

Guest Column • Age of Denial: A Stage in One's Journey to Financial Independence

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In my initial article, "Financial Independence: A Critical Part of our Professional Goals," featured in the previous issue of *OVP*, I listed three developmental stages in this lifelong quest from my perspective. One of the objectives of this series is to address the current epidemic of financial illiteracy through my eyes and my experiences. Hopefully, readers will benefit from my journey toward financial well-being.

This segment, entitled "Age of Denial," focuses on the challenges of balancing debt and developing an appropriate financial plan. For those individuals entering this phase, I'm hopeful that you can learn from my insights, as well as my mistakes. For those individuals who have successfully managed to address these issues, I want to challenge you to share your knowledge and expertise with the next generation of our colleagues.

My pre-professional experiences in money management and investing were minimal, and the latter category, investing, did not even exist in my mind. Ironically, my previous education had avoided these topics, and my parents were ill-prepared to discuss them with me. Although I grew up in a middle-class family, I had no knowledge of my family's financial status.

My rude awakening in this realm occurred when I sought help managing money. Without a plan or goals, I was the ideal client for an unscrupulous advisor. Unfortunately, I found two advisors who took advantage of my ignorance and naivete. These experiences forced me to question the value of blindly trusting the advice of anyone within the financial industry. Despite the negative impact of several recommended investments, the lessons learned were priceless. My mantra became, "If I am going to lose money, I am going to do it myself!"

As a faculty member at the New England College

of Optometry, I became aware of many of my students' frustrations with similar money problems. They had no financial plan and suffered from debt blindness, and money worries were a persistent burden in their day-to-day lives. Their concerns were often focused on securing more loans and not on managing their rapidly accumulating debt; it was a kick-the-can-down-the-road mentality.

Debt is a four-letter word, with far-reaching implications for the quality of one's life, and it is an integral component of anyone's financial situation. For optometric students and recent graduates, their college loans have significantly impacted their life choices. Although a college education can be listed under the category of good debt, it still must be repaid under most circumstances.

Debt management must begin at the onset of the initial loan, and it is critical to borrow the minimal amount needed at the lowest interest rate possible. Through proper budgeting and tracking of expenses, an emergency fund should be established for any unpredictable major financial crises. The formula for this process is simple: $\text{Income} - \text{Expenses} = \text{Savings}$. The latter category of savings will require a degree of sacrifice, or expenses will undermine any positive outcomes.

Using credit cards or fantasy cash is one of the causes of many students' demises in managing their money. The exorbitant interest rates on these cards can cause one's debt to spiral out of control. The mismanagement of credit cards can also negatively affect one's credit rating. A poor credit rating score will result in higher interest rates across many future loans, from an automobile purchase to a mortgage for a home.

Plan is also a four-letter word, but one that is essential in developing a money-management strategy. As noted by Ben Franklin, "By failing to prepare, you are preparing to fail." As shared in my series in *Medium*, "Stepping into the Financial Wilderness," I had no plan or goals during the early phase of my professional career. I certainly paid the price for this oversight.

*The Index Card*¹ by Helaine Olen and Howard Pollack presents basic money management and investing principles. For this reason, I highly recommend this book as an invaluable resource for those individuals beginning this journey. It is not the only text related to these topics, but it is an excellent introduction.

Having a personal plan is an essential step in creating a road map to financial independence, and it needs to be in written form, not thoughts passing through our minds. The value of a plan is emphasized in the following statements:

- When you have a plan, you have defined goals and expectations.
- When you have a plan, you have specific benchmarks for comparison.
- When you have a plan, you are accountable and responsible for your desired outcome.
- When you have a plan, you have a way to learn the difference between good and bad decisions.

No plan is written in stone. There will be subtle changes over a lifetime, and constantly changing the parameters will be hazardous to your financial health. Regarding investing, it may seem like a pipe dream during this potentially chaotic period. Until debt has become manageable, this strategy may be off-limits. On the other hand, retirement options may be available. In my career, my decision to delay contributing to my college's 403b program still haunts me. Once the money is contributed to a non-taxable account, it should never be removed unless required by the government.

One of the secrets of wealth building is that small amounts of money become significant due to the power of compounding and time. The time horizon for students and recent graduates could be forty to fifty years!

No one can walk in your shoes when dealing with debt and money-management issues. One persistent concern for almost everyone relates to money worries. Indeed, you can always borrow money for your college education, but you can't borrow money for living expenses in retirement.

Denial is not an option, as we face the challenges of achieving financial well-being and professional success. Hopefully, this series will allow readers to self-reflect and determine an appropriate strategy to reach their own goal of financial independence.

References

1. Olen H, Pollack H. The Index Card. New York: Penguin Random House, 2016.

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