



Why Care?

Scaled Finance Welcome Course: Episode 2

Part One: Why

Last episode focused on why personal finances matter for things largely beyond of our control.

Today's episode focuses on living our best lives. It's why I'm so passionate about personal finance that I left my cushy corporate finance career to do it full time.

Reasons to care about personal finance include:

1. **Here for the rest of your life**
2. **Enables work flexibility**
3. **Supports new passions**

1. Here for the rest of your life

A. Will impact you later

The financial decisions you make today will almost certainly impact older you. Decisions now also impact your ability to save later:

- *Negative:* taking on high interest credit card debt or buying a big home could lock you into future expenses
- *Positive:* saving today could lower your future housing, interest, and insurance costs

B. Last career

Something I was told years ago stuck with me:

"No matter what you do, your last career will be investor."

2/3 of Retirement

- C. Savings: possibly 2/3 of your retirement resources

Social Security was never intended to provide all retirement income. In the 1940's, it was referred to as [one of the three legs of a stool](#):

- 1) Personal savings / investments / insurance
- 2) Private pensions
- 3) Social Security

Defined Benefit Plans

Pensions are a defined benefit plan for which employers commit to provide specific benefits to retirees if certain criteria are met.

Participation in defined benefit plans were nearly cut in third from 1980 to 2019.

Defined Contribution Plans

Defined benefits plans have been replaced and surpassed by defined contribution plans, which grew nearly 8x from 1975 to 2019. (See the appendix for more detail.)

These plans include 401(k), 403(b), employee stock ownership, profit sharing, etc.

With defined contribution plans, the employer may contribute funds to employee accounts if certain criteria are met.

The employer often only partially matches employee contributions.

Now:

- Defined benefit (pension) plans are rare
- For a defined contribution account, an employee typically:
 - Owns it
 - Selects the investments
 - Makes most of the contributions

Funding retirement is primarily the employee's responsibility.

Retirement: Employees Now Responsible

Your Turn

Action!

What upcoming financial decisions might have lasting impacts for you?

2. Enables work flexibility

Assume the happy path: no family health issues, enjoy job, employer thrives.

It still makes sense to focus on finances!

Focus

A. Focus

A friend and mom of two is a professor at the University of Washington. She struggled to devote the time she wanted to her career.

Then she hired an au pair and considers it one of her best decisions. She feels energized by her newfound focus at work.

Stretch

B. Take a stretch assignment

Perhaps you could outsource some personal tasks to take on a new work project.

Change

C. Take a lateral move or go for a promotion

1) Doing so may ruffle some feathers. Savings provide a safety net.

2) New roles are hard!

They're also great for developing new skills, expanding networks, and broadening perspectives.

Tailor

D. Adjust your work to what you love

Every position has some room for negotiation.

This was my path.

Over time, I negotiated my job to more of what I loved and less of what I didn't. Financial flexibility creates occupational flexibility.

Work Remotely

E. Add flexibility

Having been forced to test working from home during the COVID-19 pandemic, I found I really liked it.

When my supervisors strongly encouraged me to return to working in the office, I declined respectfully.

Your Turn

Action!

How could better financial footing improve your work flexibility?

Personal

3. Supports new passions

A. Hopefully, you'll continue to find new passions throughout your life

- 1) A friend in the financial independence (FI) community loves kayaking

When people ask what she “does”, she details her kayaking trips!

- 2) Another FI friend takes sabbaticals:

- Plays chess as an international master
- Goes backcountry camping solo
- Went deep sea fishing for months and blogged about it
- She works as a marketing vice president between sabbaticals

Loved Ones'

B. Loved ones will likely develop new passions you can support

My daughter pursues many time-intensive activities.

They're major commitments for my wife, daughter, and me.

Part of the reason I left corporate America was to have more schedule flexibility to support her passions.

Encore!

C. Passions which pay

Your passions may lead to an encore career.

I fell in love with personal finance – first in the financial independence community and later through formal education.

While working full-time, I was fortunate to study for and pass both the Series 65 and the CFP® examinations.

Now, I get to focus on personal finance full-time.

Your Turn

Action!

What new passions might emerge for:

- a. You personally?
- b. Your loved ones?
- c. You professionally?

Thank You, Next!

Next Steps

Thank you for watching!

I hope you enjoyed and got a lot out of the last couple sessions.

To recap, some reasons why it makes sense to focus on personal finance are:

1. Job situations change
2. Health situations change
3. Here for the rest of your life
4. Enables work flexibility
5. Supports new passions

If you know someone who could benefit from these episodes, send them the course link: scaledfinance.com/welcome-course

Watch for the next episode in this series, which will come out in about a week. We'll review three important questions to help you define your ideal life.

If you'd prefer to work ahead, navigate to the course link.

See you soon!

Appendix – Defined Benefit and Contribution Plans

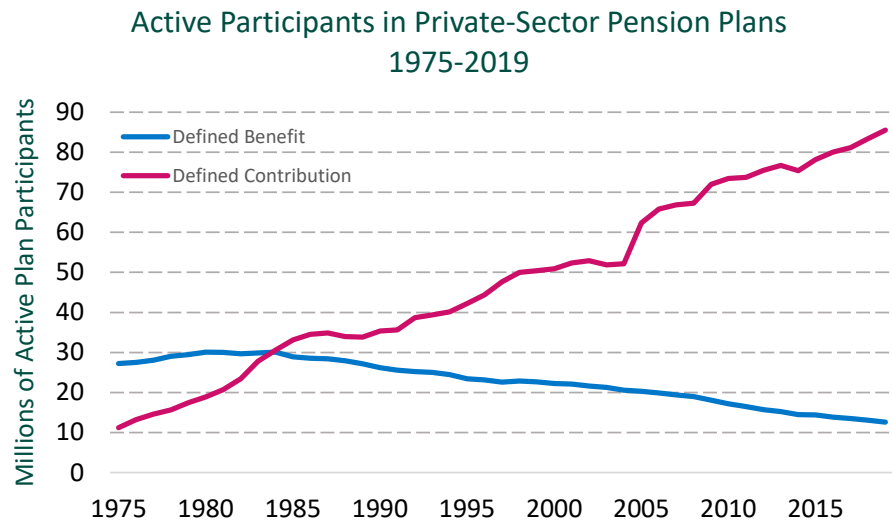
Participation in defined benefit plans have nearly been cut in third:

Fell from over 30,000,000 active participants in 1980 to approximately 12,600,000 in 2019.

They have been replaced and surpassed by defined contribution plans.

Defined contribution plan active participants grew nearly 8x from 11,200,000 in 1975 to 85,500,000 in 2019.

**Defined:
Benefit
Fell ~2/3rd
Contribution
Grew ~8x**



Source: [United States Department of Labor](#)

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