

*“We’ve gotta be able to talk about those important things in our life so that our friends can support us. And, if they’re not supporting us in those most important things in our life, then maybe they’re not our friend.”*

Paul: Hello and welcome to Your Business Your Wealth. My name is Paul Adams. I am the founder and CEO of Sound Financial Group. And I'm joined by my partner and illustrious co-host of Your Business Your Wealth, Cory Shepherd. Cory, I'm so glad as always to have you here, sharing a little fire side chat, if you will, with our audience and getting to part four of our 100 list today.

Cory: I'm excited about part four as well. I'm excited about getting a fire involved in our podcast. Maybe we should get a nice hearth setting, we can both be sitting by the fire. It'd be nice for this winter.

Paul: Yeah. I'm thinking maybe cigars and scotch. But if we do cigars and scotch, we cannot ever record into the second hour. It would just be a mess. Speaking of great podcast though, last week, we hope all of you got a chance to enjoy having Scott Adams with us here on the podcast. And if you haven't had a chance to listen to that one, I think it's an amazing one. On the podcast, we talk so much about concepts for business owners, founders, entrepreneurs. And what I loved about what Scott was able to share with us was just the idea of some of the things around influence, the way we might think and communicate that could be so different as business owners. And realizing that somebody that has literally a multi-million dollar enterprise like the Dilbert comic strip and multiple best-selling books still has some of the same difficulties and troubles that the guy that owns three or four different service shops for cars or who has several restaurants or the person that has the janitorial cleaning company. That they still have some fundamental issues in the business that are shared among all business owners. It was so neat to kind of see that uncovered that way.

Cory: Well, because we're all fundamentally susceptible to those hypnosis techniques that are used in marketing, in media out there. No one is immune. And he says, even if you know about it, you're still not immune. You can know that it's working on you and just watch it working.

Paul: You might be thinking right now, you probably are thinking right now that I know about those things so that they don't work on me, but they do still work on you. Just like that technique I just used to predict that you might be thinking this. One of two things could happen, which I think is funny, Scott Adams leaves out a lot of this stuff, is one part that can happen is that you were thinking that and then me saying that just increased trust. Or you could have not been thinking it, but then you immediately begin thinking it, and then you think that you've been thinking that for the last 15 minutes, and when you think that you've been thinking the last 15 minutes, it also increases trust with the person who's speaking. And I think that those are the kinds of influences we have in our key employees, our spouses, our families, our church communities and in the wider base of employees inside of our companies. Not to mention, customers. So anyway...

Cory: I'm thinking if you haven't watched that episode, you should go watch or listen to it

right now...

Paul: Immediately. Just pause this.

Cory: And direct requests are also very persuasive according to Scott's book.

Paul: Yes. You may be thinking right now, that you should pause this podcast and then go listen to the Scott Adams ones, and you'd be right.

Cory: And you'd be right.

Paul: See you when you come back in a few minutes. But for the rest of you that already heard that episode hopefully that revisited a couple of key concepts for you. And we are going to go into today's last 25 of the 100 things you shouldn't do to help keep your finances in order. Now, I'm sure there's gonna be some double negatives in our list here at some point out of 100. And yet what we're gonna do different today, we've been playing with this idea of the one-minute limit for every one of these items that either goes to Cory or to me, and this time for those of you that are watching the video of our show, we have a scoreboard. And so we have this incredible video engineer who's just over the wings and he is getting ready to flag us four points. So Cory, why don't you kick us off with number 76 in our last installment of the 100 things you shouldn't do to get your finances in order.

Cory: Happy, alright, number 76. Keep people in your friendship circle that you can't talk to about your career and financial goals. Ready, set...

Paul: Go.

Cory: Alright, so there's lots of research that's been done about human social networks, not Facebook, but on the networks of humans in relation to each other and the people that we know have a huge impact on us. There's lots of studies that even a friend of a friend of a friend will have an impact on you. If they tend to be overweight you're gonna have a higher likelihood of being overweight. I've heard other social experts say things like, "You're the average of the four or five people you hang out with the most." Bottom line is we're gonna pick up habits, we're gonna pick up practices, we're gonna pick up some kind of momentum from the people we're with. And if we can't talk about these important things like our career and financial goals, then we're gonna get momentum in the wrong direction or the momentum is gonna take us somewhere else. And so people are gonna make us offers, suggest that we do things. If friends wanna go away on vacation drop a hat, and you're like, "Well no, I have to stay at the office 'cause I gotta get this thing done 'cause I have some big goals for my life..."

Paul: And that is a point for Paul Adams. Well, technically, that's a point for Cory on the screen. It's gonna be like golf. The lower the points, the better. So Cory, thank you for

*“The feedback loop for financial decisions is so long, meaning forty years of a career long, you can’t learn from your mistakes. You’re just left to live with them when they’re financial.”*

that. Was there anything else you wanted to make sure to finish it? You already went over time, may as well... You go another 15 minutes now. It doesn't matter.

Cory: Might as well go. Yeah, we gotta be able to talk about those important things in our life so that our friends can support us. And if they're not supporting us in those most important things in our life, then maybe they're really not our friend, so...

Paul: I like that. That was a nice way to... That was a little icing on that cake. Alright, I'm ready for number 77, if you're ready for me to take it.

Paul: Yeah. Not talk with your kids about money. Go.

Paul: All Right. So one of the things, if you're much like me growing up, the thing that you were taught was "Do not talk about money." As a curious kid you're doing things like, just randomly asking somebody, "what do you make a year?" "how much does this cost?" And there is some politeness issues that we have to address with kids around money. Don't just walk up to somebody and be like, "how much did that cost?" that's not... "what do you make a year?" "what did you have to pay that person?" "How much was dinner tonight?" Those are not the appropriate questions about money, but too often, we blanket say to our children to easy parenting and say "We don't talk about money." I wanna encourage all of you to consider bucking that trend because the worst thing that can happen if you talk about money in your household is that your children will tell other people what you make for a living, that is not the end of the world. What is the end of the world is having children that are afraid to talk about money and then don't build proper disciplines around it. Talk about money, which will also just like every other area of your life, if you're trying to set an example, You do better if you're talking to your kids about it. Made it.

[chuckle]

Paul: That was close. [chuckle]

Cory: Man. And by a nose, just made it. I'm ready. I want you to get your first point, so bad. Now, this is just changing everything, the scoreboard.

Cory: Just knowing that the scoreboard's being displayed makes a difference. How about you take number 78, "not giving charitably"

Cory: Alright, ready. Go. So it can feel incredibly difficult, if you've had major expenses lately, If you're just getting started, if you feel like cash flow is really tight to make any room for giving money away 'cause you feel like you need all of it, right there, for your yourself and that's exactly why having a discipline of giving charitably makes all the difference in the world, no matter what the amount is that you start at having some amount being given every month just helps you start to think about this world of

*"It's like a shadow you never escape is the way I think about that tax bill."*

abundance, this ability to think bigger than yourself think long-term, and make a difference out there in the world. I think if we have too much focus on ourselves, we're gonna only see problems but starting to help somebody else, helps us see the bigger picture and what's available out there in the world. So wherever you're starting, start a strategy now, and increase it over time, it'll make a huge difference in your life. Yes. Three seconds left.

Paul: You made it, look at that. It was two seconds left on my clock. Do you wanna take... I could take a two in a row and then you take two in a row?

Cory: Yeah, I like that.

Paul: Alright, we'll do that. I'm gonna do number 79, which is "not having all of your important documents stored virtually and encrypted" ready and go. So this one is pretty easy. For most people. We've grown up in households where our parents had like that one file box or maybe it was in a safe that had the important documents. Maybe had the will and trust and insurance policies, things like that, or maybe birth certificates were all sort of in one place in that important document box somewhere in the house. My parents had one of those green, like light green, it had a little latch on the front of it, it was hard plastic back before the hard plastic containers were constantly being used, that file box, although, transportable, didn't allow us to kind of freedom that we have today. And too often the problem is not that people don't have any virtual storage capacity, it's that they have it in all kinds of different places and it's not organized. So just being sure you get everything uploaded and stored in a way where you know where it all is, how it's organized so that you can lay your hands on those documents should you ever need them, from wherever you are in the world. All right, that is number 79 within time and then number 80 is not being academically allocated and globally diversified. Ready?

Cory: Ready.

Paul: Go. Alright, So too often what people end up doing is they buy something that has done well in the recent past, the most susceptible people get to this is inside their 401ks, employer-sponsored plans, or if you are the employer, you're looking at the funds that probably your head of HR selected, that are now on your plan and if you're wondering which ones to buy, it sort of makes sense. I'll just go back through the ones that had the best one year track record or three-year track record, select those. And that's where I'm gonna put my money. But if we look at all the different asset classes and how they perform the one that did really, really well last year, is the one that's probably, statistically least likely to repeat that performance and you can end up with massive over concentration of the same stocks. For instance, if you chose one year of returns and yet in the last one year, what performed best was large cap growth stocks you're gonna end up with a bunch of US-based large cap growth stocks which is why when we analyze people's portfolios 70% of the money may be in the same holdings. I know I went over, I had to give one to you Cory.

*"I hate complimenting myself, but not enough not to do it."*

*“Do not let the tax tail wag the wealth dog.”*

[chuckle]

Paul: So all I would throw out in ending that is that it is super easy 'cause normally people over look that when you buy mutual funds that had very similar performances over the last year, they may well be investing in the exact same stuff, so you could have five or six mutual funds, think you're well diversified because they've got them even with different fund families, and yet, find out that most of your money is actually the same part of the market, so your diversification did nothing to actually lower your risk because it wasn't the right type of diversification, it was by fund family or by fund name but not by asset class. Cory. Got two coming up here.

Cory: I like this double double, gets you a little warmed up.

Cory: Yeah, you gotta get one to the next. Do you want me to read off of the 81?

Cory: Please do.

Paul: Number 81 "conflating a 529 plan with a college funding plan" Go.

Cory: Paul, Would anyone consider social security, a retirement plan? Has anyone called Social Security Just knowing that it's there a retirement plan.

Cory: Probably not in the last 20 years. [chuckle]

Paul: No, definitely not in the last 20 years. It's an income but it's not a plan for all of retirement. Same reason why no one should conflate a 529 plan with a college funding plan. Yes, it's a tool the government gives us, but it's not the plan, it's just one piece of a tool and it only guarantees that money will be spent on college, it goes to that plan. So, it's a form of funding. A lot of families have it but there's all kinds of other ways to save for college and create a strategy around college. You don't have to limit yourself just to a 529, and that's it. I think I could've ended at the Social Security comment.

[laughter]

Cory: Leave the rest open like a riddle? Alright.

Cory: Yeah.

Cory: Number 82. "not committing to becoming financially independent." Number 82, "not being committed to becoming financially independent". Go.

Cory: Ready. So it's so easy to say I'm gonna start my path to independence later I'm gonna start saving for the future, later. Usually it's once blank happens, then I'll start.

*“If your time is distracted for unprofitable pursuits then you’re never going to get things to go the way that you want them to go.”*

Thoughts crossed my mind, that I quickly pushed away as my wife was going through medical school. We're spending all this money on school. She's not working, she doesn't have an income. Once we get past that, then we'll really get serious about putting money together, and it's like No, because once you get away from it, it's so hard to come back because we get used to spending all that money on whatever we're spending in [14:17] \_\_\_\_ of life and the amount of money that we lose by just waiting, even a few years the power of compounding is so real and any money, you can set aside even during a time that's tough to do so is gonna give you a huge bump, that you'll be happy to have later in life. Nice.

Cory: Look at you. Another one within time.

Paul: Well within time, do we get a bank up our seconds for later answers?

Cory: No, we don't have anything that will show that on screen.

Paul: Next time a chess clock, we'll use.

Cory: It's just like tapping on the side of it. Yeah, as we continue to increase the production quality here, your business, your wealth, we will explore a shot clock chess clock, let's do something a little fun. Let's do number 83 together. I'll take the first half, you take the second half.

Cory: Wait.

Paul: Wait, let me finish. And no over time on this one if we share it. Because I know right where you're going, "Wait, wait, I don't want to risk a point."

Cory: Who's gonna get the point, yeah.

Paul: No points on this one. Number 83 is "not knowing the rule around 4% distribution." I think this one's pretty easy. We put ourselves in the position all the time, where we're having conversations with potential clients and we ask the question, "Do you know how much money it will take for you to have financial independence? What's the amount of capital at work, that's required?" We only get an answer that is different than the answer that we give during our philosophy conversation, but here's our philosophy. And then they apply. We only hear an answer different about one in 20 or less times, meaning less than 5% of people we meet with have an idea of the 4% rule, and what that means in terms of their income.

Cory: And if they do know about the 4% rule. They've read an article usually they're not familiar with where it comes from, and the studies were done about the ups and downs of the market and how to wind your way through the difference between average returns and actual returns. So yeah, it's a great starting point for the conversation. Just to quickly

bring up a number in your mind. 40,000 dollars per million of assets saved you can get a sense of where you where you need to be.

Paul: Very good, very good. And that was our freebie and being able to go over.

Cory: Paul you wanna take 84?

Paul: I'm on it.

Cory: Alright. "Not solving for the future state" go.

Paul: Alright, This Is one that we see all the time. When people are moving around in their regular lives. What's easy to do is you solve the problems that you have at the same state you're in, when you have the problems, meaning somebody at the start of their career begins to set aside money for their retirement or their future based upon their current levels of income, what's it gonna take to replace 70% of that? But odds are over your lifetime, you're gonna make much more money than the amount of money you're making in your 20s. As a result, you have to solve for your future state, which means we have to make our savings, insurance, business and career decisions based upon who will I be in the next 10 years, and which of these decisions is best gonna serve that future version of myself in that future state of my life? Alright.

Cory: Wow. That was well... It's good for me that we're not banking our seconds, 'cause you would just banked a good 12 there.

Paul: Good 'cause I forgot to start the timer. And I didn't know where I was for all I know, I had gone over. So thank you for the great news.

Cory: Maybe that's the key.

Paul: Yeah, that's right, let's see, number 85. This one's to Cory. "Not thinking about your future self", what a nice fit with the last one. "not thinking about your future self as someone you have to be a fiduciary for" ready? And go.

Cory: One of my favorite shows is "How I Met Your Mother", and we probably talked about it on the podcast before this idea that it's from one of the characters that it's future Ted's problem. He'll handle it, then. But then invariably current Ted becomes future Ted and has to deal with it. And when we think about a fiduciary duty, let's not even make it about business for folks who have a pet or a child that should be about 85 to 90% of everyone listening. There are things that you would do to yourself, you would never let occur to them. They're gonna get food on time, they're gonna be warm, they're gonna be dry. You might drop all kinds of good habits for yourself but not for the things that you have a duty to take care of. Think of yourself and your future self as someone you have a duty to take care of and all kinds of new things will open up in your life.

Paul: I like that. The thing that I love about the idea of that fiduciary, that we're a fiduciary for our future self? Would be if you had to meet you, at the hand-off, let's call it age 65, could be earlier, later for some people. But you're meeting them, and you've got the hand-off and you're like, "Well here's what I've been doing all these years, 40 years, we've been living our life and sending kids to school. Everything else. And you're taking it from here, older version of me that I meet at age 55 or whatever. And here's the balance sheet, I've prepared for you. I owed you 5 million capital work when we got here and I have 2.5 million." That's it.

Paul: Have you ever had a friend who owed you money and they can't pay it, or if you've ever been that person who owed money and couldn't pay it, it's an awful feeling. And yet, that's the feeling we can have when facing the older version of us one day in the future. And I just... I can't take away how important that really can be for us as individuals because we've said it before on the podcast but you're gonna hear me repeat it more and more. The feedback loop for financial decisions is so long, meaning like 40 years of a career long, you cannot learn from your mistakes, you're just left to live with them, when they're financial. And so that's why we do the work that we do and the coaching, the time we spend with people in projecting is we need to make sure that we shorten that feedback loop enough that you can make appropriate decisions today to take care of that future, which I think with that Corey, if it's okay with you, this might be a good spot to just hear a little bit from our team over at sound financial group. [chuckle]

Cory: Oh yeah. Very good.

[music]

Paul: Hey, everybody, I had to interrupt our show for just a moment to share with you something new. We've designed a new white paper that we think is gonna add you value in the way that you think about money. It's three of the biggest mistakes we see people make, and six ways to fix them. Now, for some of you, you might not want the white paper, you might be ready to have a conversation with us, and that is okay, you can email us at [info@SFGWA.com](mailto:info@SFGWA.com), that's [info@SFGWA.com](mailto:info@SFGWA.com). Find us on the web at [yourbusinessyourwealth.com](http://yourbusinessyourwealth.com). And any time on any of our social media platform, send us a message and we can get you this white paper. But in the meanwhile, if you want to just skip over the white paper, have a philosophy conversation with us, we're happy to do that with you, just let us know, "philosophy conversation" in the subject line, and if you want this white paper, just put "white paper" in there and we'll immediately get it out to you this white paper on the three biggest mistakes that we see people make and the six things that you can do to fix them. And now back to our show.

Cory: And welcome back to Part Four of 100 Things Not to do to Take Care of Four Financial Future. We are back with Paul at number 86, Not having a written future state with your spouse. Go.



Paul: Right on. I thought Cory was gonna do that one. I don't know why. But I just thought. So this is a bit of a surprise, I just ate up six of my seconds explaining that. The thing is with your family and with your spouse, what too often happens is spouses can be marching through the future just obsessed with the day-to-day. Take my wife, homeschools our three kids, ages... Let's see. By the end of this year, they'll be 7, 8, 9 years old. We're also planning the one-year trip in our RV next year. A lot of that stuff is right on her radar. And in fact, spouses can function in a way where one spouse is very short-term in their thinking and the other spouse is very long term. My wife, the next 30 to 60 days mean the world to her, to me it's the next 10 or 15 years. But if we don't have a written plan for what we want our life to look like, odds are neither of us are gonna be taking the actions that get us closer to it. And as a couple, you could drift apart. So we just highly recommend people to the extent you can, write down what you want life to look like in three years, and then work toward it together. That was close.

Cory: That was close. Jordan just...

Paul: Alright!

Cory: Even though you heard the ring that's not an automatic point. And I'll make sure we... Yeah, I'll give you that.

Paul: You're giving me that one?

Cory: Yep.

Paul: [chuckle] You wanna take 87 and I'll take 88? That'll be a fun piggyback. Number 87, Corey Shepherd, is, Overestimate the value of real estate on your balance sheet. Overestimating the value of real estate on your balance sheet. Go.

Cory: Real estate of any kind is such a illiquid investment, it's not easily bought or sold at a moment's notice like a stock. So to say, "This is what I think the value of my real estate is on my balance sheet." whether it's a home or a rental property. Well, the answer is, the value is what a person is willing to write a check for at the moment that they write that check. And so you can inflate your net worth just by thinking about what it's going to be worth when you sell it. Our home, we don't call it an asset, we call it a lifestyle choice, an expense, something we're consuming. So I would greatly discount the value of that anyway, but let's just take a rental property, I'd rather you focus on the cash flow that's coming off of that property as the value, not the giant cash-out amount when you sell it, because we just don't know what market's are gonna look like when we sell those assets.

Paul: Nice work.

Cory: Thank you.

Paul: So on the next one, number 88, Overestimate the value of any asset on your balance sheet. Go. Alright, so picking up where Cory left off. There are things called book value assets, these are assets that... Normally how you define a book value asset is that it's an asset that has inherent value, you just have to hold it to term like a AAA municipal bond on your balance sheet, as long as you can hold it to term, is a book value asset you can just assign the original value of the bond because it's guaranteed. But in this case, there's all kinds of other things that are kinda book value assets, that you book the value you want them to be on your balance sheet, even though they're a market-based asset. That could be real estate, collectibles, you name it. So a great example is I had these paintings that everybody had told me were worth 5,000 dollars each, and I had them for a long time, they no longer fit our decor, I sent them off to a gallery. Those have now been listed for two-and-a-half years with no action. I don't know, they're probably not worth 5,000 dollars or I would have my money by now. Same thing with every other asset, if you overvalue it, then you are inflating the value of your balance sheet. Man, I wanna say so much more about that.

Cory: I know, that's great, it's hard.

Paul: Give me a point, I wanna keep going on that one, just... I will try to get it back, I might lose but I have to say this. Because, I think, for all of you listening, this is really key. One thing we do when, say, a business owner is working with us, which is a great majority of who we work with, we also work with some of the high-income earning executives and professionals, that \$300,000 to \$2 million income range. So you guys know, we do go below \$300,000 if you're a really good saver, if you're super coachable, and if you're a household that still makes all your own decisions and we don't have to meet with... We don't have... It's like decision by posse, we'll make some exceptions to work with households that earn over \$2 million a year. So that \$300,000 to \$2 million, it's easy to add your business to that balance sheet as, say, a \$10 million value, and it might sell for \$10 million.

Paul: The way we record is we put that business down while we're working on planning to avoid this tranquilizing effect of the extra money on your balance sheet. What we'll do is add that asset at zero, but add the perceived value or your best interpretation of the value as part of the naming convention of the business, the ABC company, \$10 million. That way that value doesn't wear down our likelihood to take appropriate action to fulfill on a strong enough personal balance sheet one day to have definite financial independence even if the business doesn't sell or doesn't sell for as much. So it's just key, overestimating the value of any of these assets will tranquilize you to not take appropriate action to the threats that are around you every day, financially. Okay. I'll take the point. Hopefully that was worth it to the audience. I don't get two points, 'cause I went over an extra minute. It's just a blank slate, after you go over, once you eat the point. Alright. Cory. Number 89. You could think that 100% of your 401K, or your IRA, are yours. Go.

Cory: So if anyone looks at their 401k statement that they get from their employer plan, it's just gonna show whatever value is in there. Say you're on the younger side and you've got \$100,000. It just says your name, \$100,000. Reality is you're gonna have to pay taxes on that money as you pull it out. The IRS already knows some of that money is yours. They just don't advertise that fact in advance, but they're letting you invest it for them. So really, what we should have is something like \$100,000 total value, 30% IRS money, leaving the other \$70,000 being yours. That would be a lot more accurate, although I'm guessing at 30%, but the truth is it's a business deal with the IRS where you're holding on to their money, and they're gonna tell you how much that you owe on the loan when you get there. Which can be a scary, scary deal, for some people. Alright.

Paul: Yep, it's like a shadow that you never escape is the way I think about that tax bill.

Cory: Absolutely. Paul, 90 gives you a little bit more time to talk on our balance sheet topic. Think your business balance sheet matters for retirement. Go.

Paul: And go. Okay, your business balance sheet only matters for your retirement to the extent that that balance sheet, on a consistent, predictable, and regular basis is feeding your personal balance sheet. You see, for everybody listening here is, you have a business, you'll notice we talk about the idea that you will never be financially independent on your business balance sheet. Never. You know why? We all know somebody who was super successful, and their business got to where they could work two, three days a week, maybe they could even take extended vacations, etcetera, but as long as they still owned the business and it was an important asset to them, we've all also seen that person get pulled back in because of a regulatory change, or a market change, a new competitor come in the market, losing a key employee. It drives them back in the business and they gotta turn the business around again or they need to wind it down and sell it. The thing is your independence will only exist on your personal balance sheet either because of sale or because of consistent cash flows you've moved to your personal balance sheet over time. I hate complimenting my...

Cory: We need to go to the tape... I think we need to go to the tape on that one.

Paul: I hate complimenting myself, but not enough to not do it. So, good job, me. Number 91, Cory. [chuckle] Number 91, Not knowing your monthly cash burn. Go.

Cory: So, if you don't have a destination in mind, how would you know if you're actually getting there? Meaning, one day we wanna be able to have a life where we can be work-optional and have our assets take care of our needs, but if we don't know what those monthly needs are right now, then how are we gonna know what it takes to replace them? The other idea is that if we don't know what we're spending on a monthly basis as far as what we expect, then how are we gonna know if things defer or sway from the expected, meaning a new expense comes in, we've added some other expenses, that slow

creep of subscriptions and memberships that can add up on our balance sheet. There's all kinds of inefficiencies we can uncover if we have some idea of what we expect this should be on a monthly basis, and then can double-check and adjust from there.

Paul: Right on. I like that.

Cory: Yeah, that timer, it's getting me to... It's like coming into the home stretch a lot earlier, leading the ball.

Paul: Oh my goodness, yeah. I think we're gonna have requests from the audience to say, "Would you just put Paul on a timer all the time?"

Cory: Every week, every episode.

Paul: Just every episode, yeah, he only gets three minutes to hit particular monologues. You'll notice I made a quick shift in our agenda here to shift them around a bit. I wanna take number 92 next, which is, Spending money for prideful purposes. Ready?

Cory: Go.

Paul: So, here we just left, I think June was Pride Month. This is not the kinda pride that I'm talking about when it comes to your money. Pride, in its definition, is the way that you assess you, and the way that you assess you, has some beginning level of importance. Like if you think you're an absolute piece of garbage, you're likely to have that come across in your performance, but just having... Getting to a healthy ego, then beyond that, what you think of your own performance is really not very effective. What matters... If you have a customer, let's say, you could think you did a great job, and the customer could be like, "You guys are awful, and you're fired." That customer's opinion is the one that matters most in that situation. There's all kinds of purchases we make that may or may not improve our life, but we are literally acquiring them because of what we think about that. I'm a car guy, I really like a big house... And yet, those decisions, if they're prideful, can erode your capacity to build wealth 'cause you spend too much. That was a close one.

Cory: I was almost gonna give it to you, but then your timer went off too, so I'm like, "Well, I guess he did go over."

Paul: I think I escaped it. I think our audience could see it. Our audio engineers would see that there was actually dead air for one second. Jordan's giving me a thumbs up, Cory. So...

Cory: Alright.

Paul: I think we're gonna have to give Jordan a camera and a microphone for these in the future and just let him periodically pop in, especially when we we're doing contests, he'd

be like, "That was a pass."

Cory: Yep.

Paul: Alright. Next one is to Cory. Not having your will or...

Cory: 93. Number 93.

Paul: Oh, yes, number 93. I skipped one. Nice work, number 93, Not having a will or trust. Cory, go.

Cory: In actuality, we all have a will, already. In whatever state that we live, the government has a default will for us. So it's not that you can't have a will. We've all already not broken this one, except it might not be the will that we want, and that's what's key, is to... And as far as what a will is gonna do, if you're young and you have kids, the kids are the most important part of it, it's not who gets to have your couch that we really care all that much about. But it's just... And it's also to say what happens in end of life issues, medical directives, health care, power of attorney, those kinds of things. Those all get done as one package. And it's really to have made a decision in advance so that anybody that might have any disagreement with that decision doesn't get to have to get mad at anybody else. Life's gonna be tough if people are reading your will, so let's just make it a little bit easier on them one way or the other. Alright. Number...

Paul: Well said. And you cleared it.

Cory: Number 94. Yeah, that was a false positive. That was...

Paul: That was just me not hitting my counters fast enough.

Cory: Yeah. Number 94, counting on a robo-advisor for the success of your finances. Paul, go.

Paul: I think I could best explain this by telling you all about a video we're gonna release on YouTube probably by the end of this month. And it's a video of this guy who comes home and he has one of those old robot vacuum cleaners. And he and his wife stayed out late, and the dogs were there, and the little robot got out and scared the dogs. Dogs freaked out, tipped over garbage cans, dogs also defecated in the house. And the robo-advisor is doing exactly what it's supposed to do. And it goes right over the poo and just spreads it out real thoroughly. It uses that extra little brush to get up against the baseboards and just kinda paints the baseboards. Horrible mess of the floor and the couch. And finally, the little robot just died in place somewhere in the living room as it's trying to get through all this garbage that's been spread around by the dogs. That's what it's like sometimes with your money. They work to get you a decent rate of return and pay no attention at all to tax ramifications, net worth, estate taxes, or efficiency, just returns.

[chuckle] Cory. You're up next.

Cory: Only you can judge your own heart.

Paul: Well, let's see, Jordan just gave me a thumbs up. I don't know if that means thumbs up like you just earned a point, or thumbs up like I was okay, but either way, he thinks the way he did it is accurate. We'll leave it to Jordan.

Cory: Okay.

Paul: Alright. Let's go next to number 95, which is a little tail on number 93. Cory, not having your will or trust up-to-date.

Cory: Go. I can't tell you how many time the conversation has gone something like this with a client. "Do you have a will?" "Yes," with a sheepish smile 'cause here's the thing, it's about 20 years old. And it's about 10 kids ago, and this property and that property, and my second marriage since then... Whatever it is. And so we reach a certain point where it no longer becomes a yes to that question, if it's that out of date. So there's a couple of things you can do. One, your attorney can put language into the will from the beginning that handles a lot of the updates that might need to happen in advance. Like naming all your children instead of each child by name, if that makes sense, so that you have some runway to get that done. But the bottom line is, if you've had a lot of things change in life, you've moved around, there may be some language in there that could now be doing some things you didn't intend it to do. Yes!

Paul: Oh, man. I thought... I thought I was gonna get you. I was even holding the phone right to the microphone so our audience would just hear the blaring alarm.

Cory: Alright.

Paul: Alright.

Cory: Number 96, Paul. Care too much about tax savings. I'm really looking forward to this one. Go.

Paul: This is an ancient confusion saying, "Do not let the tax tail wag the wealth dog." I'm pretty sure that's been around for thousands of years. No one can verify. Don't try and Google it, if you're listening. It wouldn't be safe. You're probably driving. Okay. The idea being is that people will make a decision that's a good tax decision, but it may not be the best possible long-term wealth building decision. I'm gonna give an easy example. Many people recommend that young professionals, first thing they do is max out their 401k in a traditional 401k, that means it's gonna be taking out of their tax bracket now to have taxes paid on it later. Well, if you put \$18000 away when you're in your 20s, making \$150000 a year, plus you have kids, mortgage deduction, spouse, all of that. All of that is

deductible, puts you in a very low tax rate, and then you're gonna pull it out after kids have moved out, sold the business. Hopefully, you're still married, but the house is paid off. You're gonna be paying more in taxes, you just let the tax tail wag the wealth dog.

Cory: Alright. Now, that you get that one, you get that one. I saw that.

Paul: That wasn't by a lot. [chuckle]

Cory: Right.

Paul: Alright. Cory, this is home stretch. I feel like even though we let... We had Drew Knowles on and then we had Scott Adams on. This is... This kind of feels special. We're nearing the end of this top 100 and I now wanna do more of these lists in our episodes.

Cory: I'm really liking this.

Paul: I like... There's a guy who does this countdown, but instead of it being like a top 10, he does it as a seven plus one, like a magazine full of seven bullets and then there's the one in the chamber. So he just adds one to the end of all his top lists. Okay, so as Cory and I discuss live for all of you, what we might do in future production value for the podcast, let's instead go to number 97, Cory on the top 100 list of things you should not do. How about not understanding your investment decisions.

Cory: Go. So occasionally I encounter the most dangerous phrase in meeting with clients. And most often, the most dangerous phrase happens around investments, more than anything else. And that phrase is, "Well, I don't quite understand, but I trust you. So let's just, let's go do this." And that's scary, more than anything else. It's a full stop because only you can fully understand the implications for a strategy in your life. No advisor can know all of those things. We might be missing something 'cause it's not our life, it's yours. So any... You don't have to be the, up for a PhD in whatever this topic is, but we do need to get to a point or any strategy especially investment decisions, you understand enough to know why it's helpful and important for you and then you can be excited about that strategy. If you don't get to that point, then it's not time to move and not time to get in action.

Paul: Well put, well put. And I would throw out that that one, that idea of the client saying, "I just trust you." The way I was trained by financial institutions at the very beginning of my career was that it's the highest compliment a client could pay you.

Cory: Yeah.

Paul: And for most of you, if you have an advisor now, that's probably something they really enjoy is the amount of trust that they have with you. And what we want is informed trust with our client relationships, meaning they trust because everything we've said in

the past is accurate. The what we're saying now is accurate, too, but it does require accuracy. It does require that we interrogate reality enough to make sure that you and us are all on the same page about what any financial decision is going to do.

Cory: Yeah. Well said, Paul. Alright, number 98. Not watching fees. Go.

Paul: Alright. So when you're thinking about investment management fees, believe it or not, in our world, it's not what you think is eating up your returns that's eating up your returns. Let me explain. Many people would think it's what they pay the advisor. Let's say they pay their advisor a percent or a percent and a half a year for their asset management. People get all wrapped up about that fee. That is not the biggest, most problematic fee. It's the ones that we do not see. It's the reconstitution cost of the indexes, which unless you subscribe to some academic tools to understand what that is, you won't be aware of it. Next would be just the internal cost of your mutual funds that go largely undisclosed. Perhaps Cory, we could put in the show notes of this podcast the real cost of owning mutual funds from Fortune years ago. You don't see those articles too often because the entire mutual fund complex does not wanna talk about them and they produce most of the marketing dollars in the industry. Last, those fees you need to pay attention to them and if you have an advisor, make sure they're giving you value, not just managing your money. I might as well keep going now because what happens is that [chuckle] if I'm already paying the price, I might as well, that would be, if I paid the fee of getting the point Cory, I should at least get the value of talking for an extra minute.

Cory: Right. Well said.

Paul: Speaking of fees, so I would lastly say that for all of you listening, fees can be important but if you have an asset manager now and all they're doing is reviewing your investments with you and they're not also taking a look at your debt structures, wills and trust, reviewing your car, homeowners insurance, all of that, then they're happily taking fees off of your investments, while your investments might very well be jeopardized because of inappropriate protection on your car homeowners insurance, it could be spent down rapidly 'cause they never talked to you about life or disability insurance, they didn't review your group benefits, they didn't even integrate your 401k decision in with your personal investment decisions. All of those things combined can make your money really inefficient and be worse inefficiency than just not paying attention to fees. Pay attention to the fees that the mutual funds and ETFs and indexes cost you, and make sure the advisor, if you're using one, is doing something more than the investment management for you to make sure you're efficient overall in paying them their fees. Cory, I don't know what's taking you so long but why don't you just do number 99? Number 99 is not realizing that your time and your future income are your most important assets.

Cory: Go. Alright. Let's start with your future income. If you take a look at your balance sheet, you might think that something like your home or your 401K or a business that you own is the largest value number on there. But if you take your income per year times the



number of years you have left to work, then I'm almost positive for 99 and a half percent of everyone listening, that's gonna be a bigger number. So your ability to earn that income, that's what made all of that possible in the first place, is the thing that's the most valuable on your balance sheet in the future and your time is the most valuable thing you have today 'cause that's what lets you turn your efforts into income. It lets you mold and adjust your path through through life, without your time, if your time is distracted for unprofitable pursuits, then you're never gonna get things to go the way that you, you want them to go. Yeah.

Paul: Very good, Cory.

Cory: There we go.

Paul: Nice. Now, we have a number 100 that Cory is gonna finish, but we do have a plus one. We did forget about the one in the chamber. It's number 101, which will be me. So Cory, you're gonna take number 100.

Cory: Yeah.

Paul: Not owning long-term care insurance. Go.

Cory: Folks are surprised often how long we have left to live, life spans have been increasing longevity and life expectancy has been going up and up and up. But here's the problem, we've done away with all the things that kill us quickly for the large part. So what we have left are the lingering [46:02] \_\_\_\_ like that's where medical science is still working the chronic conditions. So we're living longer, but we haven't yet, the speed of quality of life is not increasing at the same pace, so all of us have a bigger and bigger chance of a period of our life at the end where we're less and less able to take care of ourselves. Long-term care insurance insulates us and our families from the impacts of that reality.

Cory: And the way that I put it is I have a great relationship with my parents. I'm not gonna go stick them away somewhere in a home, they're gonna be nearby, and I just want our relationship to remain wonderful. I don't wanna do bathroom time with my parents, like I just don't wanna do that. And that one's worth going over 'cause... Gets me a little emotional... Gets me a little choked up. So it's not about having enough money to pay for care 'cause with Medicaid and these different resources, we're gonna get care one way or the other even if we have to spend down all of our money to then get it but it's giving us choices, being able to construct our lives and protecting our assets, that's why we wanna look at long-term care insurance. Alright, Paul, the plus one.

Paul: Well, right before we do the plus one I'm thinking, the 100-plus one. We should just talk a little bit about what you can do with all of this. Get our final tally on our contest here with our score board, 'cause I can't see the scoreboard live, so I actually need Jordan

to tell us, Jordan, what's the score between Cory and I?

Jordan: Paul has three Cory has two.

Paul: Paul has three Cory has two. Cory wins the day, just like golf, I'm the highest score from the course. And one thing I wanna add to what you said there, Cory, is that we can also forget to get ourselves added as that secondary premium notification on our parents. So if your parents have long-term care insurance, don't think you're out of the woods, you need to make sure they've added you as their child as secondary premium notification, it's now required by law that every long-term care insurance company, give the insured a chance to add somebody else, because as people age they're more likely to miss bills and if they miss that bill that coverage could be gone when you need it most. So with that, and then a reminder for everybody listening, we love your reviews, we love when you guys take the time to pause and write something about the show, how can you do that? Sometimes people wonder. All you have to do is go to iTunes and when you get to iTunes, look for Your Business Your Wealth which you are probably listening to right now, but that's gonna take you to the main page.

Paul: What you wanna do is just scroll all the way down to the main Your Business Your Wealth page, it'll be page, it'll be the most recent podcast, the top scroll down to the bottom and you will see a chance to add stars or write a review, just hit that write a review, say something that is honest. You are always welcome to give a five star rating and if you do go and take a screen shot of that, send it to us for any honest rating that you've given, and we will send back to you a copy of Michael Macau, it's his Clockwork, a copy of sound financial advice or Cory's book Cape Not Required. You let us know when you email us at [info@sfgwa.com](mailto:info@sfgwa.com). Don't forget to follow us on all of the socials, you can follow us on Twitter @wealthpodcast, can you believe we have @wealthpodcast? We have such a great team here that we managed to get that.

Cory: Amazing. I don't know, who we had to kidnap for that one but. Yeah, it's great.

Paul: Yeah. You can follow me on Twitter, AskPaulAdams. You can find Cory and I on LinkedIn, all the other socials, feel free to reach out to us, we love hearing from the fans of the show. And now, let's hit number 101, which is thinking that you can make a single decision from this list without working with a coach or as somebody teaching you about these concepts, as an advisor. You see, it's all too easy and we don't want this podcast to become anything other than some good vitamins for your financial thinking. So, and that's not driven by the big mutual fund complex, it's why we don't have any of them as advertisers although, they would love to be. Why we do this podcast is for all of you, but we constantly wanna encourage you if you're not working with us. You should be working with someone else who can see the broader picture more broadly than you can see.

Paul: You see, if you're in the income range of the folks that we work with, that, \$300,000 to \$2 million of the annual income, odds are, you're really, really great at creating income

and you're really, really great at building your business. But those are not the same skills that it takes to building a strong balance sheet and you need to have somebody in your life, that's good at that part also. To pause long enough with you and your spouse outside the morass of all the daily commitments that everybody has to pause long enough to look at that future, to look at what's important to your family for the decades to come, and to shorten the feedback loop of the decisions we're making today, so we can see what that decision you're making today, is gonna do in 10 years, 15 years, 20 years. Compare it and improve it. Because if not, you won't be able to learn from the financial mistakes that you make, you will have to live with them.

Cory: And you know building on what Scott Adams said in our last podcast, we're all, even if we know these techniques are working on us, we're still susceptible to them, but we can also all very well see them working on other people. And that's where having someone else looking in, they can spot the things happening to you that you might not be able to see and help you correct that course. And I think that's huge.

Paul: Absolutely, and as you may know, we work with clients all over the country, we do all of our work by Zoom meeting. We'd love to have that conversation with you if you're so inclined, but if not, tell your advisor to start listening to this podcast we're now getting introductions from other advisors from across the country simply because their client is in a location, it doesn't make it easy for the client to be able to work with that advisor. And we're finding more and more advisors are listening to our podcast everyday. So don't hesitate to say, "Hey I wanna explore this on my balance sheet. Could you listen to this episode?" And how you might screen that advisor is if they were to give you a lot of opinions about why they thought that podcast was no good or that strategy was no good. But they didn't supply you with data a comparison, what they're doing versus what maybe we suggested on some particular podcast, and see whether or not they're using math indisputable math and independent scholarship as their standard for recommendation, or is it based upon their own opinion and experience. We don't want you taking our opinion, we'd encourage you not to take anybody else's but make sure that you're learning in a way that gives you the greatest likelihood of being responsible for your future. And as always what we hope is that this episode like every episode has been a contribution to you being able to design and build a good life.

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## Episode 148 - Top 100 Mistakes, Part 4 Episode Transcription

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