



Sound Financial Bites 023 - Ryan-Burklo

Episode Transcription

“If your finances aren’t in order, that will trickle into your work performance.”

Hello, this is Cory Shepherd, vice president of Sound Financial Group, and I’m excited to welcome you to Sound Financial Bites where we bring you bite-sized pieces of financial knowledge to help you design and build a good life.

Hello, and welcome to Sound Financial Bites. My name is Paul Adams, president and CEO of Sound Financial Group and your host for this podcast. It's great having you with us. Today, we're going to have a unique topic, specifically for those people in the technology industry. One of our advisers, our guest today, who really works a lot in that marketplace and there's some super specific things that technology executives and technology startup owners can have as challenges, and we're going to touch on those and just speak really frankly about them, and do everything we can to equip you to be able to overcome those challenges yourself. Even if you're in another industry, how you might be able to overcome those challenges if you're facing them, because they're not unique to that specific profession.

Though, if you haven't had the chance to, I got to tell you, you got to take some time, go to sfgwa.com. What you're going to see on our website is a way to engage with us. You can subscribe to our newsletter, make sure you're getting emails updating you on the podcast. You can, of course, go to your iPhone and you can subscribe or Stitcher on the Android platform and subscribe to the podcast. You can download the first three chapters of our book, and before the podcast is over, you could probably order it on Amazon, have it downloaded to your Kindle, or perhaps, have it delivered by a drone before the day is out. So, we look forward to engaging you anyway we can and supporting you with your financial decisions, helping you design and build a good life. And check out our in-person sessions. It'd always be wonderful to meet our listeners one-on-one. I enjoy that, and we find that people really enjoy the communities that we've been putting together as we have these events.

Let me introduce all of you to Ryan Burklo. So, Ryan Burklo is an adviser: been in the business about eight years, with our firm, three years, and in that time, he has really developed a passion for telling people the truth about money. What I mean by telling the truth, he's willing to be "carefrontational" when it comes to things going on for his clients financially, and doing everything he can to both share what he thinks and be able to back it up with indisputable math and independent scholarship when he's working with clients. So, welcome to the podcast, Ryan. I'm glad you could be here.

Yeah, I'm happy to be here. Appreciate it.

Yeah, you're welcome. So, maybe you could just start with some of the major problems that you see that tech executives, specifically, are up against when it comes to them trying to take good care of their financial lives.

Yeah, there tends to be three problems that really bubble up real quick in my head when I'm sitting down with these tech executives. You're just, overall, speaking with them. The first and foremost is, in terms of just time, they have a hard time either trying to find time to go sit down with a financial professional and just engage with them. It's more of when they leave the office, how are they looking to their employees if they leave the office. So, they try to stay in the office; they want to make sure that the business is doing well.



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The second part of that time frame is they want the business to do well. They're executives, maybe there's different options that they have when the business does well. So, psychologically, they want the business to do well first and their finances go to the wayside, or at least, secondary, if you will.

So, something occurs to me there. I know we're just on the first problem, but I can see that both for the startup owner, and for the executives. Maybe in the big established companies, the executive in the big established company may be concerned about whoever his direct report is saying, "Hey, where did Tom go?" if he's out of the office, meeting with someone during the day. It's not uncommon to know that you're probably not going to get the most competent financial professionals to meet you at your dinner table at 9 o'clock at night. They're not making that trip.

Right, and if you do, you may not be wanting to work with them.

Yeah, it's a good thing to consider. So, you've got that person that worries about, maybe, whoever they report to in a large organization. Now, if you're in a startup phase or you're just a leader of a larger organization, do you worry about your employees seeing you out of the office a lot in taking care of these kind of things. It could be another concern, especially during that initial grind of the startup.

"It's very difficult to see the problems when you're in it."

Yeah, absolutely. So, and even when they do find the time, it's almost impossible to get their spouses on the same page in terms of timeline. Their spouse might be at work, spouse is doing whatever they're doing. So, to find time on calendar not just on your own, but also on your spouse's calendar and then the adviser's calendar. So, you have three calendars you're trying to coordinate, not just two.

Now, there's two challenges that I see there: one is if your spouse is not in the workplace every day. Maybe she's the stay-home CEO of the household, then there might be childcare and other things that have to be handled. If they're in the workplace, they may be up against the very same pressure, number one, that you were up against.

Exactly, exactly. It's hard to get everything organized for that piece. Then, lastly, even if they get the time, the pressures that these executives have in their position forces them to make, essentially, decisions where they're making it on a singular frenetic decision, not looking at a holistic view of what's going on, so it becomes a sales presentation that they've said, "Okay, that sounds good." They make the decision, but it's very siloed. It's not looking at their entire picture.

Yeah, and as I know you know and many of our listeners know that I will have a constant opportunity to meet with advisers with other firms and really trying to help them convert their way of thinking to think more like we think and, perhaps, join our firm, and we go at it in a very caring way with some of those advisers on the math and scholarship of the strategies we use and matching that up against some of the sales stuff that's out there.

But, one of the things that we hear a lot is we'll hear from those advisers. Well, clients don't want the education and coaching. I'll get into the second meeting with the client and they'll say, "Can we just get something done?" and what I think a lot of our folks listening to this podcast don't



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“It’s part of the lifestyle that you rise or fall based upon this company.”

realize is they're getting themselves in a sales conversation with that adviser, who might be a very good, like ethical person otherwise.

But, if I was the client, I'm saying, "Can we just get something done?" the adviser goes, "Yeah, so we'll just get you some investments or we'll just get you some life insurance." They get the one thing done, the executive feels like they've got a Band-Aid on the financial situation and they're back out the door. The business owner is back out the door, and the adviser sort of gained the client, but not realizing that the client, themselves, put themselves in the position that they're now going to gather a junk drawer of these financial decisions.

Yeah, the mentality of a lot of these executives, they tend to be that type A personality, right? They come in, they just want to get to the point and move on. So, by doing that, they kind of put themselves in that role and forces the adviser to get into that role, which both people don't want to go there, but it's just that time, it's that pressure that's causing everything to happen.

I'm really not part of this, but how do you work with that or how do you communicate with somebody if what they're doing. So, if somebody's sitting in their car right now going, "Yeah, I got to get it done. I just got to handle this." If you were talking to that person, if you reached through the radio and say to them why they shouldn't take that mentality of, "I need to meet with this adviser as quickly as possible and get something done," whether it's similar with our firm or it's whoever they're going to engage with otherwise, which is great. We just want to contribute to you guys designing and building a good life and having some better conversations about money. So, we're okay if everybody listening to this doesn't become a client of our firm, but what do you tell them when they just want to like -- what would you say if somebody said, "Can we just get something done?"

I would ask them a bunch of questions, quite frankly. I'd get to the point around, "Okay, you're wanting to get this done, I understand it. What are you wanting to get done? Because if you make a quick decision and it affects something else that we haven't had the time to talk about, would you want that to happen? Or, would you like to take a little bit extra time, understand what you're doing and why you're doing it and be done with it rather than making a decision today and maybe having to come back a couple years from now and having to redo that decision?"

Yeah, that's great. I think it's that pause. You need to pause long enough. That's that skill you have to be carefrontational with somebody that comes through there. Let's just go back to these are their first three issues before we get some of the consistent financial stuff that we see, specifically with technology people. Tell me, what can somebody do? They're in a highly competitive workplace. I mean, it kind of makes sense. We talk about it a lot in our client events that if you're 25 and you're going to work at 25 and you meet with a financial adviser every year for 2 hours every year, that ends up being 80 hours of total work you've done to build your finances with a professional, and most people do not do that; they don't spend that much time.

But, even if they did, that 80 hours, if they retire, they get to live off at 262 thousand hours if they live to mortality. So, it's a long time to live off of money. They've only invested 80 hours in making sure the money would be where it was supposed to be, or where the finances would be. What do you recommend somebody do if they're in that highly competitive workplace. They feel that pressure to put themselves in a position where they could feel comfortable just leaving the office to go work with someone on their money?



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You know, I would have them, as executive, maybe go talk to the owner, if that's their direct report, and have that conversation with the owner and say, "Look, this is important to me and the reason it's important to me is X, Y, Z, and the benefit to you, Mr. Owner, would be my mind is off of that and I'm focused here at work." Because, whether you're an executive or just an employee, quite frankly, if your finances aren't in order, that will trickle into your work performance, and as the owner, if your work performance is down, that means the profits are down. So, we want the profits to go up.

So, it's just like a candid conversation with the owner or whoever your direct report is, and maybe a candid conversation with your employees so that they know where you're going, and it's just open conversation. So, the common thing out there around what's the biggest issue inside of workforce tends to be communication, right?

Mm-hmm.

Well, let's just communicate what you're doing.

Yeah, and being able to let them know that that's important to you, and if you're listening, and this is a metaphor you could use in those conversations. It's a little bit like there's this large marketplace - call it like a lake - and you need to pump a bunch of water out of that lake while you're working to sustain you in retirement, and all you got to do is pump it up over this hill, which is a lot of work, right? I mean, you're working in the marketplace, you're making money, you're working in the pump, and you're trying to drive it in your hose, up the hill, into the bucket that you're going to fill that you're going to drink out of later.

The only problem is that many, many, many times, that hose has either flopped completely out of the bucket, or every time we pump, we're squirting it a little bit outside the bucket and we don't know that we're literally taking significant amounts of capital, we're making a lot of money, may have stock options, may have some of those other things, and it's not getting to where it needs to go for us in the future. The future you isn't receiving the money.

Right.

How about what should somebody say to their spouse? The spouse says, "I just don't want to be involved in financial decisions.

Again, it's open communication. It's the same line of thought, but also, there's a common thing that I say to a lot of clients around it is it tends to go with one of the spouses or the person that's talking about the money, or the breadwinner, if you will. If you get your family to retirement and everything works out, well congratulations, you did your job.

Yeah, you don't even get a cookie. You just did what you're supposed to.

If you don't, I'm pretty sure your spouse is not happy.



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And for a long time.

And who knows where that goes down. So, you got to get on the same page. Maybe they don't get fully involved in it, but have the open-minded communication so that if decisions are made, the spouse knows why they're being made.

Yeah, just that both people would get the opportunity, even if both of them aren't doing the heavy lifting that, maybe, looking at their spouses saying, "We both need to be responsible though. I'll do the heavy lifting." Kind of like my wife knows how to replace the batteries in the smoke detectors in the house. But, if it has to be done, I'm probably going to do it, that one. I don't do much other stuff around the house, by the way. The only two tools in my toolbox are like a checkbook and a phone. It's just not my strong suit.

But, with that one, she knows how, so she could do it if she wanted to. I think that's important is if one spouse is going to be the one that takes this stuff to the account or one spouse is going to be the one that emails the statements to the adviser, the one that goes to scan everything and put it in their vault to make sure everything is saved financially. Both of them should know what's going on. That's a great advice, just the open communication with your spouse, which then would solve, I think, a lot of the problem number 3.

Yeah, the pressures of just being executive or being the owner, whichever position you're in, you're trying to produce a better income either for your family and yourself, also profits for the company. But, if you take the time and actually sit down and communicate with all those people we just spoke about, well now we --

Your spouse, your employees, the executive you report to, or the owner of the company.

Exactly. Now, you can actually sit down and engage with the adviser and know why you're doing it, how it affects you, and how much more comfortable are you going back to work and probably how much more productive are you. So, it's a win-win for both sides.

That's great. How about some normal things that we see on their balance sheet, like they do this, and why, I think, in our podcast, that we may not have time to go through the specific solutions to each one, but at least the "this thing happens", and something to consider that might be X.

Right. One of the common ones, I don't know why it's specifically in the technology field, is I find that many of them have a traditional IRA in place and they don't get to take the deductions on it. They don't know about the backdoor route that you could possibly do. They don't understand that.

It is interesting how we've only seemed to see that with technology folks. They'll max out their 401Ks sometimes then turn around and put money in an IRA, they cannot deduct it because they already have a 401K, and they just leave it there.



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Some of that, I think, is in the technology field. They started Microsoft and then they get to, maybe, a startup company, and they already had a 401K at Microsoft, they roll that over into a traditional IRA just because they're changing different jobs that that might be a piece, but I think that also holds true with a lot of other companies too. It's interesting.

It almost reminds me of how certain Facebook videos will go around in a certain community of people and other people don't see that video because it's just not in their group of friends. For whatever reason, that group of people, whether it's the more do-it-yourself there, so there's just incomplete information, maybe, like kind of like they're very smart on one topic, but maybe missing the larger picture is a possibility. What else?

The other one is when you talk about stock options or grants. The income is coming in from the same field. What I mean by field is it's still coming from the technology field. So, when they're investing, they're investing either all in the same company that they're working for so that their company goes belly-up.

They'd put their assets on the line.

They'd put everything about their personal side.

Let me enunciate. They put their assets on the line, plus their income is on the line with the same company, and maybe they're even taking outside assets that weren't in the company before and put them there too.

Exactly.

So, they're all in.

Right, and think about the dot-com boom. A lot of these companies started in that technology field, and the companies, you're investing in your own company, and then when you even invest outside of your own company, you still invest in the technology field.

But, it's okay. I'm well-allocated, because I had Netscape, AOL, Cisco. I'm good. I'm well-allocated.

Hopefully, Enron wasn't in there.

WorldCom.

WorldCom, right. So, it's not about being differently allocated in terms of small cap, large cap, that kind of thing. It's also where. What field are they in? Is it technology? Is it construction



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industry? Imagine being in the construction industry in '08. Construction, and then you've got homes and you're the builder.

I knew builders who had, of course, their construction company and where they invest most of their money, real estate, and where did they invest the money that wasn't actually hard invested in real estate was hard money lending against real estate. If you ask them like, "You're not well-diversified," they're like, "Yes, I am, because here, this money is being lent on real estate." So that's a lending, "And then, here, I own real estate, and then my construction company doesn't own any real estate. It just build stuff," and it's like, "Oh my gosh."

But, in the moment, it's very difficult to see when you're in it. It's like a fish trying to see the water they swim in, and I think that's even more so because in many other companies some of you listening to the podcast may work for may even be inculturated that it's part of the lifestyle that you rise or fall based upon this company, and there's even a social pressure around it.

Just like social pressure around spending, you all have heard us talk about that in the past that one of the most important thing you could do is build a strategy and then hold a strategy, and if one of the things you might want to do is say, "I'm not going to let the stock in my own company be worth more than X percent of my portfolio," and if anybody gives you a hard time about having it be more than X percent of your portfolio, just say, "I would own more, but it would break my strategy." Because, as soon as you're answering whatever they bring to you, you're on their field of play, but it's like you drew your own field out when you say it will break strategy because they have to ask, "What strategy?" and then you get the opportunity to tell them what strategy you're up to instead of stepping onto the field of everybody else. You've got a couple more?

Yeah. So, one thing is when you're working for these companies, and really, any company, quite frankly, you've got the group benefits, right? So, you've got group life insurance, group disability insurance, so those two specifically. So, group life insurance, they rely, specifically, on that group life insurance, which it's a great benefit. I'm not here to say the benefit is bad, but what happens if you leave the company? How are you actually being spoken into around life insurance? If group life insurance is all you understand, should you know more?

Well, and the one that hits me there, especially with what's the tenure of most people in a technology company, right?

We've already spoken about that, right? Exactly.

So, if you move more, then it's almost guaranteed that that group program won't get the job done, and well, periodically, something horrible will happen and somebody could die without life insurance. What happens more often that our clients have actually experienced is that their health just changes.

So, they go from being able to -- they could have bought coverage, themselves, at some point in the past, but now, maybe, they can't buy it or it's super expensive because the doctor saw something concerning on an x-ray, and as soon as they just write down something concerning, as individuals, we may not be able to own life insurance anymore, or it may be way more expensive. Then, what about the disability insurance when it's issued from a company usually looks pretty



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good, but what can be some of the drawbacks of the disability insurance for a tech exec?

Group disability insurance is one of the more important things that we speak into, because when you think of disability and you know that you have a long-term disability as a policy at work, most people will say, "I've already got that uncovered."

I have disability insurance how it would kind of occur to you.

Exactly. So, do you know what you're covered for is the question. What is their definition of disability? If you get sick or injured and you can go push a broom as opposed to doing your current job, will it pay you? In terms of the taxes that go into that, if your employer's paying for it and you go on disability, you also have to pay the taxes while you're on claim. So, standard policy might be 60% of your take-home income. So, imagine taking 40% less of what you were making, "Oh, by the way, you have taxes on that money."

Oh, yeah. So, what about bonuses. How often do you see that bonuses and stock options are covered as part of the disability?

It's strictly on salary only. Very, very few times do I come across around them actually covering the stock options that they get or the bonuses that they get.

Yeah. So, it will be real important for somebody to assess that, and at least go to someone or go somewhere and acquire disability insurance to pick up the gap of what's either going to be taxable on the group benefits or individually.

Just know what you have. First and foremost, understand it, what is the eligibility period for it. Like, I actually had a conversation just the other day with someone where there are elimination periods with 365 days before they could even get on claim.

A year without income?

A year without income before you could even get paid your first paycheck on claim.

Curiosity. Was that client aware of that?

Oh, I have no idea.

No idea, right? So, there probably wasn't one year's worth of cash on the balance sheet. I think, kind of as we wrap, it's such a good point. That's a great example of how it is that our financial decisions, by default, good well-intentioned people, even people offering us their opinions and advice, whether they're the group benefits person or they're somebody that may be an adviser that we're working with now, too often those decisions aren't coming together on one field of



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play to make sure that we know how each of them are affecting one another.

Even when people are investing in real estate and other things, the real estate agents aren't talking about here's how this affects things here, or here's how much liquidity. You just bought your fifth real estate property from me. How much money do you have in cash? You'll never hear, unless they're asking. No offense to the real estate community, but it's just not what they think about as an agent. They would say, "How much more do you have in cash that would buy two more?" not, "How much do you have in cash? Can you service all these notes for two years if something happens and you had no tenants or you're at half vacancy?" and it's the backup strategies to some of those opportunities. So, thanks so much, Ryan, for being here today. If we could be of help to you, reach out to us. Ryan, if somebody wants to reach out to you, specifically, what's your email address so somebody can get a hold of you?

So, my email address is ryan_burklo@sfgwa.com.

And you can connect with him on LinkedIn or Facebook. He'd love to have a conversation with you, and we're here to help you. So, just let us know if we can help you think through any of these things, and don't hesitate. If this is not you or you don't see any of these occurring to you but you know someone or you care about someone and you want to forward this to them, don't hesitate to do so, and if somebody forward this to you, it means somebody cares a great deal about you. Look forward to seeing you on our future podcast. Hope you all have a great day, and hope this helped you design and build a good life.

Hey, this is Cory again. I just wanted to say it's been great to have you here listening to this episode. You can find out more information about us on our website, www.sfgwa.com, or you can find us on Facebook under Sound Financial Group. We'd love to hear any questions or comments from you there. Who knows? You may hear one on a future episode. For our full disclosure, you can go to description of our podcast series, this episode's description, or our website.

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