Rebellious Wellness over 50

Money, Know Where You Are to Plan for the Future

Gregory Anne: Welcome back everybody to another episode of rebellious wellness over 50. Today, we're going to talk about a different kind of self care. We're so used to talking about eating well and exercising and getting enough sleep. But do we talk about financial things? Not so much, but I think it's a super important conversation.

And today my guest, Russ Thornton is an expert in all things financial for women. Russ, thank you so much for being here.

Russ Thornton: Well, Thanks, Greg excited too to be here and have this conversation with it.

Gregory Anne: I've run across many financial planners and I've never met anybody who said they specifically like to work with women. What is it about that particular market that drew you into this?

Russ Thornton: So that's a pretty big question, but one I've given a lot of thought about. I've been a financial advisor for 28 years now. When I started fresh out of college, you know

anyone who could fog a mirror was something that I was, willing to speak with and hopefully, see if I can bring them on as a client. But what I've found over the years is that my particular communication style, and philosophy and approach to advice and planning, thinking very holistically and not just focused on a person's money or their bank account or their investment account balance, but really

exploring what the money's for and making sure that aligns with someone's values and priorities but also to the people and organizations that they care about. And, while I'm painting with a broad brush here, I generally found that my approach to money and advice resonates better with women than it does a lot of men.

And so over the years after fighting it frankly for quite a while I just kind of embraced it. And I found myself working with more women. I was being introduced to women that had gone through divorce or had become widows, some just single, never married.

And I really enjoyed the conversations that I was having with these ladies. Combine that with my personal story. About the time I was coming out of college ages and ages ago, my mom and dad went through a divorce and I was the oldest of three boys. We had a great family growing up. My dad was very successful.

My mom stayed at home and took care of my two younger brothers and I, and long story short, my mom, got a lot of assets, alimony and child support for my two younger brothers. Through some poor decisions on her part but more importantly, the lack of any good sound, financial advice along the way she is in her mid seventies and all she has left really is social security and a little bit of a pension, which she also got from my dad divorced. So, my brothers and I love my mom dearly, and always will, but we continue to live with the ramifications of some poor choices and not seeking good advice along the way.

And we see every day, the impact that has on her life, and indirectly in our lives. We just can't help but think how things could have been different. All those things kind of conspired for me to just really embrace this idea of focusing on serving women and helping them make the most of their life today while still being prepared for an uncertain future.

Gregory Anne: Yeah, it's interesting that you use the word uncertain cause to this morning, for some reason, I thought I hadn't heard from somebody and you get to a certain age. And when you're used to hearing from somebody, when you send a text and then you don't you think, oh my gosh, what if something happened? Turned out my phone was broken.

But anyway, as I was thinking about that, I thought we have no way of knowing what's going to happen in an hour, a minute, a month, nevermind 10, 20, 30 years that we might still live. And that's an uncertainty that we all live with.

Knowing that, that we're all going to live longer than we probably thought, I mean, everybody talks about our generation's gonna live into their eighties maybe their nineties, maybe even a hundred, but I don't know whether that makes a real impression. Like when you're telling your kid don't drive too fast, you might get into an accident.

They're like, yeah, yeah. Hit the gas pedal. At any age, we seem to still resist this idea of, you know, listening to somebody with more experience or somebody older say, these are things you might want to consider. You might want to plan a little more anyway. So I was just thinking , what would I have done differently

had I actually tweaked into this uncertainty piece planning for it? And something bad could happen. We could lose a spouse. We could have a medical issue that wipes our savings out. So planning has never been my strong suit, but I certainly understand the importance of it.

But in my group, a lot of entrepreneurs, nobody has a pension, but we also didn't think we had enough money to hire a financial advisor. Like what would they do with my little bit of savings? Can you speak to that? Is there ever a time when somebody just really shouldn't bother because they're going to waste the person's time?

Russ Thornton: I don't think so. And admittedly, maybe I'm a bit biased, because I'm so passionate about the work I do and that my colleagues in the financial advice industry, provide, what I would caution your listeners about is assuming that all financial advisors are the same and they all charge the same way.

So, I typically work with women in their fifties and sixties that have attained some accumulated, wealth. So I'm not the best fit for everyone. And I'll tell people quite frankly, and upfront. However, there are advisors out there that you can hire for a couple of hours just to give you a review.

There are advisors that will do a one-time financial plan, and that might be an hourly or a project-based arrangement or engagement of some sort. So I mentioned that because I think so many people are under this misapprehension that in order for you to work with a financial advisor or in order for it to be worthwhile or economically feasible to work with a financial advisor, you've got to have gobs and gobs of money.

Traditionally the way financial advisors have worked at with consumers I don't know that that's an inaccurate, but today you've got a lot more choices. So there are tons of advisors out there, of all ages with different specialties and focus areas that are happy to work with people on a limited engagement basis, charging them hourly or work out other compensation arrangement.

So Greg, I would say absolutely that I don't want to paint with such a broad brush and say everybody needs a financial advisor. I believe very strongly in keeping things simple. I think most people are capable of doing what I do. The problem is when it's your own money, very different making rational objective decisions, versus someone else that has a bit more objectivity that they can bring to the discussion by giving you advice.

I'm not saying the technical aspects of financial planning, investment management, estate and tax planning are beyond everyone out there but when you consider the fact that money is such a emotional part of our lives and it touches virtually every aspect of our lives, it can be very difficult to remain objective and make rational decisions.

Even at possibly your own expense.

Gregory Anne: Well, especially if people are advised to, or have a desire to, be in the market trading stocks, that's one of the most emotional places that we can play.

For most of us, it is an emotional thing, playing with our money, looking at our money, even paying bills can be very emotional.

I'm I'm curious because I've been recently eligible for social security and it's one of the most complicated things. I mean, between Medicare, which you have to get on, unless you're an employee. So for people thinking about taking their social security, when they turn 65 versus 70 and a half, there are all these factors. Like, are you still working? Will you make more if you hold out? Some people will say, take it early. Some people will say, wait until the last minute, do you have any feelings about that? Like, if somebody really needs the money, obviously they're going to take it.

But for people that don't have to take it right away, what would you say?

Russ Thornton: I have lots of feelings about that. So, a couple of things that I'll mention at the outset. There's this concept around social security called full retirement age. And your full retirement age could be different from somebody else's full retirement age and it's based on the year in which you were born.

So for example, if you were born in 1954 or earlier, your full retirement age is 66. If you were born a lot earlier that it might be 65, if you were born after 54, your full retirement age is 67. And so, for most people there are some rare exceptions, but for most people you can take, social security as early as 62.

You can take it at your full retirement age for purposes of this conversation. Let's refer to that as 66 or you can defer it to 70. Okay. If you take it at 66 or your full retirement age, you basically get the full amount of social security retirement benefits that you're entitled to and have paid into through FICA taxes for your career or you might've paid into it, even if you're self-employed, through self-employment tax.

If you take it at 62, typically you're going to lock in about a 30 to 35% reduction in benefits, relative to what you would have gotten if you waited to full retirement age. And for every year, past your full retirement age, up to age 70, that you're willing to wait your benefit goes up by about 8% a year.

There are very few 8% guaranteed returns out there. So that's not a bad deal. But you raise a good question, which is what if you need the money or want to take the money earlier. Can it make sense to do so? And the answer is yes. I caution people against being too formulaic or thinking in too black and white terms about their money or applying it to their lifestyle because everybody's in a different situation.

And the thing about social security, which you started to allude to earlier, Greg talking about, people and women specifically living longer, we don't know how long we're going to live. If you have a history of family illness or shorter life expectancy, that's a good reason to think about taking it sooner, because if you wait all the way to 70, even though you're going to get a larger amount, you might not live long enough to compensate for the fact that you decided to forego payments for those additional years if you had started earlier. We don't know how long we're gonna live so that's not anything I, or anyone else can answer for you, but that's something to think about and then think about your, your lifestyle. You may understand logically that if I wait till 70 or, or past 66, in this example, I'm going to get more money,

But more money is not always the best choice it often is, but not always. And so, given your circumstances, given when you decide to retire, given how much you have coming in from other sources, whether that's part-time work or maybe you continue to work, full-time, it may make sense to take a social security, sooner than later.

And then the last thing I'll throw in is there's this political aspect. You know, every time there's a federal election, social security gets batted around like a football because one, side's saying the other side's threatening to cut social security benefits, and it's used as this kind of a political football.

I don't know how much truth there is to any of that but there are a lot of people that are not very confident that social security is going to be there for the long haul. I think today, if you're in your late fifties, sixties, I would not think it would not be there for you. If you're much younger than that, I would consider reducing your expectations of social security.

I don't know anything that anyone else doesn't, there's just a lot of uncertainty around the longevity of the social security program as it exists today. So I'll take a breath. Hopefully I hopefully, I at least part of the, answer your question somewhere along the way.

Gregory Anne: No that was really helpful. So but at 70 you have to start taking your social security.

Because if you were still working, you're going to get taxed on that other money coming in from social, right, at a certain level?

So, if you're working and you take social security prior to your full retirement age, your social security will be taxed up to 85% of its benefits.

Russ Thornton: And so it depends on how much other income you earn either as Married filing jointly or filing singly. There's some, income ranges. So, up to a certain point, there's no taxation of social security between a lower band and an upper band of income. It's taxed at 50%. And then above that upper band, it's taxed up to 85% of, income prior to full retirement age.

If you continue to work beyond your full retirement age and start taking social security benefits. It's taxed, but your benefits are not reduced because of your because of your working income. Sorry. I conflated two things there. We're talking about taxation and reduction of benefits.

I think I confused the point there a little bit, but taking social security at, or after your full retirement age, if you continue to work, it does not reduce your social security benefits. Whereas if you take it before it can, and then the taxation works the same, regardless of when you started.

Gregory Anne: Okay, let me ask you about your, so you work specifically with women who have some wealth. They, maybe you can answer this for people that do not have the wealth that they wished. They didn't save enough, or they, and as we talked before, we hit record we're all living longer, but we don't know how long that's going to be.

For people that don't have wealth, don't have stocks, don't have an IRA or 401k, and they're in their sixties. What would be the one piece of advice you would give somebody who's heading into social security and maybe going to have to stop working, but doesn't have a whole lot of money in the bank to fall back on?

Russ Thornton: If I can give your listeners one piece of advice, it would be to take an inventory of where you are today. So regardless of your age, regardless of your financial, position or station, I encounter so many people of all ages. That can be everything from the adult, children of older clients, to my clients themselves.

When we first sit down, they don't really have a full grasp of their financial situation. They typically know what they earn. Very rarely do people have a good grasp on actually what they spend. They don't have a full understanding of everything they own and often, but not always, do they understand what they owe.

So I think the first thing you can do, or the first best thing to do is really just inventory. Like where are you? How old are you? What are you earning? If any what do you owe people? Credit card? College debt, mortgage, you name it. What do you own? That can be a home, an automobile, that could be savings.

It could be investments, maybe not. Then think about things that might be coming to you in the future. Things like social security, income, things like that. And you can do some pretty simple back of the napkin math to see whether or not those numbers add up. You've got social security starting next year, and you're going to get $2,000 a month, but you're spending $4,000 a month, that's going to lead to problems, probably sooner rather than later. And so you've got a couple of choices. If social security going to start, how do you make up that $2,000 a month difference between what your income will be and what your spending is? Well, you've got basically two options. You can reduce your spending, or you can increase your income.

So maybe you get social security and a part-time job, and you reduce your spending a little bit to a more manageable level so it better lines up with your income sources. I could go on, but I would say that's a really good first place to start is just to understand where you are, what you have, and get some clarity around the direction you're heading in.

Gregory Anne: That's great. Really, really good advice. And I, I work with clients and I always, we do an assessment. It's like, you are here when you go to the mall, when you're trying to find your way around the store, it's the same thing we assess exactly what's going on in their daily habits, their daily routines to see if any of those things are causing the results that they're not happy with.

So same kind of thing. Take a look at what is.

Russ Thornton: Yeah, one other thing I'll add is so many people are so eager to go in a direction, but they don't look down and see, where am I standing? Like what ground am I starting from? So, I love your analogy of like looking at one of those maps in the mall that says you're here or whatever. Um, I think, I think that's the best, best place to start.

Gregory Anne: Yeah. And whether it's health or wealth. And I've had conversations with guests I've had, I've been a guest on other podcasts where they are business for entrepreneurs. They want to have a health conversation, but how does health and wealth, like how did they line up?

And I think that the same way that we develop health habits is how we develop, put money in the bank. We have to have wealth habits and you may or may not talk to your clients about that kind of thing. They're probably more sophisticated, but, I wonder if you agree that building wealth habits is a thing?

Russ Thornton: I absolutely.

It's habits, it's routines, it's about, breaking bad habits or getting out of the inertia or the routines that we often find ourselves in that we just kind of have fallen into or, kind of accepted as our reality. And so whether you're talking about your health, whether that's diet, fitness or your money decisions.

Again, I encourage people, people to keep things simple. But it's really just, your life today is nothing but a culmination of small decisions leading up to today. So whether that's health or money-related or relationships or whatever the case may be, if you think of it in that context, it's really about making some small tweaks to those the small decisions, and it can radically change the direction of your life.

I couldn't agree more. I think it ultimately does boil down to habits. And because of that, the more you can apply automation, the less you have to make decisions. The, the more you can have money going where it's supposed to go. The more you can think about paying yourself first in terms of setting money aside into your 401k or into your bank account, or to pay down credit card debt or whatever the case may be, the more you can automate that,

so the less you have to make that decision, which introduces emotion and the behavioral biases and all sorts of other things that can trip you up. So yes, habits, but the more you can make those habits easy and automated the better, especially when it comes to your money. But that's probably the same with your health as well.

Gregory Anne: I wish I could automate my health. I wish my bike would ride itself. So let me ask you when, when you're talking about paying down debt, are you in the mindset that you can save and pay off that at the same time? Or do you always suggest paying off the debt before you start saving? Because I feel like that's an automated, like if I can start throwing a hundred dollars, $300 a month into an account automatically and still make my payments, even though there's interest that's tempting, but it might not be the right decision.

Russ Thornton: So, many people I encounter are, I think we're just naturally inclined to think either, or, you know, should I do this or do that? And nowhere is that more prevalent than with this idea of, should I save or pay off debt? But you hit the nail on the head. I absolutely believe that you can and should do both.

They're not mutually exclusive. Depending on the amount of your savings versus your debt, maybe you don't split it down the middle. If you've got $300 extra a month, maybe it's not 150 to each maybe you weight more to one or the other, depending on your goal or whatever your direction you're trying to go into.

But yeah, I think absolutely. And I encourage people all the time to think about replacing this idea of or with and. So whether that's paying down credit card debt or paying down your mortgage or whatever the case may be, you can absolutely still do that while setting money aside to build up an emergency fund or put money into a 401k or an IRA or whatever the case may be.

So, so yes, I absolutely agree with agree with that idea.

Gregory Anne: Oh, good. And I trust you. You've got a trustable kind of personality Russ.

Russ Thornton: Thank you very much.

Gregory Anne: You're welcome. So what else do we miss as women, especially, that we need to think about in terms of finances, what are the most common conversations you might have with women,

about the future, about retiring with money or saving for retirement, that kind of thing.

Russ Thornton: A couple of things. I've actually read some research on this that most women, not all, but most women have this innate, core fear that they're going to wind up broke and alone. And because of that, and these could be young women, but it impacts their decisions today.

What I regularly encounter is women that have done a good job of saving and preparing and planning, they're fearful of actually spending money or enjoying the financial resources they've set aside because they're just worried that A) they're going to outlive their money, which we've kind of addressed, or that something's going to happen and they're just going to wind up destitute.

And so the challenge in my work and the work of financial advisors and financial planners is how do you strike a balance between being well-prepared for this uncertain future? As humans, we're allergic to uncertainty so that automatically kind of gives us, anxiety and makes our skin crawl.

But how do you prepare for that uncertain future while still living a great life today? And so going back to the idea of paying off debt versus saving so many people think it's this either I, prepare for the future, I have to pinch pennies and be miserly and, you know, really sacrifice my life today.

Or, Hey, I'm going to live it up today and the hell with the future. I'll deal with that when I get there. Clearly, neither of those is a great option. So how do you balance those and how do you balance them in the context of the things that are important to you, and your family or your friends or your community, or whatever social circles you run around in.

So I think that really calls for this idea of taking a step back, looking at where you are but thinking about where you want to go from a very holistic perspective.

Clearly money plays an important role there. And under the umbrella of money, there's things like insurance and investing and taxes and estate planning, et cetera, et cetera.

But think about all the other areas where money can touch your life. You can give money away, you can give your time away through volunteering. And they're all interrelated, some more than others. I think a really under addressed idea is thinking in terms of balance and figuring out how you can do enough to prepare for the future, but not going to such an extreme that you're either sacrificing your lifestyle today and exchange for an overconfident future or vice versa.

I'll be the first to admit that's easier said than done. I mean, how do you figure that out? The only solution there is not to go find a financial advisor or a financial planner. There's some great websites. There's some great books. There's some great podcasts out there. So work to self-educate, learn, ask questions, talk to your friends, talk to your family members.

And by the way, just because a friend or family member has done something and it's worked for them, does not mean it's right for you. So always apply a little skepticism to whatever you may hear, no matter how appealing it sounds.

Gregory Anne: Do you have a favorite podcast in mind?

Russ Thornton: Let's see.

Gregory Anne: Well, something that are something that people who need to learn about money or investing, or, you know, just the whole thing about money, not necessarily your favorite podcasts.

Russ Thornton: Yeah. I would maybe point to a couple. There is a gentleman named Ramit Sethi

Recommended his book to everybody. That's a great place to start regardless of your age. Just kind of lay the foundation for financial management . He's also a big fan of automating things and setting up systems to make your habits easier. He's got a podcast that he started not long ago and it's super interesting.

He basically interviews couples and they talk about Money. And as you might imagine, it can get really, really interesting. I would encourage people to listen to that. Not because you're going to walk away with a great money idea or a tip, but I think it really does a really nice job of shining a spotlight on all of the psychology and behavior that goes into how we decide how we make decisions about money.

A lot of which comes from our childhood. Like, what were your first experiences with money? Were they positive? Negative? Did you feel like you had enough? Did you feel like you never had enough? Those early money memories, we carry with us throughout our lives and they unconsciously impact our decisions. So I think he does a really masterful job of surfacing some of those ideas and helping people see that money is not just a number.

Another one, another good kind of general financial podcast is Stacking Benjamins.

Gregory Anne: That's a great name.

Russ Thornton: Yeah, I haven't listened to it recently. But that's good, just kind of general. They talk a little bit about, a everything under the sun, as it relates to finances, financial planning, that sort of thing. So that's another good recommendation that your listeners might want to check out.

Gregory Anne: So one last question,

we're not disregarding the fact that it cost different amounts of money to live in different parts of our country. Maybe you can shed some light on this myth. Maybe it's not a myth that I've heard, which is that you need a million dollars to retire and live a halfway decent lifestyle because you don't know how long you're going to live.

Does a million dollar sound right?

Russ Thornton: Um, a million dollars does not sound right. Because I've met people and you might know people like this yourself, I've met people that have a million dollars and because of their lifestyle, they're never going to spend that money no matter how much they try.

I've also met people with a million dollars that that's not even going to begin to be enough money because of their lifestyle. One is not right and one's not wrong. It's just, what it is. And so a good rule of thumb, there's a lot of research from the academics to support this.

A good rule of thumb is if you have a million dollars liquid savings and investments that can generally produce about 4% of income per year, without depleting your principle. Meaning if the money's growing at more than 4%, that's enough to keep up with inflation and keep the money growing. So 4% on a million dollars is $40,000.

So if with social security, if you have a pension or other sources of income, and you have a million dollars that can produce about $40,000 a year before taxes, by the way, if that's enough for you, then yeah, a million might be plenty. But if you're spending, if you don't have a pension, you have social security, but you're going to spend a hundred or a hundred thousand dollars a year or more, then a million dollars a year's

probably not going to cut it. So again, it comes back to this idea of knowing where you are, knowing what you spend. And then you can back into, a good way to think of it is if you spend $60,000 a year for example, And I'm pulling out my trusty calculator because I never liked to do math on the fly, but if you take $60,000 and you divide by 0.04%, that means you need about a million and a half dollars to produce that income on top of social security and other sources of income.

I wish I could give you a better kinda soundbite answer, but, um,

Gregory Anne: that's a great answer cause it's more realistic . And also the calculation, because I think. I was basing my take home on a million dollars without depleting the, uh, the core of it at nine or 10%, but who gets that these days?

Russ Thornton: Right. Well, and again, if you take out nine or 10%, you're going to be eating under the principal.

So if you're drawing down the principal and you live a long time, then that's probably not going to end well, so, 4% is kind of the rule of thumb. There ways you could get a little bit more, but I would be very cautious about taking out nine or 10%. But as I often tell clients, when I get asked questions like that, it depends, which is not a very satisfying answer.

But I think in this case, it's, I think in this case it's probably the right answer.

Gregory Anne: It's really fair. Well, Russ, this has been really great information and I realize we took you in places that you don't everyday do, but I appreciate your working with me to give our listeners some good places to start thinking about their money.

If they haven't already hired somebody, maybe hire somebody. But if not, Find out where you are and whether you're headed in the right direction.

Russ Thornton: This was a lot of fun, Greg. I appreciate the opportunity to have to talk with you and share our conversation with your listeners. And, I enjoyed the variety of topics and the questions. That's what keeps my, my work really interesting because it's, uh, it's something different with everybody.

Gregory Anne: Good. Before we go tell your list, tell the listeners what your website is please.

The website is Wealthcare for women.com. You're welcome to come check me out there. I do some writing. I've got an email newsletter you can sign up for. I'm also on Twitter and LinkedIn, not too hard to find. If you have any questions still feel welcome to reach out and I'll be glad to help if I can.

That's very generous of you. Thank you. And thanks again for all your time. Listeners be well til next time, I'll talk to you next week.