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

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In the journey to financial independence, there are three different phases, in my opinion. "The Age of Uncertainty" focuses on our professional and financial challenges during the middle years of our careers. It is a time frame that will be critical to our success or failure in achieving this specific goal.

In his book, *The Happiness Curve*,[1] Jonathan Rauch refers to this time frame as a period of transition. From a job perspective, one begins their career with great expectations that can become more realistic over time. In some instances, expectations turn into frustrations, and career paths can become greatly altered. This juncture has been referred to as a midlife crisis. Obviously, career decisions can have a significant impact on our financial wellbeing. In the years before retirement, most individuals have regained their composure and have become more accepting of their accomplishments as well as disappointments. Although this insight is an oversimplification, it highlights the ups and downs encountered on anyone's journey through this time frame.

It is important to note that my life experiences are very different from someone from another generation, or even from my own generation. For this article, I will draw on personal insights, acquaintances' insights, and colleagues' insights, as well as those of many optometric students whom I had the honor of teaching at the New England College of Optometry for over forty years. Although the number of variables will be different for each of us, there are some lessons to be learned from all.

Since financial illiteracy is epidemic, most individuals enter the early years of their optometric careers with limited money-management abilities. The first step is signing a contract, which will define one's base salary for life. In my case, my goal was to be employed at the College, and salary was not a major concern.

In retrospect, I was naïve and totally ignorant regarding the art of negotiating a contract. I should have been more assertive in this process. The bottom line is to establish a realistic salary range and to understand the total benefit package before signing your name to any document.

The next step is to have a written plan regarding your finances. Although debt management is always a priority, it should not be the only concern. A budget should be created that has a surplus at the end of each month. Savings will require sacrifice as you delay the purchase of items or experiences because of their cost. This money should be designated to an emergency fund and any other longer-term goals such as a home.

Life will become more complicated as you add a significant other into your household. Opinions regarding money are rarely in agreement between two individuals from diverse backgrounds. In many instances, there can be conflicting points of view. The complexity can also be enhanced by the addition of children. It has been estimated that it costs between two and three hundred thousand dollars to raise a child. This sum is before considering the cost of college or having more than one child in a family!

Some common issues to ponder and some personal insights:

- Home ownership versus renting: Recommend the former rather than the latter. For more information regarding this topic, I have posted an article on Medium (rlaudon.medium.com) entitled "To Own or Rent Living Space – A Financial Dilemma."
- Types of Insurance: Although health and malpractice insurance are typically part of one's overall thinking, the purchase and/or type of disability insurance policy can often be overlooked. It is also essential to have a policy that is crafted based on the earning potential of your professional expertise.
- Life insurance: An expense that may or may not be appropriate depending on one's age and family situation. Term life is preferred over more esoteric types of policies.
- Retirement programs: There are many different government programs available depending on one's employment situation. It is important to start as early as possible in contributing to your designated program.
- College education: A savings program should begin during a child's infancy. Small amounts of money that are increased on an annual basis can become a considerable amount of money when a child becomes a freshman in college.

Some less-thought-of issues to ponder and some personal insights:

- Investing: At the appropriate time, investing should be an essential part of one's financial plan. It will require more than finding a financial planner or broker.

- Passive income: Income that is not generated from one's primary job is an important component of a resourceful financial plan.
- Health: A lifelong health plan should be implemented from the beginning of one's journey to financial independence. Two articles posted on Medium, "Investing in Your Health – The Power of Compounding" and "The Accountability Crisis – Who is Responsible for Our Health," address some of my concerns.
- Gratitude: Regardless of your rationale, giving of oneself personally or financially has a positive influence on your mental, and ultimately physical, status.

Two significant influences in my thought process during my own transition years were generated by a book and a personal revelation. The book, *Mindset: The New Psychology of Success*[2] by Carol S. Dweck, PhD, revealed the importance of a growth mindset versus a fixed mindset. It was clear that I had limited my potential by assuming that our lives were defined by our IQ and our genetic makeup. Although challenging ourselves daily can be problematic, it is a better alternative than being a victim of a self-limiting perspective.

The second influence was my personal understanding of how to manage money from both a macro and micro viewpoint. This mindset has evolved from my negative experiences with two financial advisors to designing a nest egg that would minimize my money worries through the rest of my life. The micro perspective is dealing with short-term goals and day-to-day financial challenges, while the macro perspective is a longer-term view spanning at least ten years. A more in-depth assessment of this decision-making process has been posted on Medium, entitled "A Macro and Micro View of Money Management and Investing – From a Personal Perspective."

My financial success has been achieved by learning the ins and outs of investing. The art of investing requires knowledge, experience, and perseverance. There is no simple formula that works for everyone, nor for all cycles within the stock market or any other investment alternative. In my case, a dollar cost averaging approach within retirement programs and taxable portfolios has been the formula. Other important factors have been the power of compounding and time. In the latter category, time in the market and not timing the market was another lesson learned the hard way.

Since I cannot teach anyone how to invest in an opinion article, I have decided to recommend three books that are easy to read and very informative. These books are the following:

- *Psychology of Money* by Morgan Housel
- *The Elements of Investing* by Burton G. Makiel, Charles D. Ellis
- *The 5 Mistakes Every Investor Makes and How to Avoid Them* by Peter Mallouk, JD, MBA, CFP

Although these books are not cited as the classics in investing, I believe that they are a good overview for any investor regardless of their experiences. Unless this knowledge is assimilated into one's mindset and acted upon, it is a useless waste of time.

Appropriate benchmarks should be established to monitor all phases of one's financial plan. Pearson's Law states that when performance is measured, performance is improved. When performance is measured and reported back, the rate of improvement accelerates. For this reason, statistics can help keep us on the right track.

The Age of Uncertainty can span over four decades and is a critical time frame in anyone's quest for financial independence. It represents a period of professional as well as financial challenges. An honest appraisal of one's overall status is required on a yearly basis. Without the appropriate feedback and proper modifications, we will be unable to achieve our lifetime objectives.

Since change is inevitable, we must have the ability to adapt to the expected as well as to the unexpected. No one can predict the future. Heraclitus, a Greek philosopher, captured the essence of this lifelong dilemma in his famous quote, "No man ever steps in the same river twice, for it is not the same river, and he is not the same man."

Hopefully, these shared insights will make one's journey a little less stressful and a lot more successful.

References

1. Rauch J. The Happiness Curve: Why Life Gets Better After 50. New York: St Martin's Press, 2018.
2. Dweck C. Mindset: The New Psychology of Success. New York: Ballantine Books, 2006.

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