapter 1—Making It Personal

1. What is your "why"—in other words, why are you working so hard? What do you hope to accomplish? What does your ideal life look like, now and once you retire? What are your current priorities?
2. How many years do you plan to continue working before you retire? What do you want your life to look like before you retire? After you retire? Write down specific aspects of what your ideal life looks like for both time frames—not

just financially, but personally as well.

3. Once you retire, what are you going to do with your extra time? What types of activities do you want to pursue that are personally meaningful to you? How will your priorities change when you're no longer working? How will your daily routine change? How might your relationships change?
4. To what extent could you ease into retirement gradually instead of going straight from working full-time to not working at all? How might a gradual transition make retirement easier for you?
5. What did you do today that brought you joy?®

CHAPTER 2

Pay Yourself First

Proof that financial planning is not complicated lies in the brief but powerful mantra "Pay yourself first." Following this one simple strategy can improve your financial well-being.

My first introduction to this compelling truth was when I read the book *The Richest Man in Babylon*, a classic book that George S. Clason published in 1926. In it, Clason shares parables by a fictional Babylonian character named Arkad, a poor scribe who became the "richest man in Babylon." Arkad then offers advice for others to follow, including the "Seven Cures" (how to generate wealth) and the "Five Laws of Gold" (how to protect and invest wealth).

That book hammered home to me the importance of paying yourself a percentage of your earnings before you pay your debts. Reading the book made me realize that Clason's approach is the opposite approach that most people take. When most people get paid, they pay everyone else what they owe—the rent or mortgage, utilities, food, and bills—and then figure out how to manage the amount that's left.

I agree with Clason that we have been doing this backwards. We need to pay ourselves first to honor that compelling *why* we discussed in chapter 1. We are not working hard to pay the mortgage and bills; we are working to be fundamentally financially sound and to achieve the goals we've set for living our best lives.

We need to pay ourselves first to honor that compelling *why* we discussed in chapter 1.

Why do we feel compelled to pay everyone but ourselves first? I don't know the answer to that, but because it is so ingrained in us, it requires a conscious mindset shift to turn it around. We need to deem ourselves the most important part of the equation instead of the least important.

Decide How Much to Pay Yourself

When we meet with families, we talk about this concept and encourage them to follow this valuable advice.

A good percentage to start out with is 10 percent—when you get paid, put aside 10 percent of that money in an account for yourself, and then pay your bills. Allocate that money to your emergency fund, your retirement plan, and other "buckets" of money that will benefit you personally.

If you are unable to begin with 10 percent, start with whatever number works for you, whether it's 5 or 6 percent or some other number. Then, as you're able, tick that amount up over the next several months. For example, you could set aside 5 percent of your income for a couple of months and then dial it up to 6 percent, and then 7 percent, until you get to 10 percent or beyond.

If your income is $10,000 per month and you're earning $3,000 per month from a side hustle, then your income is $13,000 per month, and we recommend putting away 10 percent of that—$1,300—before you pay anyone else. Paying yourself that first 10 percent of your income will ensure that at least that amount of your income will benefit you at some point in the future.

Some of the families we work with began using this concept with their employer-sponsored 401(k) plans. When they began participating in the plan, they were contributing 3 percent of their income. Now, with the "Pay yourself first" concept in mind, we encourage them to bump that up to 4 percent to see what the impact is. They typically discover that putting an extra 1 percent into their retirement account doesn't affect their income as much as they expected—especially because the money they're setting aside is pre-tax dollars. One dollar they put into their 401(k) account actually represents less than one dollar of their paycheck because they are taxed less on that money than on the money they do not contribute to the 401(k).

We encourage them to contribute 4 percent and then 5 percent and upward, until they get to a point where they do start to feel their income being affected—to their borderline comfort level. In many cases, we've seen people increase their automatic deferrals to 10 or 15 percent as a result of this strategy.

This growth in retirement savings is enhanced further when there is an employer match, which is common. It is important to find out if your employer has a match on its retirement plan and what percentage of your income you must contribute to receive that match. You want to put in at least that amount; otherwise, you are leaving money on the table. Again, the sooner you begin putting money away into a retirement account, the more time that money has to grow, thanks to the power of compound interest.

Here is an example[5] that shows just how big a difference saving money can benefit you, especially if you start early. As shown in the chart below, our hypothetical client, Pat, saved money in an interest-bearing account from the ages of 20 through 45 and then stopped. Kelly didn't start saving money in a similar account until age 45 and continued saving until age 65. Because of the powerful effect of compound

5. "The Magic of Compounding & How I Should be Retired by Now," Robert Roy Britt, Medium.com, February 25, 2019, https://robertroybritt.medium.com/the-magic-of-compounding-how-i-couldve-been-retired-by-now-c30a5e21200a.

interest, Pat ended up with a retirement account worth $2,039,104, while Kelly's was worth only $895,444. Yet Pat invested only $91,000, compared to Kelly's investment of $336,000.

How Investing Early Impacts Retirement Income

	Pat		Kelly	
Age	**Amount Invested**	**Year-End Value**	**Amount Invested**	**Year-End Value**
19	$0	$0		
20	$1,000	$1,100		
21	$1,200	$2,530		
22	$1,400	$4,323		
23	$1,600	$6,515		
24	$1,800	$9,147		
25	$2,000	$12,262		
26	$2,200	$15,908		
27	$2,400	$20,138		
28	$2,600	$25,012		
29	$2,800	$30,594		
30	$3,000	$36,593		
31	$3,200	$44,168		
32	$3,400	$52,325		
33	$3,600	$61,517		
34	$3,800	$71,849		
35	$4,000	$83,434		
36	$4,200	$96,398		
37	$4,400	$110,877		
38	$4,600	$127,025		
39	$4,800	$145,007		

	Pat		Kelly	
Age	**Amount Invested**	**Year-End Value**	**Amount Invested**	**Year-End Value**
40	$5,000	$165,008		
41	$5,200	$187,229		
42	$5,400	$211,892		
43	$5,600	$239,241		
44	$5,800	$269,545		
45	$6,000	$303,100	$6,000	$6,600
46		$333,410	$7,000	$14,960
47		$366,751	$8,000	$25,256
48		$403,426	$9,000	$37,682
49		$443,768	$10,000	$52,450
50		$488,145	$11,000	$69,795
51		$536,960	$12,000	$89,974
52		$590,656	$13,000	$113,272
53		$649,721	$14,000	$139,999
54		$714,694	$15,000	$170,499
55		$786,163	$16,000	$105,149
56		$884,779	$17,000	$244,363
57		$951,257	$18,000	$288,600
58		$1,046,383	$19,000	$338,360
59		$1,151,021	$20,000	$394,196
60		$1,266,1233	$21,000	$456,715
61		$1,392,736	$22,000	$526,587
62		$1,532,009	$23,000	$604,545
63		$1,685,210	$24,000	$691,400
64		$1,853,731	$25,000	$788,040
65		**$2,039,104**	$26,000	**$895,444**
Total Invested		$91,000		$336,000
Net Earnings		**$1,948,104**		**$559,444**
Growth		2,041%		67%

The figures in this hypothetical example assume a 10 percent annual return.

Where Does Your Money Go?

Almost always, when people put their spending under a microscope to find out where their money is going, they are surprised to find that they are spending money on things they don't really want or need. It can feel intimidating to do this exercise, but it is a necessary step toward building your personal financial plan.

Examining your spending will enable you to be more mindful about whether or not you are spending your money toward the priorities and goals you have established. When you discover unnecessary spending, deploy that money toward better uses. This one exercise often brings to light at least 10 percent of people's income that they can use to pay themselves first.

Set Up Different Accounts for Different Purposes

Many people have just a checking account and a savings account. I believe we can do a better job of allocating money toward various priorities if we set up accounts dedicated to those various priorities.

The tendency is to funnel all income into one account and then pay all the bills out of that account. Again, with the traditional mindset, whatever is left over is ours, and then we might move some of that money into savings. If an emergency comes up, we pay for it out of the same checking account. In that scenario, it's difficult to see what money is going where.

Setting up several different accounts makes it easier to segregate your money as soon as you earn it. For example, consider setting up a checking account that is your emergency fund—money that's dedicated to the inevitable unexpected expenses that crop up. That could be a vehicle repair, a home repair, a medical emergency, or something else. Promise yourself you will access that money only in an emergency. (Sorry, but deciding to take a weekend trip to the beach or mountains doesn't constitute an emergency!)

I believe we can do a better job of allocating money toward various priorities if we set up accounts dedicated to those various priorities.

If one of the priorities you have identified is going on a big vacation, saving for a child's upcoming wedding, or buying a lake house, set up a savings account specifically for that, and contribute a percentage of your income to it each month. Whatever your priorities are, define a game plan for the amount of money you're putting into each account on a regular basis. Your financial advisor will help you establish this game plan as a part of designing your personal financial plan.

As soon as you receive any type of income, dole that money out to your various accounts. The only money that should be left in your checking account is money you need to pay your regular monthly bills.

Having separate accounts gives you more clarity about what your priorities are and where your money is going. It makes it easier for you to put money aside and separate specific expenses from your regular day-to-day cash flow. Again, much of this is a mindset issue. If all your money is in one checking account, it's easy to lose track of it and spend it on everything but your top priorities. You feel like all that money is there and available for whatever you need.

But if you've set aside money in specific accounts, it reminds you of your various priorities and makes it easier to honor them. You are mentally preparing yourself that if you have extra money in your checking account, that money is not to be used for emergencies or a vacation.

An Emergency Fund Will Minimize Disruptions to Your Lifestyle

An emergency fund is a must for protecting your lifestyle in the event of a disaster, whether it's an economic downturn, loss of property due to a fire or flood, the premature death of a loved one, or something else.

Depending on your personal circumstances, we recommend having three to eighteen months' worth of income set aside for emergencies. If your income is regular and predictable, such as a paycheck from an employer, then one year's worth of income might be sufficient. But for people whose income is somewhat erratic, such as the self-employed, we advise a more conservative amount, on the eighteen-month side. We have had self-employed clients who made $20,000 from a consulting agreement one month but had little or no income the next month. A game plan is critically important in this type of situation.

Having this money set aside will make a significant difference in your ability to pay yourself and your bills in the event that hard times come around.

Corporate executives who lose their jobs or decide to pursue other opportunities might need only three to six months' worth of savings if they are able to land new positions quickly. Again, your financial advisor will work with you to determine an appropriate amount for you to save in an emergency fund. The amount will depend on several factors, including how much money you have saved for retirement, how much debt you have, and what your financial and lifestyle goals are.

Once you have built your emergency fund up to that appropriate level, then you will no longer need to contribute money to that account because you are saving your income in various accounts. As soon as you spend that money on an emergency, build it back up for the next one.

On the flip side, if you have no emergency fund, but you have a lot of money in your retirement plan, you might want to direct more of that 10 percent to your emergency fund to start building it up.

As you can see, every component of your financial plan is personal—there's no solution that will be right for everybody. In our experience, the people who use a systematic approach to taking care of themselves first end up in a far better financial position than those who don't.

Why Few People Follow This Wise Approach

Like many things in life, I think a lot of people inherently understand this concept and agree that it makes sense, but they don't actually follow it, for whatever reason.

In some cases, it's because of a lack of education—people don't know about this simple but powerful concept. Others are aware of the concept but fail to follow it because they have no one to help keep them accountable. That is another valuable benefit of working with a fiduciary financial advisor—he or she serves an important role of being an accountability partner to guide you in reaching your goals.

Still others ignore this concept because they have never taken the time to determine their *why*. They don't know what they're working toward, so they don't focus on specific priorities.

Credit Card Debt Is Evil!

I believe there is never a good reason to carry credit card debt. It is evil because it diminishes your financial well-being and erodes your progress toward your long-term financial goals.

It's not that I don't believe in using credit cards; I use them virtually exclusively. Credit cards come with some nice benefits, such as points toward travel, extended warranties, fraud protection, and cash back. However, I pay off the cards in full every month so I don't pay the typically high interest rates they charge. They are great tools if you use them properly. My advice is to charge a purchase to a credit card only if you know you can pay it off in full when the bill comes due.

I believe there is never a good reason to carry credit card debt.

If you already have credit card debt, work with your financial advisor on a game plan to pay all of it off. There are several approaches, and the one that is right for you depends on your overall situation. In this case, it is important to strike a balance between paying yourself first and paying off your debt.

The interest people pay on credit cards is often equal to the percentage they have committed to paying themselves first. Extinguish any credit card debt as soon as possible! The first step toward doing that is to stop using your cards. Get out of the habit. If you continue to run up credit card debt, it will be problematic to you and your ability to reach your financial goals. This is true even if you owe a small amount. Interest rates in the double digits add up quickly.

Pursue What Brings You Joy

In chapter 1, I stressed that having a strong *why*—a strong purpose for working—will guide the decisions you make. Similarly, identifying whatever brings you joy will inspire you to be disciplined about paying yourself first.

Again, this is different for everyone. Some people enjoy going out to dinner in fine restaurants. Others enjoy hobbies like golfing, boating, or traveling. When you adopt this "pay myself first" mentality, it makes you more mindful of the fact that you are deliberately paying yourself first so you can enjoy the things that bring you joy.

Most people don't have a clear idea of what they're spending their money on.

Most people don't have a clear idea of what they're spending their money on. And many don't realize that they are spending more than they are making. When we see that happening, we have to bring it to the attention of the families we serve. We tell them they are cash-flow-negative and that they need to figure out a solution for how to eliminate a certain amount of money from their current expenditures if they want to reach the goals they have set.

If you already have an ample emergency fund and an ample retirement fund, it is still important to pay yourself that first 10 percent (or whatever percent you decide on) first. We just emerged from a long period of unprecedented low interest rates. At that time, I would not have recommended putting your 10 percent into a bank account because you would have earned close to zero on it. Instead, I would recommend putting that money into a 529 plan for your children's college education or some other account.

As you continue to pay yourself first, continue to evaluate where to deposit that first 10 percent of your income. Make sure your money contributes to the areas of your financial situation that will benefit you the most in the long term. There is a certain level of responsibility for each of us to make sure the money we pay to ourselves first is being put to good use.

There is no question that there is significant value in working with a competent, experienced, compassionate fiduciary financial advisor. He or she will brainstorm with you, build your personal financial plan based on your unique situation and dreams, and serve as your accountability partner.

Chapter 2—Making It Personal

1. If you have not yet begun to pay yourself first, commit to doing so. What percentage of your income will you set aside for yourself, before you pay your bills? Try to begin with 10 percent.
2. If you have a 401(k) plan through your employer, increase the amount of your current contribution by at least 1 percent. If your employer provides a matching contribution, make sure you are meeting that minimum contribution so you can receive the match.
3. Analyze the past two or three months of expenditures in your checking account. Which expenditures do not align with your top priorities for your best life? Eliminate them, and use that money to pay yourself first.
4. If you do not currently have several bank accounts for separate expenses, set them up. Decide which accounts you will need, such as an emergency account, a vacation account, and a special-event account.
5. What did you do today that brought you joy?®