



## Sound Financial Bites 004 -SROVT Episode Transcription

*“The highest stakes game going on for us personally, which is our finances.”*

Good morning and welcome to "Sound Financial Bites." This is Paul Adams, President and CEO of Sound Financial Group, and I want to welcome you to the podcast. Today we're doing something a little bit different. You may hear that I sound a little bit differently, or a little bit different and it's because my primary strategy of how I record these with a really amazing podcasting studio we've effectively assembled here in my office just was shot this morning, because for whatever reason, my new laptop won't stay on. I sat there, as I'm on the 5th attempt of trying to get the laptop up and running and it's shutting down, and I don't know what's wrong with it, and saying to myself, "Maybe I should just do something else.

Perhaps I shouldn't work on the podcast this morning. Maybe I should just leave it be," and then it occurred to me that I think what happens to many of us all too often is we just let it be, that in the face of some kind of challenge, we just back off, and we don't go after it, and especially considering what I wanted to talk with all of you about today, it might be most important that we wait, that I figure out a different way to do the podcast, and we launch anyway. Today, we're going to talk about something called "SROVT." That's solid, realistic, ongoing, verifiable, training. It's a concept coined by a gentleman named Gordon Graham, but before I get into the podcast today, here's what I'd like to do. I want to remind you, if you've not yet had the chance to have a conversation with one of our advisors, just that 30 minute initial phone call, I cannot encourage it enough. I'd say go to our website when you get time. You can see more about the description of every podcast and download them there.

You can also see some of our videos and places that I've spoken before. You can get the first 3 chapters of my book, "Sound Financial Advice," and you can also get over to Amazon and you can buy the entire book. I hope that all of that will be valuable resources for all of you as a part of our commitment to help you, our listener, design and build a good life, a good life that's going to last the rest of your life. Today, let me tell you about this little setup I have going. I have a simple lapel mic that's plugged into my iPhone. Now, my guess is that this somewhat omnidirectional mic is going to pick up a lot of background noise.

For that, I apologize, but I've got to tell you, if this makes better recording than my regular podcasting studio with the types of mics that you'll see in 90% of the radio stations across the country, and you say, "Well, Paul, that one you recorded on your cellphone was the best one yet," please don't send that to me. You can send it to [info@sfg.wa.com](mailto:info@sfg.wa.com), that's Sound Financial Group, and then WA like Washington. Go ahead and send it there. I'm going to expressly tell my team to not pass that information onto me because I would be very disappointed in everything I built in the office here if I knew this cellphone would do a better job than my equipment here in the office. What's this acronym I shared with you a few minutes ago? This acronym is being used in the risk management component of police departments across the country.

It's a term that's trademarked, owned, and taught on across the country by a gentleman named Gordon Graham, and he has a history in law enforcement and law. What this speaks is when a police officer is on the street, do we have solid, realistic, ongoing, verifiable, training? The way the concept was initially explained to me was actually by one of our advisors, Stephen Jewell, former Deputy Chief of the state patrol here in Washington. The way he explained it to me was, if you think about competency, what's the competency level need to be if you're testing for certain competencies? What's the competency level need to be to be a passing grade for a police officer in different areas? I looked at him and I said, "My guess would be that passing probably needs to be 80% on most things."



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*“One thing that is inevitable, your income is going to end.”*

You know, search and seizure, how do you pull somebody over and the proper way to do that. I said, "But my guess would be, when it comes to use of lethal force, it's 100%." He said, "Exactly right." You have to test, when it's the highest stakes game going in law enforcement, which is the use of lethal force, literally lives on the line. You can't leave a margin for error. You have to test to 100%. This just instantly hit me as something I thought all of you would really enjoy listening to, and that's the idea, that if you have a police department, and you have thousands, or hundreds at least, of people walking around with firearms, those are your police. These law enforcement officers are out there with guns all day, and they're trying to stop people from doing bad things.

It's not a possibility that someone will get shot, it's not a possibility that lethal force will need to be threatened, and at some point, probably carried out. It's that it will happen one day, it's inevitable. If it's inevitable that one day lethal force is going to be used, then we have to be prepared for it, and we have to be 100% prepared for it, and that's a little bit of what I understand about Gordon Graham's philosophy is that can you point to that you have solid, realistic, ongoing, verifiable, training on the subjects that are of the highest possible consequence for police departments? How does that apply to us?

All we're doing is bumping around in the marketplace. Gosh, nobody's carrying a gun at Sound Financial Group, so what is it that makes it so important that I'm bringing up that we need solid, realistic, ongoing, verifiable, training for ourselves? Well, let's talk about the inevitable that all of you are going to face. One day, all of us, me speaking and all of you listening, there is an inevitably in your future that's likely the highest stakes game going in your life. Short of whatever decision you probably make about your faith, one of the highest stakes going that will happen to all of us one day, is our income is going to end. Can't help it. One day, it will end. Period, end of story, inevitable. Now, there's two major branches of how income can end. Income could end because of our choice, or it could end because we didn't have a choice. It could end because of our choice, we reached a point where we had enough money and we chose to retire.

Or, it could end because in a couple, husband and wife, one of them is saying, "I'm going to stay home with the kids," and the other one is the primary bread winner. It could end by choice that way, but it could also end outside of our choice. It could end simply because we reached a certain age and now the marketplace no longer values what it is we do. I'm going to come back to that in a moment. It could end because of sickness or injury. We're no longer able to perform our duties of our job, our career. It's not by choice. We're out. Our income could end, will end one day, but it could end because it's reached the end of our life. That end of our life might happen, quote unquote, "on time," like in our 80s or 90s when people would expect someone would pass away, or maybe it happens far too young, and far too early.

We don't know, but we can't get away from the inevitable that one day our income is going to end. The question becomes, if it's inevitable, if it's inevitable that our income is going to end one day, how much attention should we pay to it, and what should our passing grade be? Should our passing grade be 80%? It's 80% likely I'll be okay when my income ends? 20% likely I'll be okay? Think about from the outside. In fact, there's a great deal of discontent with some police departments across the country, whether rightly or not, I'm not in that conversation with all of you, but people are upset because it wasn't 100% right in their opinion. If we know police officers are taking it that seriously, their highest stakes game, what are we doing? I want you to think about this.

Do we, as it relates to our finances, could we point to say an outsider, if we were audited, if we were asked to pass a test, could we say we have, regarding our own finances, solid, realistic,



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*“Do you have SROVT when it comes to your income?”*

ongoing, verifiable, training? Could you? Can you point that you and your spouse go to events quarterly that are just about making sure you know more about money? Well, at least you're listening to this podcast, so you might be able to say, "I at least regularly engage in a podcast that has to do with money and mindset and taking better care of my future." We need to make sure that we are 100% positive, or at least as close as we can get that things will be okay when our income stops. Let me give you an example of what might not be a good idea. I want you to imagine how inept we would view a police officer or a police department if all they did for training was they watched whatever was on TV. You know, like all the police shows, or action movies, all that.

Everything's solved in about 45 minutes if you don't count commercials, and perhaps it takes a little longer, but the good news is if you watch movies, and there's a major problem, there is some sort of montage with a really great song in the background, and suddenly, they've got the problem solved, but whatever the problems are, they're also not, by the end of the movie or the end of a TV show, if a police department said, "That's how we're training our people," we would go, "That's a terrible idea, and you should probably do something more effective," but many people in a great deal of what they know about money, they're just picking up like passively as they go through life. I mentioned I would come back in a moment to this idea of it may not be our choice to stop working. I was sitting on a plane just going up and down the coast.

I was a Senior Vice President for a large financial firm out there, one of the largest of its type in the country, and I'm sitting next to the CEO, who I report to, and we're chatting away. This gentleman in the window seat, I'm in the center, asked what we do, and we shared with him. He began to just tell his story. Sometimes that happens to us, where people just tell us their story, what's going on, and there's something he said that really struck me and turns out later when I was talking to my CEO, he said the same thing. What he said was, "Given what I've got saved, I've probably got to work until I'm 80." This guy worked in the operations role for an industrial type company. He was in his mid 50s and he just chalked up that, "Well, I'm just going to have to work until I'm in my mid 80s," and the first thought that I had, and this is the first time that I had really clearly had this thought, because certainly people say that all the time.

We sometimes say it to ourselves, but worse is, people say it around us all the time, and we just go, chalk it up like, "Oh yeah. I guess that's true." Who says you are the one that gets the option to say you're going to work until you're 80? I want you to look around. This guy's making 250, \$300,000 a year in this operations role. Look around, how many people do you all know? People that made really good income in their 50s and early 60s before typical retirement. Do you know very many people that are in their 70s that are making 3, 4, \$500,000 a year? I know some, but almost all of them made many multiples more than that and now they've created such an identity in their particular industries, they're making that kind of money serving on corporate boards for publicly traded companies.

If that's not in your future, it's probably not likely, and it's not your fault. It's sort a facticity of life that when we get older, our bodies don't work as long, our minds may not work the same way they used to work, so fundamentally, we don't get the option. The next time you catch yourself or somebody else saying, "I'm just going to work until I'm 80," it's probably not likely to happen. It's not likely to happen but it's not your fault it's not likely to happen, it's just not going to happen. The other things that we have to protect against, if our income is going to end. If your income is going to end due to sickness and injury, do we have the disability insurance in place? Do we know? Is it solid, realistic, ongoing, verifiable, and are we getting training? Can you point to solidly, realistically, "Here's how my disability insurance works through work." Even if you don't



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know it off the top of your head right now, can you point back to a time where you were actually aware of that?

Another thing that can penetrate our income, again, the inevitable that one day it will end, is if we got sued, because depending on the state, it could be attached for decades. Our income could be garnished in a lawsuit, thereby interfering with the other ways our income could stop, so are we protected there? If you're not protected today, can you point to a process by which you were protected at some point, something you went through? Death. Do we own? If we die, and that's how our income stops, can we point to owning enough life insurance to actually replace our income? Here's a thing that may be a little bit confronting to some of our listeners. I want it to be confronting. In fact, if what you hear on this podcasts is not periodically confronting, then what I nearly guarantee is it's not going to make a difference in your life. My aim is not to offend anybody, but my hope would be all of you are offended a little at some point.

Here's one. It's not uncommon whatsoever for me to run into people who are in a spot where their income, they want \$320,000 a year of income, most academic studies point us to the fact we can take 4% distribution a year, so if they want to have about \$300,000 of income, then that's going to be about 7.5 million dollars that they have to have in capital at work, to have 300,000 of income. That means, outside of home equity, outside the vacation home, outside the cars or outside the boat, they've got to have another 7 and a 1/2 million. Here's what I would tilt in with someone on, is the very same person that says they need 7 and 1/2 million in order to retire if they're still alive, is often times, and again, it's just because we can't plan our finances by watching TV. Just like a police officer can't be trained by watching TV, people don't understand the real mechanics.

That's the same person who needs 7 and 1/2 million to retire is the same person that will own a million and a 1/2 of life insurance, meaning if I die early and my family is reliant on this money, they just need a million and a 1/2, but golly, if I'm around, then you're going to be darn sure I want 7 and 1/2 million. Now, people are not poorly intentioned when they do that. If you're listening to do that and you are one of those people, here's the thing. I'm not looking to make you feel bad or make you mad at me, but here's what I am looking to do. I do want to bump into people a little bit with the facticity that probably that life insurance decision is out of alignment with the very values you have that have you want to have the 7 and 1/2 million dollars of assets in retirement.

Rapping up today, here's what I want to just bring back. Hopefully we're going to work on it, we're going to see if we can get Gordon Graham actually for one of our interviews in a longer podcast. I think his insights and what he's building for police departments has, in the highest stakes game going for us personally, which is our finances. In that highest stakes game going, I think his model of SROVT, can we point to solid, realistic, ongoing, verifiable, training, and we need that. We need that because even if you spend two hours every single year with a financial advisor, from ages 25 to 65, and you've heard me say this if you've been to one of our events, that's 80 hours. 80 hours you spent planning for the rest of your life, but if you live to mortality, after age 65 you're going to have to live off that money for 250,000 hours or more. Wait a second. 80 hours in, a quarter million dollars out. Or, 80 hours in, and a quarter million hours the dollars have to last. That's a big gap.

That's a huge gap, and people don't realize how big it is, so we need to make sure we're doing more to learn and understand and be aware of money which is more than just handing it off to an advisor and hoping all is well. At our firm, what we do is we walk our clients through the legacy of



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significance process. The legacy of significance process, you have always heard me talk about that 30 minute initial call we do, and that's more to see if we're a fit, philosophically. We like to do it for 30 minutes by phone because frankly, if you're not a fit, but you drive to our office, you might feel a little bit obligated to work with us, or advisor, if they made some huge effort to meet you in person, they could feel obligated, and what we want is people who want to engage with us, and we want our advisors who want to engage with those people.

That's how we make it fairly low key that first conversation. We learn a little bit about our potential client, they learn a little bit more about us. Then, the next meeting is the vision meeting. In the vision meeting, what we're doing is finding out where someone is, and where they want to go. We have you bring a great deal of financial documentation at that meeting. Everything from your car insurance to your tax returns and wills and trust, and all of the stuff in between. Investments, group benefits, why? Well, the reason why is if you were trying to get directions to our office, and in trying to get directions to our office you called our front desk and you asked, "Hey, I'm lost. How do I get to you all?" What's the first question our receptionist needs to ask you? She'd say, "Where are you?" You've got to be specific. You can't say, "I'm in the Pacific Northwest."

It's going to be of no help to her, yet my industry, for whatever reason, constantly offers people financial advice without knowing everything going on financially. We don't do that. We want to know really what's going on for you overall so we can absolutely help you the best way possible. The meeting after the vision clarifier is the fiscal foundation. That's where we need to dig the moat around your castle. It's where we're dealing with all the protection stuff. Our hope is we can get that done once correctly, and not have to revisit it. It's not until our 4th session together we start to get into what would typically be referred to as a the "sexy" stuff about financial advising. That's where we're talking about investments and where should the money go and what's going to allow more outcome.

We might have one or two of those meetings, depending on the complexity of somebody's life. Next session after that is implementation. You see, if we get an idea of where somebody wants their life to be, and we've helped make some recommendations, if there's no implementation and all you did with the advisor of our firm is you may have made a new friend, but they got to make no difference for you whatsoever, because nothing got implemented. We need to put the structures in place to support the vision that our clients have in the future. Lastly, is what we call the "relationship expander." Likely you wouldn't even be listening to this podcast if somebody you know didn't already know us. What we ask our clients to do, once they've experienced how we are as far as East is to West philosophically from what other firms teach, once they've experienced that, we ask them to pay it forward by introducing our advisor, their advisor, to other people in their life that they care about.

That is a solid, verifiable, realistic, ongoing, training that we can deliver to our clients and we go through that every single year. My apologies to Gordon Graham, I did get those out of order this last time. Solid, realistic, ongoing, verifiable, training. If you go through our client process plus go to our events, you've really got something you can point to, like, "Here's what I do to train myself and my family financially." That's what we hope to be able to deliver to all of you. Love to have you join us at one of our events. Please go to our website and look at our future upcoming 1 hour focus learning sessions with our clients, and I look forward to seeing you there one day. Take care.



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