



Sound Financial Bites 079 - John Patterson Part 1 *Episode Transcription*

“Transaction means series of reciprocal exchanges.”

John Patterson: If you're not able to discern the difference between the notion of the moment and the thought of the day, or the quick fix, and these are most of them. I've got to tell you most of them are quick fix pills, magic pills that are mostly about selling books, and TV shows, and ads, and not about sound financial or sound business strategy. They are not.

Welcome to Sound Financial Bites, where we help you with bite-sized pieces of financial and life knowledge to help you design and build a good life. The knowledge that has been shared from stages at conferences, pages of national business magazines, and clients living across America, our host, Paul Adams, now brings directly to you.

Paul Adams: Welcome to Sound Financial Bites. It's so good to have you with us. I'm Paul Adams, your host, and I am really excited today to have John Patterson with us. John Patterson is the co-founder and CEO of an organization called Influence Ecology. Now, Influence Ecology is an organization with students in 15 different countries, and John, he's also the host of their podcast that reaches listeners in 55 countries. I've had a chance to go to their annual member conference as a student where people from all over the world are coming into one location to learn from John and his partner and co-founder Kirkland Tibbles where it's not a coaching organization, it's not an educational organization. It is a study, some of which John's going to share with us what that means.

This is an organization that has taken some of the very deep and fundamental things that I've studied for 20 years on human performance and made them far more practical than I could imagine, and I've watched them take people into their study and help those people get up and running with practical tools and outcomes that didn't take them 20 years of study that really are making differences in their life, in different areas of their life. John, welcome to Sound Financial Bites.

John: Well, thank you very much. It's a pleasure to be here. I appreciate it, Paul.

Paul: John, if you would, let's start off with why transactionalism? Transaction's such a dirty word, it seems like, and I almost feel like it's the idea that people want to get better at money, but they don't want to talk about it, people want to get better at sex, but they don't want to talk about it, and the word "transaction" is such a dirty word, and because people don't want to study the transactions, they're actually awful at doing it.

John: Yeah.

Paul: So, why transactionalism?

John: I think Adam Smith said it best that you and I are the exchange animal. We are the exchange animal. I often tell people something about the human species. I don't know if you know this, Paul, but human beings, Homo sapiens are the only species that exchanges. There are some species that do things socially, like ants and bees. They have roles within certain tribes where they're the queen, or the drone, or the worker, and things like that. There are some animals that do some tit for tat. You know, like if I pick the gnats out of your hair, you can pick the



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“There are consequences in the transactions of life.”

gnats out of my hair.

But, there are not too many animals -- excuse me, we're the only animal that exchanges, and we exchange because we can assign value to things of very different types. I can assign a banana one value and a glass of water another value. I know you and I can agree to exchange because of our ability of assigned value. So, we're the exchange animal, and we're involved in exchanges all the time. You and I live in a world, in a sea of transactions, and we're transacting with our spouses, our children, our co-workers, our colleagues, the people that work for us, the people that work with us, and if we are not good at transacting, then we don't do well. In fact, we say those who transact powerfully thrive. Well, those who don't transact powerfully, I hate to tell you they don't do very well at all, and we take the mystery out of all that.

Paul: I think what I'm hearing is it's also domain-specific. Like, there's the person that kills it and they are C-suite at their business, but they can't keep a friendship to save their life, or they're on their third marriage. We are transacting in everything, in our parenting, we're transacting. When somebody talks about it being -- so, this idea of transactionalism, this philosophy is what underlies Influence Ecology. John, what is super, down-in-the-dirt simple, what is a transaction, so that nobody has any confusion as we get into the rest of the conversation today?

John: It's a series of reciprocal exchanges. That's it, down and dirty. A transaction is a series of reciprocal exchanges.

Paul: I will do this for you and you will do this for me.

John: Correct.

Paul: And that is what it takes. While we call this episode "Transact or Die", the only reason that we don't totally die without transactions is because we live in an abundant country, and unbelievably wealthy compared to the rest of the world, but it's only because a lot of transactions showed up before we ever got here, like the transactions it took to make the plumbing to show up in the building I'm in right now.

John: Yeah, correct.

Paul: I want to say something briefly before we get into the rest of the conversation here, John. Right now, as we record this podcast, I am in a town in Wyoming that's very, very small. The population is lower than its altitude, and the population of the city that I'm technically staying in, I had to drive to this big town of 1,700 people to be able to have the internet and all that because we don't even have that in the town of 80 where I'm staying in an RV with my family for 40 days.

But, before getting into Influence Ecology, learning much of what you guys have taught, and I have been spending 20 years learning some very fundamental difference in uncommon business practices. Yet, in a matter of six months working with all of you, it was like everything else I learned before got centered on the idea of transacting with people, and in our case, in our firm, helping people design and build a good life, but there's transactions there, and right now, I'm working two days a week, that's it, for 40 days, and we're able to do a better job of taking care of our clients even though I am totally remote in this little, tiny town while my team runs the



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“Results are measures. They are also indicators if your action is effective or not.”

business out of Seattle than would ever been possible had it not been from my learning with Influence Ecology.

John: That's really great, and it points to something, too, you brought up a little while ago, which is there's different areas of life that people transact for. I think one of the reasons many people get in trouble is because they're not taking into account the transactions that they're a part of in other areas besides money.

See, you and I know, especially in listening to your podcasts and all that you teach, people are beginning to understand how to satisfy the condition of life - we'll call it - money. In other words, the amount of money I need to leave as I intend to live. That's a very objective thing.

But, you, Paul, have dealt with how much you want to work or not, another area of life what you actually do every day with your mind and your body, right? How much you want to work, or how little you want to work, or where you want to work, that's another aspect of life, and then there's what do you want, specifically, in the area of your identity, or what do you want in the area of your life around your relationships? If you think about the transaction called, "I'm going to exchange X for Y," and Y is objective, you wouldn't not do that in other areas like how you want to work or not, or how you want to be known or not, or how much time you want to spend with your wife or not.

But, what we find is that people are sometimes skilled - not all the time - in one domain like money, but are terrible in others, because they often haven't stated the objective satisfaction of that particular condition of life in a way they can then go transact for it.

Paul: Can you just share people, wide-span, what the conditions of life are? Like, give people an example, maybe, the first four that you guys teach at Influence Ecology.

John: Sure. We use the word "condition of life" because a condition of life is a condition or situation that must be satisfied. If you're walking around on two legs, two arms, if you're a human being, you and I, because we're social critters, as Kirkland calls it, we live in a social environment where there are things we must deal with, things we must satisfy, conditions or situations that arise for a social critter like human beings, and those are health - we've all heard it: if we don't have our health, we don't got nothing - money, work, career, knowing, relationship, education, and I can go on. There are 15 that we identify within the primary study that we offer.

Paul: Inside the fundamentals of transactions -- so, that's like your entry course that if people wanted to work with your organization, that's the first one. What are the four that you focus in on there? Because, I think that's going to most relate for our listeners.

John: Sure. Health, work, career, and money.

Paul: Health, work, career, and money. So, let's pull that apart: condition of life and transaction. Now, when I was initially going through, middle of last year, the fundamentals of transaction program you guys offered, I had this thing about my health. I have had a lifelong struggle with weight. As I explained to somebody earlier today, I, at one point, weighed 60 pounds more than I weigh now, except I had a lot less muscle on me than I do now. It was like the differential was



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wild. I had a 48-inch waist at that time.

John: Holy!

Paul: I know. By the way, to be at 48, I was wrenching the belt down, like it wasn't pretty. So, I struggled with that for years, and it's been a struggle, and what I realized was, in the Fundamentals of Transaction program, I needed to actually be in a transaction with someone to be able to say, "I am going to do this or this differently," and I actually took a totally different slant to the way I was going to hold my health and the way that I was going to deal with working out, and I actually embraced a biohacking philosophy that has me working out 25 minutes, twice a week, that's it, and controlling the rest of it with diet, that I'm very loud about the way that I eat, not in an - I hope not - annoying way, but that's part of the transaction, because I look like a total jerk if I said I'm going to be doing this thing and then I do something else. That along with actually hiring a coach to help me with some of that -- not a trainer, but somebody I could just be in a consequential transaction with that I would make commitments to and they would hold my word. Now, I am, in a minimal amount of time, in the best physical condition I've ever been in.

“The results that we produce are the feedback mechanism to redesign our practices.”

John: It's really great, and you used the word "a consequential transaction". All transactions are consequential. As we say, you can do what you want or say what you want, but you're not free from the naiveté of the consequences of all that stuff. So, you can do whatever you want, but there are consequences in the transactions in which you're a part.

What I love about what you're pointing to is many of the people here at Influence Ecology understand that if they are going to satisfy a condition of life, what we mean by that is they are going to meet an objective aim, then they're going to need to, first of all, articulate the aim, construct the transaction to satisfy that aim, and put themselves inside a consequential transaction that allows them to take advantage of the social nature of consequence.

I'll give you an example. I too was a previous fatty. I weighed 70 pounds more than I do now and had struggled with that throughout my life. There's a friend of mine that has \$1,000 sitting in his wallet that if I don't act as I said I would, then he gets to cash that check, then I have to give him another one. I think that's an important note we often work with people not on the results, but the action. So, I have a consequence with him about the action, not the pounds, but just simply that I eat as I said I would, for example.

Paul: Yeah, the how difficult it is for any of us, and how often people anchor themselves, all their actions, all their education, everything else as if they can impact the outcome when all they can impact is the input, the actions, the tactics toward it. Because, somebody had an objective, "If I want to have \$3 million of assets by the time I'm a certain age," well you don't know, 2008 might happen, but if the objective was, "I'm always going to control spending such that I'm putting \$20,000 a month," if that's what somebody's level of income is, "into my wealth coordination account, and then I'm going to consistently study and purchase assets with that money," that would be a set of tactics that they could be held accountable for. That's what the \$1,000 check is for: you not paying in the actions you said you would.

John: That's exactly right, and a transaction is built in that kind of way where you talked about the \$3 million is a result of actions. The results are a measure, but those results tell you if your



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actions were effective or not. So, what many people miss in a transaction, which includes some action I'm committing to towards some consequence, I can measure the consequence or the result, but it simply tells me if my actions were effective or ineffective.

I spent years stepping on the scale, and then I just would act a little differently sometimes. Here, I'd do this, here, I'd do that, but I didn't take consistent action over time in a consequential transaction and then had my weight tell me if my actions were effective or ineffective, and as soon as that puzzle got solved, the weight just dropped. I just took the same actions long enough to produce a surplus in one area, in one condition of life: my health.

Paul: The results that we produce are the feedback mechanism to redesign our practices. It's not that the result doesn't matter. It's what do our results, what are they telling us about our actions? Now, most of the people that listen to us are those executives, entrepreneurs, business owners. We've made it simple to understand some of this so that my goal, being to extract some of this from you that people get when they're in the courses, tell me an example of that in business: focusing on a tactic, not focusing on the result. Looking at your results, I think that's one of the problems is people say, "Forget the results. Just keep being in this action." Like, coaches tell people that all the time.

John: Nope.

Paul: And it's like, "No, that's also not accurate." Focus on the action, assess from the results, redesign action, if necessary. Can you give us a business example?

John: Absolutely, sales. I think some people are interested in sales, and one of the things to deal with in sales is the actions to take. Many people focus on the result. We all want the result, we want the sale, we want the contract. But, if I were you, I'd focus on the action called some number of invitations, some number of new leads, some number of meetings held, something that's a little bit more upstream of the end called the contract.

If I measure, for example, the number of outbound calls - that's one thing for example - and then look at that number against the result, that will tell me something about, A, that tactic. Maybe outbound calls is not my thing, maybe it's some other tactic. It will also tell me if this particular call was effective or if someone that's doing this is being effective or not and so forth. I measure the results to tell me if the action is effective or if it's the right action, and sometimes, for people, it's a combination of tactics measured all at once that, against the result desired, will tell them, "Okay, I'm going to drop these actions, I'm going to keep these other actions," and it will just get you more and more efficient over time.

Paul: You've mentioned it a few times, and I don't want our listeners to step over it, how often do you find people that they are not -- like, they're working on something, working on their career, and if you were to ask them, which I'm sure you did with new students and Drew, the Vice President, will talk to potential new students and say, "What do you want your career to be making you a year?" and they don't know.

John: Yeah, they don't know. How often?

"Tactics and strategies are resource dependent."



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Paul: How often do people -- like, they say, "Well, I want this to get better," and you were to ask them what they're -- I like the word you guys used, "the aim", like the aiming point, the destination that we want to be at, the aim, "What's your aim there?" and people go, "I don't know."

John: It's most people, Paul, and I'll be polite to say --

Paul: You don't have to be polite here. We're just among friends and family of all the listeners of this podcast.

John: Okay, well my experience is that most people are full of crap, and in fact, screwed, because they're pretending they know something they don't. You deal with financial literacy all the time, and you know, as well as I know, that people are not, for the most part, financially literate, but nor are they literate about things like the right actions to take to produce certain results. There is an enormous amount of wishing, hoping, finger-crossing. There's a lot of nonsense, and BS, and band music in what we call the current that people buy into. So, I'm going to say something about that, if I may, about the current.

Paul: I was going to say, I want you to wait with me until right after the break. I want you to talk about the current as soon as we get back from this break. None of this would be possible if it weren't for the team at Sound Financial Group that holds it all together so that I have time to do these podcasts. Let's listen to a short message from Cory, our president of Sound Financial Group.

At Sound Financial Group, we are committed to continuing to bring you Sound Financial Bites. Hello, my name is Cory Shepherd, president of Sound Financial Group. If you are finding value in these weekly podcasts, and they are making a difference in the way you think about money, then think about what kind of a difference could be made if you engaged one of our advisors to help you look at your personal finances.

So, what would the next step be? Send an email to info@sfgwa.com with "philosophy" in the subject line, and we will coordinate with you to have a conversation with Paul, myself, or one of our other advisors to share with you our philosophy of money. No one is going to close you on that call. No one is going to make you an offer to become a client. The only thing we allow our advisors to do in that call is teach, and the only thing we allow you to do is ask for an application.

While we don't accept everyone who applies to work with us, we are committed that any Sound Financial Bites listener who wants to go deeper has the chance to expand their thinking and walk away with new education and resources around money. So, even if we find out we aren't right to work together, our team will absolutely take care of you in that call and make sure that you have access to resources that might be of help to you.

Paul: Alright, John, tell us about what this distinction "the current", it is my favorite distinction. I think I was with Kirkland when he came up with it years ago, and I'm not sure about that, but I think, maybe, I was there when it happened.

John: We'll give you credit.



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Paul: I didn't get no credit for it, but I remember him mentioning where he came up with it, and I was like, "I think I was there with six of us in a bar one day when he came up with it."

John: That's great. Well, we needed to find a way to allow people to understand that they live in a sea of transactions. I used to live in Chicago. It was great to live there. It was one of my favorite cities on the planet, and I would walk - it's a walkable city; you walk everywhere - and bus stops everywhere, and subway stops, and signs, and billboards, and stores, and all you see all around you is a sea of advertisement, a sea of people extending offers to buy, invitations to consider, ways in which to become familiar with my brand. So, you and I live in a sea of that, and because of that, we began to live in a sea of narratives about the marketplace.

I was listening to some comedy thing the other day and somebody said something like, "My boss is being a real a-hole right now," and the other person says, "Oh, is he reading the Steve Jobs book at the moment?" and he said, "Oh my gosh, he is." There was this time for a little while where everyone was reading the Steve Jobs book and everybody got swept up in the current. It's like literally stepping into a river, getting swept away by the current thought of the day, the notion of the moment, and one of the reasons we studied this so much is because if you're a business owner, you got to study, you got to learn, you got to know a lot to be one of the 5% of the businesses that actually make it.

Paul: Yeah, and less than that that truly thrive and drive their owner to top 1% income.

John: Exactly. You have to know, you have to study. There's a lot, but you have to be discerning, because if you're not able to discern the difference between the notion of the moment, the thought of the day, or the quick fix. These are most of them. I got to tell you, most of them are quick-fix pills, magic pills that are mostly about selling books, and TV shows, and ads, and not about sound financial or sound business strategy - they are not. There are few, but mostly not.

I bring that up because when we're working with people to distinguish their current, we do that because when we ask a person, "How much money do you need to retire?" it's not shocking to us that they would say, "I think somewhere around \$1.2 million," and then upon inspection, what we find is that they got that number from the TV show that came out a while where people carried around their number on their back. There's no accurate thinking about the number. They just simply got sold the notion that 1.2 would do.

That's about the extent of the accurate thinking. Unless I can recognize I'm in the current -- and by the way, there is no separating yourself from the current, there's no pulling yourself out of the current. There's only studying the current. Knowing you're being sold ideas is the most important piece here because you've got to understand most people are selling you tactics, "Do this, do that. Want to be like Steve Jobs? Do this thing. Want to be like Apple? Do that thing. You want to be like Infusionsoft? Do this thing."

They're selling tactics, but most enterprises, their tactics come from strategies, which come from plans. The tactics don't come from the current. The tactics that are applicable with one situation are not applicable in another situation because tactics and strategies are resource-dependent. So, it matters that you study the current, it matters that you recognize that you're being sold things all the time. Not a problem.



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Paul: All the time. That's not a hyperbole. All the time. The way they design Windows and the computer you're using or the Mac, its design is to sell you the next product after this one even when there's not an advertisement.

John: Yes, and if you're Apple, you better be doing that, and if you're Paul Adams, you better be doing that, and if you're one of the 7.5 billion people who intends to thrive because you're transacting with competence, you better be doing that. But, just take into account the fact that there are 7.5 billion people that are all transacting for your compliance.

Paul: One note, and I think we're going to have to pick this up in part 2, but there's something that happened today that was just profound to me, and I watched it, and it was fortunate that it was someone who knew enough about this education, has also been a student of John, has extraordinary success now, they've been rocketing in the top 1%.

They engaged us for our design, and I'm taking them through the design process, and this person was cussing at me when we got to it, because I said, "Well, if we have time, you mentioned you're going to go car-shopping this weekend, I want to talk with you about that before we're done, if there's time," and they said to me, "If you've got some input we need to have I'm going to get a car this weekend, you need to tell me." I said, "Well, make sure there's time then."

We finished the main part of what we call the fiscal foundation meeting to get that part done, and then we started talking about the car, and this person was so inside the current, and I don't mean this in any negative way. I mean, they were ticked at me, and I had to stop and say, "This is how good the current is in their marketing, what you've said is it's time for me to do this now because I'm making all this more money than I've ever made before, that I deserve it, that I've driven used cars all this time, and I should just have one, and you're mad at me right now, like I can see it in your body, or by web."

I've heard you say that at conferences where you say, "I'm only talking to you this way because you paid me to. I don't talk this way to my friends. There's no chance in risking the relationship." Now, what I told them is, "You choose to do what you're originally going to do, buy a \$100,000 car, whether you intended to or not, but you didn't realize, before we talked, is you were on the path to do that and you were going to be swept in it, and these people are expert. They know more about your psychology than you do, so much so that you're actually angry at me because I took a moment to show them how a one-year-old car with 15,000 miles on it for the exact same car they're after would save them 50 grand, and you're angry with me right now," and you could see that they were like, "[gasp] You're right!" and I said that happens to us in business in overspending in business, it squeezes profit margins, it has us mistreat employees, because as you put, we read the Steve Jobs book, if that's what the flavor of the day is, or worse yet, mess up our employees because we gave them too much latitude and we weren't CEO enough.

That idea of the current, and what I want to do in our next episode, John, is I want to go deeper into the current and how it triggers actual breakdowns, both real breakdowns in -- and we can just focus on those four conditions of life that you teach in that first program, because I don't know that by-podcast people can hold all of them. We'll just talk about those four and talk about what the breakdowns are and how people might think differently about how they would design



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their aim for each of those and how simply having an aim can help them overcome the current a little bit, or as how I put it with our clients is, "All we're going to do is claw our way up the riverbank a little bit." We can't stay there all the time. We get sucked back in, but at least we can kind of look and go, "Wow, there are other people floating downstream while I sit on still for a minute," and allow people, while they're driving their cars, listening to this while they're doing their laundry? So, would that be okay with you? We'll have you back for part 2 and just dig into the current and those specific conditions of life?

John: Absolutely.

Paul: Okay, great.

John: It would be my pleasure.

Paul: John, thank you so much for being here. One thing I don't want to forget to tell our audience is that, as I mentioned at the beginning of the episode, he's given us a great gift, and this gift is I don't want to say it's priceless only because there actually is a price that you can get some of this at, but I will tell you it could be game-changing even if you ended up not engaging them. Influence Ecology, Kirkland Tibbles, and John Patterson have been generous enough to give us an introduction to transactional competence, a 30-day pass into their company's website.

What you're going to be able to do is put in TransactOrDie.sfgwa.com and you're going to be able to put in your email address. We're going to send you everything you need from logins, to the website to go to, the coupon code to be able to sign up for that and have that 30-day trial. So, John, thank you so much for that and we'll look forward to having you back for part 2.

John: Right, Paul. It is my pleasure.

I want to acknowledge you for taking the time to tune in to Sound Financial Bites. You stopped long enough in your busy day to reflect on your finances and your future to help you design and build a good life. Please take a moment to subscribe to this podcast and follow us on social media. You can find us on Facebook and LinkedIn. If you have a topic you would like to hear us discuss, please send us a note on Facebook, LinkedIn, SoundFinancialBites.com, or email us at info@sfgwa.com. Be sure to check out the show notes for links to any resources that were covered in each episode. For our full disclosure, please check the description of this episode, the description of this podcast series, or you can visit our website. Make it a great day.

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