

financial LIFE *Planning*

WHAT'S YOUR NUMBER?

How much money do you need to secure the rest of your life? Do you know how to think about it? What do you want to do with the rest of your life and how much will it cost?

Lee Eisenberg challenges his readers with these questions and more in his book, *The Number: A Completely Different Way to Think about the Rest of Your Life*. As Eisenberg himself proclaims, "This book is about money, but ultimately it's about the life you want, the life you don't, and the costs of each."

In particular, these are burning issues for the 76 million Baby Boomers who are nearing retirement age. In the past, this transition has been viewed solely as an economic event—one in which the focus is on building a retirement nest egg. But more and more in our society, the nagging question is creeping in, "What is the money for?"

In *The Late-Start Investor*, author John Wasik recommends rejecting the traditional way of planning for retirement and choosing instead a "flexible life plan that provides for financial, vocational, physical, emotional, and spiritual needs." He explains, "Unless you look at your future holistically, merely saving up a pile of money will be a meaningless act."

With this in mind, the first step to investing in your future is to think about and clarify what is most important to you. This is

a time to listen to your own heart and to focus on what you value most in life. Whatever you identify will become the foundation for your life goals.

The next step is to think about the role that money can play in helping you to achieve each life goal.

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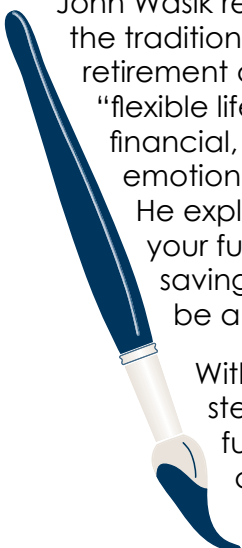
- Will having sufficient financial resources give you more options for realizing your goals?
- Will financial independence in your retirement years allow you to pursue those activities that will give your life a sense of meaning and purpose?

Answering these questions will help you to determine "your number" and to understand how your money is integrated into all areas of your life—not as an end in itself, but as an instrument for creating the life you want—now and in future.

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WHAT'S YOUR M.Q.?

Do you know someone who is really smart, but makes really dumb decisions when it comes to money? These individuals are likely to be successful in other endeavors, but their financial lives are out of kilter. Here are a few examples:

- Joan has a great job and earns a six-figure salary. Even though she gets a generous raise each year, she can't seem to be able to save and invest for her future.
- Three years ago, John received a large inheritance from his grandmother. If well managed, her generous gift could provide John financial security for the rest of his life. However, he feels anything but secure. The responsibility of financial stewardship has challenged his self-confidence and triggered anxiety attacks and depression.
- Tina recently graduated from law school and landed a position in a top firm in San Francisco. Although she was offered a very competitive starting salary, she finds that it is inadequate to meet her living expenses, car payments, and student loan payments. After all the sacrifices she has made to reach this career goal, she is angry and frightened about her financial outlook.
- Tim wants to micro-manage the family budget and it is driving Karen crazy. They have been married five years, and Tim's attention to their money matters is becoming increasingly obsessive. To assert her independence in this relationship, Karen frequently goes on shopping sprees.
- Ken checks the market several times a day. On down days, he is filled with

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anxiety about his shrinking retirement nest egg. Recently, after several days of steady declines, the Dow precipitously dropped another 300 points. Ken immediately called his

broker and demanded that she sell every one of his investments and put the proceeds into a money market.

You yourself can probably relate to one of these descriptions because nearly everyone

has or has had a complex and difficult relationship with money. As these examples illustrate, "financial success" depends on a lot more than on how much money you have!!

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WHAT'S YOUR M.Q.?

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On this note, **Money Quotient® (M.Q.®)** is a measure of your financial well-being that represents a composite of both your financial knowledge (I.Q.) and emotional intelligence (E.Q.). In short, your M.Q. can be expressed by this simple formula:

$$\text{I.Q.} + \text{E.Q.} = \text{M.Q.}$$

The concept of M.Q. is unique because, rather than using your net worth as a "picture" of your financial health, **M.Q. takes a more holistic approach by examining both the fact and feeling aspects of your financial life:**

- **Fact**—The I.Q. part of your financial equation is all about learning the basics of sound financial planning. This will equip you to make wise decisions about how you spend, save, and invest your money, and help you to work effectively with your financial advisors.
- **Feeling**—The E.Q. part of your financial equation is all about your understanding of the emotional factors that influence your money attitudes, beliefs, and behaviors. This awareness will give you the extra edge you need to achieve your personal and financial goals.

The point to remember is that **self-knowledge is essential to understanding and improving your relationship with money.** When you earn, spend, and invest your money in ways that are "smart" and also compatible with your underlying values and priorities, you will then experience a sense of financial satisfaction and success.

In addition, it is important to realize that **the process of raising your M.Q. is a life-long learning commitment**, one in which you will continually strengthen your practical knowledge and your emotional intelligence in regard to your financial well-being.

RAISING YOUR M.Q.

"Money Maturity does include skills, such as understanding investment options and using a budget effectively, but it goes much deeper—to the feelings, the heart, and yes, the soul. Money Maturity helps resolve the troubling emotional conflicts around money that never seem to go away."

George Kinder
The Seven Stages of Money Maturity

"In personal financial management, the place to begin is to adopt a realistic perspective. Money will only improve the quality of your life when it is used with clarity. Only when you learn to spend money in concert with your underlying values—the things that you most deeply care about—will it become a tool for creating a more fulfilling life."

Karen Ramsey
Everything You Know About Money is Wrong

"Both 'what' and 'how' we spend dramatically impacts the quality of our lives, the quality of our relationships, and the legacy we leave to our children—not only in terms of dollars and cents, but also in terms of character, financial intelligence, and the ability to interact in positive ways around money matters."

A. Roger Merrill & Rebecca Merrill
Life Matters

WELL-BEING

BREAKING OUT OF THE 3 BOXES OF LIFE

In *The Three Boxes of Life: And How to Get Out of Them*, author Richard Bolles described the three periods of life as (1) getting an education, (2) going to work, and (3) living in retirement. He observed that these periods have become more and more isolated from each other.

Life in each period seems to be conducted without much consciousness or preparation for life in the next period. High school and college graduates almost universally express that they learned very little in school to help them find jobs or to be successful in their careers. Likewise, workers approaching the end of their careers realize they are ill prepared for life in retirement. Thus, as Bolles explained, “these three periods—in their isolation from one another—end up looking (or feeling) like three boxes.”

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Bolles also observed that the box-like nature of these phases of our lives is further accentuated by the way we spend our time. The first period is devoted to **learning**, the second period is devoted to **working**, and the third period is devoted to **leisure**.

Instead, he recommends that we would all benefit much more if there were a more equitable balance between learning, working, and leisure in each period of life. In this way, wouldn't our lives be more balanced? Wouldn't we be healthier in all ways? Wouldn't we feel more satisfied and

more fulfilled? Wouldn't we be growing as individuals in more positive ways? **Wouldn't we be better prepared to transition into the next phase of life?**

Meanwhile, as we contemplate these questions, we must live with the reality that “the system” does not advance this perspective on planning and living our lives. Therefore, it is really up to us as individuals to get “unboxed”—to be proactive in (1) balancing learning, work, and leisure in each stage of life; and (2) using our current life stage to prepare for the next life stage

Dr. Phyllis Moen's retirement advice is similar to that of Bolles. As the director of the Cornell Retirement and Well-Being Study, her research has led her to conclude that retirement planning should be “a life-long regimen rather than a later-life concession.”

In addition, she encourages individuals to “pursue an unconventional life course and to be proactive in developing their own opportunities.” These opportunities are our individual choices in learning, work, and leisure activities that make life in retirement satisfying and fulfilling.

Likewise, Richard Bolles recommends in *The Three Boxes of Life* that it is very important to identify the learning, work, and leisure activities that are most meaningful to you, and to explore ways to invest your time and energy equitably among these activities. It is these activities that will define what you “do” in retirement.

In other words, **as you design your future, you should explore and choose ways that YOU WANT to spend your time.** As a result, the return on your investment will yield a successful and rewarding retirement experience.

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