



Financial Fables

You Can't Lose What You Give Away

“You’ve done it, you’ve reached financial security.” Twenty-five years ago as a young financial advisor, I heard that tag line for a television commercial and I actually audibly responded to the TV, “That’s a lie; there is no such thing as financial security.”

It would be nice if we lived in a world of certainty but we live in a world of chance. A smoker lives a long life and a jogger dies young, the best relay team drops the baton, a presidential election is decided by 327 disputed votes, and on 9/11 a person is at the wrong place at the wrong time. Chance can destroy a great plan and reward a sloppy one.

You can avoid a lot of financial disasters, but because of chance you can’t eliminate them all. The unforeseen and the unknown are always lurking in the shadows. I was sharing a story the other day with a good friend about a school principal who was afraid that Y2K was going to cause a total financial collapse. So he sold everything and moved into a cabin in the woods, where he could be self-sufficient. Y2K turned out to be a non-issue but his attempt to avoid a perceived disaster resulted in a real disaster when his propane tank exploded, killing him. My friend related her own story about a co-speaker at a conference who was afraid to fly, so he arranged to have his speech video-conferenced from his office, the Twin Towers, on September 11, 2001, where he died.

Financial security may be impossible, but financial peace of mind isn’t. Financial peace of mind requires doing the things that can reduce financial risks (saving, limiting debt, and diversifying investments) and accepting the fact that they may not work. It also requires a generous attitude. It doesn’t take a genius to realize that you can do two things with money, save it or spend it. Too much saving is hoarding and too much spending is self-indulgence. By limiting what you save for yourself and spend on yourself you have money left over to be generous and, in an odd way, this selflessness may be the most important part of financial peace of mind and even financial security.

A finance professor at the local university used to have me talk to his graduating seniors. My speech was different from the usual, “This is how you get rich with a finance degree” speech. I would ask them who they thought was the most financially secure person in the world. Back then, the two most common answers were Donald Trump and the Shah of Iran. I replied by offering the name of Mother Theresa. If she got sick there would be a plane waiting to take her to any hospital in the world. She could eat in any restaurant and sleep in any hotel and no one would dare charge her. Trump and the Shah could lose what they had (the Shah did) but Mother Theresa couldn’t lose the goodwill she had accumulated.

Financial markets are scary right now, but don’t lose hope. As my grandfather, who got his private bank through the Great Depression used to remind me, “Hard times mean good times are coming.” So there is always hope, but even more important than hope is the peace of mind that comes from knowing you can’t lose what you give away.