



Putting Money in the Context of Life™

Brought to you by Sound Financial Planning, Inc.

VALUES GUIDE FINANCIAL LIFE PLANNING

Financial Life Planning is a holistic process that will first help you to clarify your values and then guide you in defining and designing your unique version of the “rich life.”

...your life satisfaction will multiply when you clarify your values and make financial decisions that align with your life goals.

When thinking about values, we often think in terms of principles or standards we consider important such as honesty, loyalty, or altruism. We also tend to think of values in terms of what we hold most dear such as family and good health.

Our values are also those intangibles that keep us motivated. Motivators vary from person to person, but examples include wealth, recognition, achievement, intelligence, creativity,

challenge, adventure, harmony, and so on.

In addition, values provide both the purpose for our activities and the criteria for how we allocate our personal resources of time, energy, skills, and money. When there is incongruence between our values and the way we “spend” those resources, inner conflict or dissatisfaction will result.


In “Everything You Know About Money is Wrong,” author and financial advisor Karen Ramsey wrote:

“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.”

The foundation of Financial Life Planning is understanding the nature, influence, and

importance of your values. Therefore, here are three steps you can take to help jumpstart this process:

1. Reflect on and clearly identify what is most important to you
2. Allow that awareness to guide your interactions with your financial advisor
3. Use your values to create a framework for establishing meaningful life goals and making choices along life's journey

You will discover that your life satisfaction will multiply when you clarify your values and make financial decisions that align with your life goals. 

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ALTERNATIVE GIFTS

Traditionally, we recognize, commemorate, and celebrate special occasions, milestones, and holidays with gifts. However, many individuals are looking for meaningful alternatives to giving and receiving more “stuff.”

If you are one of those looking for a different kind of gift, consider making a donation in the name of the individual, couple, or organization that you want to honor. In addition, in lieu of receiving gifts, you can request a donation to a cause that is near and dear to your heart.


The concept of alternative gifts is growing in popularity, and a number of online resources are available to assist you in making this type of charitable donation.

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One great example is CharityChoice, www.charitygiftcertificates.org, which was conceived in 2004 when co-founder Mark Finkel wanted to make a charity donation in memory of the recently-deceased father of a business associate. Not knowing what cause was important to the family, he wished to give a charitable gift that allowed the recipient to designate the charity of his/her choice.

The gift cards you purchase via the CharityChoice web site represent the charity donations that you make. You decide on the amount you wish to donate, and receive a receipt for your tax deductible contribution. However, your contribution allows the recipient

of the gift card to select the cause. He or she can choose the charity from an online list of over 250 organizations that are categorized into 13 topic areas such as animals, children, disaster relief, and so on. The recipient simply enters the redemption code displayed on the card to make his or her selection.

CharityChoice also offers a wedding registry where a couple can designate the charities that they would like to benefit in honor of their marriage. Once the registry is created, an email will be sent to the wedding guests, informing them that the registry has been created. This provides an alternative way to give a wedding gift by supporting causes that are important to the newlyweds. 

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*WE ASSIST OUR CLIENTS IN ACHIEVING
THEIR LIFE DREAMS WITH COMPREHENSIVE
FEE-ONLY FINANCIAL PLANNING SERVICES
THAT CREATE PEACE OF MIND NOW
AND A ROAD MAP FOR THE FUTURE*

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THE PSYCHOLOGY OF GIVING

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 increased. 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. Next, 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 and her team 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. Then approximately 6-8 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*). Analyses of the data again demonstrated no relationship between personal spending and happiness while spending on others was shown to be a significant predictor of happiness.

... for most individuals, increased awareness will be necessary in order to understand and to benefit from the connection between giving and higher levels of happiness.

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.

In 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, for most individuals, increased awareness will be necessary in order to understand and to benefit from the connection between giving and higher levels of happiness. And, as in all of life's most important lessons, experience is the best teacher. 



FINDING MEANING IN THE SECOND HALF OF LIFE

Individuals in mid-life and beyond are increasingly viewing retirement not as a time to relax, but as a time to explore their potential. It was Abraham Maslow, a psychologist, who gave us the term, "self actualization." He called it man's desire for fulfillment, "to become everything that one is capable of becoming."

For many, the path to self-actualization is through their "work,"—which should be defined as the productive activities, paid or unpaid, that gives their lives meaning and a sense of purpose.

For many, the path to self-actualization is through their "work"—which should be defined as the productive activities, paid or unpaid, that gives their lives meaning and a sense of purpose. Helen Harkness wrote that linking work to the need for meaning has been a natural evolution:

"For the generation following the Depression and World War II, a 'job'—stable lifetime work that pays the bills—was the goal. Later, the achievers focused on a 'career' in a particular profession such as law, banking, medicine, teaching, or management as the means to success. Today we are adding another dimension: discovering our 'calling' or 'vocation'—work with a deeper purpose or meaning, assuring us that each has something unique to offer."

This new view of the purpose of "work" is particularly important to the millions of Baby Boomers who are approaching or living in the

second half of their lives. A number of surveys have shown that the majority of Baby Boomers plan to work beyond the time they are eligible to retire. In *Encore: Finding Work that Matters in the Second Half of Life*, contributing author Ed Speedling wrote:

"Many individuals feel compelled to work for financial or psychological or social reasons, or for all three, yet they want to choose how they work and what they work for. Instead of liberation from labor entirely, they see an extra measure of freedom—in many cases to swap money for meaning, to do work that they couldn't afford to do earlier but can do now that children have grown and other ambitions have waned."

Similarly, in her book *I Could Do Anything if I Only Knew What it Was*, Barbara Sher explained that the first step to finding work that "fits" is to understand the connection between doing what we love and doing something worth doing.

"It is a tribute to the success of our culture that so many of us have the freedom to search for our own life's work."

Barb Sher

She wrote that it is at this intersection that we will find **meaning**. In fact, because self-actualization is at the very pinnacle of the hierarchy of needs, Barb Sher reminds us all of how lucky we are to live in a free and prosperous society: "It is a tribute to the success of our culture that so many of us have the freedom to search for our own life's work." 