What's Your Best Thing[1]: A Music Lover's Guide to Financial Success

By Jason Oshins, MBA

Music is the perfect analogue for wealth planning. All parts are interrelated, with each component complementing the others. It requires balance, and once out of alignment, its results are compromised. This is true, irrespective of the music genre. For me, absolute perfection is represented by the Beatles. The lyrics complement the melody, the chorus complements the verses. Each player's contribution complements the aggregate. The whole is greater than the sum of the parts.

I recently had the gift of a day in the studio with another favorite band of mine, the English Beat. My first exposure to the solidification of the creative process, I was struck by the importance of each nuance – whether it was adjusting the tempo, adding a harmony at the right time, modifying the vocal phrasing, playing guitar on or just behind the beat, playing a driving bass line or one that's more melodic. When one part changed, the sum changed too. It was about balance, and it was about alignment.

Planning for financial success requires this same intricate, delicate balance. We start with basic rules, which I'll share and briefly develop, and within this framework we add the components. If assets are built without adequate attention to protecting these assets, the whole is compromised. If liquidity is disregarded in an effort to have no debt, the whole is compromised. And if cash flow is sequenced improperly, without adequate attention to savings, the whole, once again, is compromised. This is true for all income levels.

Here you have it, a list of rules for financial success coupled with a great English Beat starter mix – the headings along with some interwoven hidden gems ("I Confess[2]", some are forced).

THE RULES:

ORGANIZATION: "MIRROR IN THE BATHROOM[3]"
A mirror provides an honest perspective of who we are. There's no hiding – our virtues are highlighted, and our flaws are exposed. But this isn't a bad thing. With it, comes perspective; we see the good and the bad. Similarly, a financial mirror shows everything in a single place. Life is complicated, so organization is critical. We use multiple institutions and oftentimes make independent decisions, lacking an overall framework given the limited visibility. When all accounts aggregate into a single place, we gain the ability to capitalize on opportunities and overcome shortcomings. When our assets, liabilities, cash flow, and protection elements can be seen in one place, in one view, we have the context to make more thoughtful, better-informed decisions.

PROTECTION: "CAN'T GET USED TO LOSING YOU[4]"
Loss hurts. It hurts emotionally, and it hurts financially. In fact, at times it devastates. With some types of loss, once

they occur, we no longer have the luxury of addressing them. Therefore, we must place our greatest emphasis on preemptively addressing and minimizing the financial devastation. We must get this right. The alternative is unacceptable. By identifying those events that can derail us, we can address and mitigate their damage, thus increasing the likelihood of realizing the future we envision. Protection is unique. If we don't address it first, our ability to do so might no longer exist. The other elements – increasing savings, maintaining liquidity, eliminating debt – can follow.

SAVINGS: "SAVE IT FOR LATER[5]"

We work to generate income, which, in turn, satisfies two objectives: (1) current consumption and (2) future consumption. Essentially we work today, so we don't have to work in the future. The less we spend – or consume – today, the more we'll have available to enjoy in the future. At some point, income stops. When this happens, we turn to our savings and investments. Disciplined savings enables us to prepare for this future. The future might be uncertain, but our need to have cash flow after we no longer generate it never ends. In fact, given the uncertainty of the future, where we can only speculate about needs – a fool's errand, by the way – the old adage "more is more" rings true. A cash flow crunch can feel suffocating. Furthermore, it can result in unhealthy, desperate behavior. It can cause people to assume greater risk, and this is at a time when risk can be that much more damaging. Embracing a high rate of savings lends itself to a greater likelihood of success; seeking a high rate of return lends itself to a lower likelihood of success because of the pressure placed on the assets. Many baby boomers can attest to this.

LIQUIDITY: "SUGAR AND STRESS[6]"

Life isn't linear, and unfortunately we don't get to choose when we get sugar and when we get stress. Once we have addressed protection – insurances are in place, estate planning has been executed – we need to make sure we've built enough liquidity to accommodate life's unexpected twists and turns. With adequate liquidity, we create the ability to absorb these unpredictable events.

DEBT: "NEVER YOU DONE THAT[7]"

We experience so much "Noise In This World[8]"! Good luck shopping without somebody attempting to seduce you with a pitch for new cardholders receiving an introductory offer of 20% off or 30,000 free airline points or two nights free or six months with 0% financing. The message is all around us, and it's insidious. Quite simply, we must learn to say no. Short-term debt has two costs: (1) the expense itself and (2) the opportunity cost associated with the growth of that money had it remained on our balance sheet. Furthermore, it requires our other assets to work that much harder and to perform that much better simply to get us to where we otherwise would be. So, ultimately, we want to "Twist and Crawl[9]" our way out of short-term debt; or, better yet, avoid it all together.

CONCLUSION

With financial organization serving as the backdrop, we emphasize the importance of protection against what can otherwise derail us, followed by emphasis on superlative savings, adequate liquidity, and freedom from debt. Remember, financial success – just like music success – requires balance and alignment.

SIMPLE DIAGNOSTIC FOR CLIENTS

Please assess your current financial condition, with a "10" representing "I'm completely set" and a "1" representing "I need immediate assistance".

1) How organized is my financial world?

I need immediate assistance.									I'm completely set.
1	2	3	4	5	6	7	8	9	10

2) How thoroughly have I addressed financial threats?

I need immediate assistance.									I'm completely set.
1	2	3	4	5	6	7	8	9	10

3) How disciplined is my savings regimen?

I need immediate assistance.									I'm completely set.
1	2	3	4	5	6	7	8	9	10

4) Do I have adequate liquidity to address unexpected events?

I need immediate assistance.									I'm completely set.
1	2	3	4	5	6	7	8	9	10

5) Have I addressed short-term debt?

I need immediate assistance.									I'm completely set.
1	2	3	4	5	6	7	8	9	10

ABOUT THE AUTHOR:

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Citations

[1]English Beat. *What Is Beat?* Go Feet / Sire Records, 1983.
[2]English Beat. *Special Beat Service*. IRS Records, 1982.
[3]English Beat. *I Just Can't Stop It*. Go Feet / Sire Records, 1980
[4]English Beat. *I Just Can't Stop It*. Go Feet / Sire Records, 1980.
[5]English Beat. *Special Beat Service*. IRS Records, 1982.
[6]English Beat. *Special Beat Service*. IRS Records, 1982.
[7]General Public. *All the Rage*. IRS Records, 1984.
[8]English Beat. *I Just Can't Stop It*. Go Feet / Sire Records, 1980.
[9]From "I Just Can't Stop It," 1980.

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