



Sound Financial Bites 096 - Why We Should Talk, Part 3 I Just Went Through a Job Change *Episode Transcription*

“We recommend often times that clients control some portion of their disability insurance.”

Paul Adams: Hello, and welcome to Sound Financial Bites. I'm so glad you could be here. I'm Paul Adams, CEO of Sound Financial Group, and I am joined by Cory Shepherd. Many of you know him as the man, the myth, the legend.

Cory Shepherd: What kind of legend of what? I don't know.

Paul: Author of Cape Not Required, and a guy who's just been a gift to most of the clients he had the opportunity to work with as well as, certainly, a gift to us here at this organization. Welcome to the show, Cory.

Cory: Thank you, Paul.

Paul: We are going to have some fun today. This is part 3 in our series on WWST, Why We Should Talk, having to do with why is it, what are the things that happen in somebody's life, in the people around you, or you yourself that would have you want to have a conversation with a financial advisor, or specifically, us.

Cory: We own that domain name yet, WWST.com?

Paul: Not yet.

Cory: If it's available, we will by the end of the day.

Paul: There's a joke at the office that any time I have a good idea, we end up with a domain name, even if it's not a good idea and I just think it is, we end up owning the domain name.

Cory: Idea + domain name = profit.

Paul: Yeah, if any of you are South Park fans, Cory and Lea here at the office have accused me of being the -- I'm like the domain gnomes. So, today, our topic is Why We Should Talk #2: Job Change. Now, why is this so important? Well, number one, job change is one of those times when you are the busiest you've ever been. You're doing your darndest to wind up at a previous role so you leave that employer in good stead, or you could be launching out to start a business, or you could have started a business, sold it successfully, now you're working for somebody else.

But, whatever that career change is, there's almost always a pay raise involved. Most people are making changes for those kinds of pay increases. So, the question becomes at the very time that it's least likely that you're going to feel like you have the surplus to have a conversation, why it is you need to have a conversation.

Now, what are the things that have changed? Well, income has gone up. You're eligible for new benefits you weren't eligible for before. You are going to, oftentimes, in an unceremonious way, lose all the benefits you had prior, and you're going to have to restart some of those at your next employer if you have them, or you're going to have to let them go or secure some of those things



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on your own. So, Cory, what's the biggest thing that you've seen for people when they leave one employer, head to another that's a change that they went through that they weren't ready for?

Cory: You know, the one that's coming to mind first because I got bitten by it, it's not maybe the biggest as far as for your life, although it could be, is dealing with the transition of health insurance, dental insurance, and COBRA. So, they have very defined guidelines and rules about dates of when things can change, and if you miss, there's no exception of any kind for missing any of those. It's part of the whole equation that they calculate for having people in plans or not. I once had to COBRA dental insurance and I missed sending a check, and they don't let you do it auto-draft by any means. You have to mail in a check. I missed it by just a few days and ended up having to pay out of pocket for some dental expenses that I had not expected to pay for because I missed that date. So, being clear on those is --

Paul: I think something else that shows up for me, as you're saying, is I think it's some of those very hard, fast things that must be done, like you need to show up at work at this day, COBRA, da-da-da, that that dominates somebody's landscape and they don't stop long enough that they do need to handle all that, there's no question, but they also are not taught to jump up to 30,000 feet and say, "Hey, we should have a conversation."

I cannot tell you how often I've talked to people who are -- I affectionately refer to them as headhunters, people that are executive recruiters, and seeing them like you've got this unique place that you're interfacing somebody in their life. You may have just helped them get a 50% pay increase, you may have helped somebody move from the CTO of a small corporation. Now, they're the COO of a much larger corporation, huge coup for them, they're making double the amount of money they used to, their family's moving your cross-country.

You should be introducing them -- you don't need to introducing them to us, but you should be introducing them to somebody to help them think about their planning, and they don't because of all the other pressing concerns that are in on them, and even those people that are in that recruiting world have all said, "Well, I don't want to ever risk upsetting anybody with that introduction." Meanwhile, the non-upset is causing tons, and tons, and tons of people to have lost wealth, because you go to the new role, and then somewhat mindlessly -- think about it this way. What part of society points you toward making great financial decisions during that change?

It's a little bit like good eating habits. Those are not part of our culture, usually. Going to the gym regularly is not part of our culture usually. It's something you have to do that's counterculture to take care of your health and take better care -- same thing with your money. So, 401(k) has changed.

Cory: 401(k)'s the next one that I had on my list too for a few reasons. One because there's an old pot of money that we need to do something with, or people think they need to do something with when, in actuality, you could never do anything and they would happily keep it in their pot most of the time.

Paul: How funny, by the way, that we find people that have money at their old employer, and if I ask, "Why did you leave that employer?" there's always some story about, "Well, they weren't



Sound Financial Bites 096 - Why We Should Talk, Part 3 I Just Went Through a Job Change Episode Transcription

“All of the fundamental patterns that you’ve been in will become different. Your daily routine, you might leave at a different time now, you might be commuting in a different direction.”

taking care of my career, they weren't giving me a pay raise." So, for clarity, you're not trusting them with your career anymore, but you're leaving your money behind. It's like, "Oh, I didn't really think of it that way."

Cory: But, you talk about going to 30,000 feet, there's actually some reasons why someone might intentionally want to leave it there. Like, you mentioned starting a business. So, it could be most people think, "I've got to roll it over to my new plan," which you almost never want to do, "Or roll it into my own IRA," which you often might want to do. But, if they're starting a business, instead of having that money locked away, they might want to leave it at their old employer who may still let them do a 401(k) loan to get at some of that money, where if they had rolled it to their own IRA, they would not be able to do that.

Paul: Yeah, and their former employer, likely, will only allow the loan while they're still there, but they may be able to defer how long it takes to pay it off and some of those that, otherwise, wouldn't be available, and the key is 401(k) change, disability insurance, protecting our income. Our former employer may have had it, our new employer may not. We've seen, and we recommend, oftentimes, that clients control some portion of their disability insurance. Meaning, rather than just relying on the group coverage that our employer's been kind enough to give us.

By the way, I promised as we weigh into these, we would hit some deep financial philosophy. But, one is if you have group coverage wherein your employer is kind enough to make it part of your benefit's package and they're paying for it, well that's going to be taxable because they deduct the premiums from their taxes, which means if you receive benefit, it will be tax-able. So, easy math would be you're somebody making \$400,000 a year. \$270,000 of that is your base comp and the other \$130,000 is incentive comp. Almost no employers that pay for your disability insurance will cover that incentive comp, meaning you've got 60% covered of \$270,000, which is Cory, human calculator? Anything for me?

Cory: You call me human calculator? No, that is not the case.

Paul: So, it ends up being \$261,000 is 60% of --

Cory: \$162,000.

Paul: Oh, so close. So, \$162,000 is what's replaced, and then that's going to be taxable. So, somebody goes from making \$400,000 a year to maybe a little less than \$10,000 a month after tax. \$400,000 is a little less than 10 grand a month. That's problematic, to say the least. So, what we can do is we can help clients capture a chunk of disability insurance that they own that's theirs. Now, we may be able to do that in the window between the two employers, because technically, there's no group coverage during that time even if the new employer offers group coverage.

Now, why is it going to be important to own your own individual group? We have a client that's actually on claim right now, and I think he'd like to be on the podcast this year to tell what is likely going to be one of the most gut-wrenching stories any of you guys have ever heard, so I don't want to go into any details. But, long story short, his employer on his group coverage is paying



Sound Financial Bites 096 - Why We Should Talk, Part 3 I Just Went Through a Job Change *Episode Transcription*

\$100 a month of what was supposed to be \$7,000 a month of benefit, and they paid him \$7,000 a month for a little while, but they did not cover him in his occupation.

So, once he got through the initial window of trauma around this event, they said, "Well, you could definitely go work someone else, so we're done paying you." He wasn't working anywhere else, but they said he would be able to, and they said, "We're done, we're not paying." Meanwhile, the individual contract we helped him to get, which is what you would call "non-cancelable guaranteed renewable". All that means is the insurance company can't change anything after the contract is issued, protected him in his occupation, and now he's receiving \$6,500 a month from that contract. Meanwhile, his group coverage is only paying \$100 a month, and to what he said, it saved his life because he went up to 30,000 feet even as it related to his group benefits, and it's a great time to be able to assess that, because what do we do otherwise? We get the new group benefits package, check, check, check bunch of boxes. We're just happy to get to work in the new role.

Cory: The group disability insurance takes up space in your allowable amount, crowds out the ability to get new private. So, I've seen this with a lot of doctors, and the group coverage is less favorable because of how their occupation plays into that. But, the private insurance company takes into account what they have in the group. But, if you did it the other way around, applied in the dead zone of not having group, you would be able to get more individual disability insurance, and then whatever the group gave you adds on on top after that because it's non-cancelable guaranteed renewable. The insurance company can't change anything after the fact.

Paul: After the fact, and now, let's go back to making more money. Now, you're making more money you've ever made, and what happens to many people when they get -- think about, for yourself, as you listen right now, you're probably making more money than you've made five years ago. In fact, I would challenge and put yourself in the shoes of you as a household five years ago if I told you you'd be making this kind of money you're making now.

Most of you would be like, "I could do that for like five years and I would be done. I mean, man, I would just hang it up because it's so much money," really. Or you like, "Oh, I would be saving a ton," and yet two things that most people listening to this will find true, Cory: one, life doesn't feel that ostensibly better. I don't feel like I'm in a massive amount of luxury versus where I was five years ago. Second, you're still not setting aside, you're not putting money aside in investments, you're not producing the capital-at-work that we talked about in the last episode that you would need to have for you to be able to have enough money one day.

Those two things are both true, and the problem is when you go through this window, you've got margin, and if what you can do with you and your spouse in the leadership you provide to your household and be able to say, "We are going to make more money, and what we're going to do is we're going to drive all of it to our wealth coordination account." You guys can dig more into what that is if you're a listener of the show, go all the way back to episode 44. We explain that in detail, but it's the idea of how much money we're going to put aside to assets. If we put the money aside to assets, we're going to be able to build a better future. This is the time to capture it before that money gets lost in the sauce of life.

"We don't just need to go replace the habit we had in place before, it may not serve where we're going."



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Cory: Because, something will capture it.

Paul: Yes, always.

Cory: The idea of, "Well, we're just going to have more and be able to --" No, it's going to go somewhere. If you don't designate where it goes, it will still be gone.

Paul: Yeah, it's going somewhere, and the thing that we have to be aware of is how huge the resources are for the entities and organizations that are competing for your dollars and hoping you'll be able to use your disposable money for their purposes. They would like nothing better. So, we have to be intentional to get ahead of that curve that before that first check comes in, you've already figured out where it's going to go. What I would do is I would include in that, sometimes you will say, "Well, yeah I meant to go do that, but first I just need to pay off this credit card, first, I just need to --" and I promise you that if we don't sit down and have a strategy, if you don't sit down with some professional, have a strategy, have some accountability, get you and your spouse on the same page, it ain't going to happen.

I cannot tell you how big of a deal it is that you and your spouse be on the same page with it because I promise you that if you just start making \$10,000 more a month and there is not a strategy for where the money's going to go and what the future needs to look like, all that, that your spouse will likely feel like that is on the table for things that you guys have been meaning to do: remodel, new bedroom, bigger house, different car. It will all come in.

Cory: It will all come in.

Paul: So, job change, you could be changing locations.

Cory: I think that all of the fundamental patterns that you've been in will become different. Your daily routine, you might leave at a different time now, you might be commuting in different directions. Everything is up for grabs. It's a great time to examine all of those habits because we do get addicted to our lifestyles, and I don't mean that in a bad way. It just is. So, this is a chance to really reset.

Paul: In a lot of ways.

Cory: Yeah, and just ask, "Is what I'm doing really valuable to me?" I did this exercise just periodically, and most recently, I saved about \$30 a month in recurring monthly charges for things I wasn't using anymore.

Paul: Yeah, just because you had the chance to do the research, and that is not a small deal. When you think about where I need to commute, all that, I'll give you another great one. Prior company gave you a company car, you have an Audi A8 because that was your company car, and what will be natural, without a check, would be like, "Oh, I need to get another car. I guess I'll get another --" It's like, "Well, wait a second, my new role, it's Downtown Seattle or Downtown Los Angeles, or I got to go Downtown New York. I'm not going to be in a car anymore to go see people. It will all be walking.

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Sound Financial Bites 096 - Why We Should Talk, Part 3 I Just Went Through a Job Change *Episode Transcription*

Whatever the new situation is, we don't just need to go replace the habit we had in place before. It may not serve where we're going, and that's why going back to the first episode in this series of Why We Should Talk, if you know how much money is enough and the amount of capital that's required, think about how many things that guides where you go, "Oh, wait a second, that really doesn't serve that future ambition I wanted to have by design. I'm going to design and build a good life. That's not a part of it."

So, job change, pay increases, always a reason to sit down, and get some advice, and get some thinking, and all the more reason why spouses should get on the same page because you might have issues around credit card debt. I mean, issues like it's there, not that the credit card that's an issue, but between you and your spouse, it might be an issue. So, having a strategy set aside where we will pay off this debt and then we'll be in these different actions going forward can be really well-brokered by a solid financial strategist sitting side-by-side with you and your spouse over a Zoom meeting helping them better understand and how it will take good care of your future.

So, with that, Cory, how does somebody get ahold of us if they want to follow up?

Cory: The show notes for this episode, depending on where you downloaded it, there'll be a link there, SoundFinancialBites.com, and if you want to learn more about our philosophies, a great way to be introduced to us is a white paper we created for that purpose, and it's called "Money Where Humanity and Hard Numbers Meet."

Paul: You can find it at Humanity.sfgwa.com.

Cory: And if anything that you've heard here has created the need for a conversation to go deeper, sending an email to info@sfgwa.com with the word "philosophy" in the subject line will get our team coordinating to get you a conversation with one of us.

Paul: Be clear that that conversation, we don't make anybody an offer. We just share with you the way we look at the world, the way we look at money. We hope that it serves you if we get the opportunity to do that. But, the only thing that can happen to that meeting is you could ask for an application to become a client. We don't make an offer to somebody until we know a little more about them and they know a little more about us. So, we hope that today's episode has helped you better be able to design and build a good life for you and your family.

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