

FRANK NEWSLETTER JULY

HAPPINESS (WELLBEING) AND FINANCIAL PLANNING

In my recent articles, I have explored research – predominantly from the field of positive psychology – into what, aside from a solid financial situation, contributes to happiness. I have shared how research has revealed that while income clearly contributes to happiness, this is only up to a certain point- beyond this satiation point, research suggests an increase in income does not automatically equate to an increase in happiness.

This is my last, concluding article on this topic and it ties happiness, referred to in this article as “wellbeing”, with financial planning.

Wellbeing is broader than financial wellbeing

What I have addressed in recent articles has also been explored by professor of Finance Meir Statman⁽¹⁾ in an article which appeared in the Journal of Financial Planning⁽²⁾. Statman states: “wellbeing is broader than financial wellbeing”.

Statman notes that there are four “domains” to wellbeing:

4 Domains of Well-being	
Finances Financial well-being underlies well-being in all its domains, and well-being in each domain is impossible without financial well-being	Family, Friends and Communities
Work and Activities	Health, both Physical and Mental

Statman recognizes that financial wellbeing underlies the other three domains. His key theme though, is that financial planners can enhance a client’s wellbeing by understanding not only the financial domain but the relevance of the other three domains to each individual client.

In his words: “financial wealth is only a way station to well-being”. Summarized, the take-away for financial planners is to listen carefully to a client’s needs and, when needed, help their clients to give proper value to these other three domains.



(3)

Retiring “with” rather than “to”

The same theme can be found in the work of a colleague of mine in the US, financial planner Robert Laura⁽⁴⁾, who made it his mission (and gained considerable reputation in the process) to address “retirement”, specifically “the psychological side after work”⁽⁵⁾. His ideas are, naturally, of interest to those who are retired but perhaps even more so to those who are not but one day will be, either in the shorter or longer-term future.

For the record, Laura is by no means suggesting that one needs to say goodbye to work at a certain age. In fact, he makes a strong point of how work can contribute to happiness (the subject of my previous article). Clearly, the goal post re “when to retire” has changed: Roger Federer and Serena Williams play Grand slam tennis at age 39, Warren Buffet runs Berkshire Hathaway at age 90, and the current US president is 78.

Footnotes:

- 1) Meir Statman PH.D. is the Glenn Klimek Professor of Finance at Santa Clara University Leavey School of Business from www.scu.edu
- 2) “Financial Advisers as Well-Being Advisers”, Journal of Financial Planning September 2009

- 3) From “Pinterest”
- 4) Robert Laura CPRC, AAMS, CMFC, CRPC . CKA from www.robertlaura.com
- 5) “The hardest retirement gap to fund and protect the psychological side of life after work”, presentation for the FPA annual conference Sept-Oct 2020

For those planning for retirement, Laura offers counsel worth considering, and it is along the lines of what I have covered in my previous article on happiness. His main message is rather than focusing on “retiring to”, where retirement is envisioned as a state “where finally happiness can happen” one focusses on what one is “retiring with”. And while solid finance is important to retire with, it is other “domains” (in Statman’s words) which are important as well. In describing these other domains, Laura has reached out to positive psychology, drawing on the acronym P.E.R.M.A. which was coined by Martin Seligman ⁽⁶⁾. Laura suggests that those who are looking to retire one day should optimize strengths in each of these 5 areas, and bring these into their lives today, ensuring they “retire with” as fulfilling a life as possible.

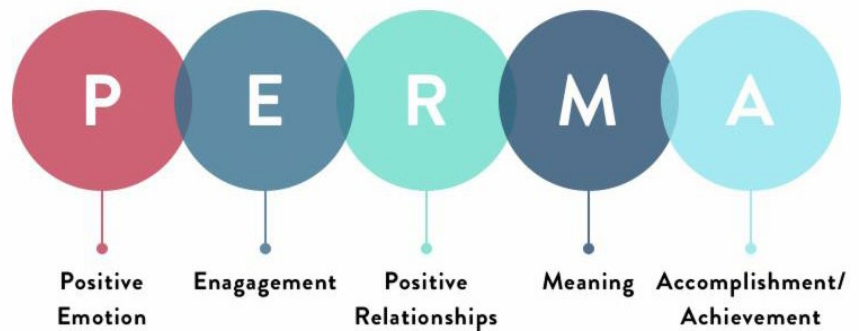
P= Positive Emotions

E= Engagement

R= Relations

M= Meaning

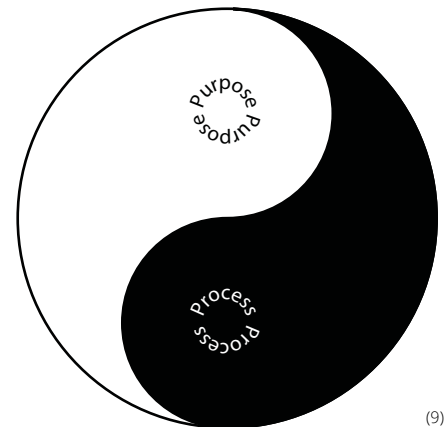
A=Accomplishments/Achievements



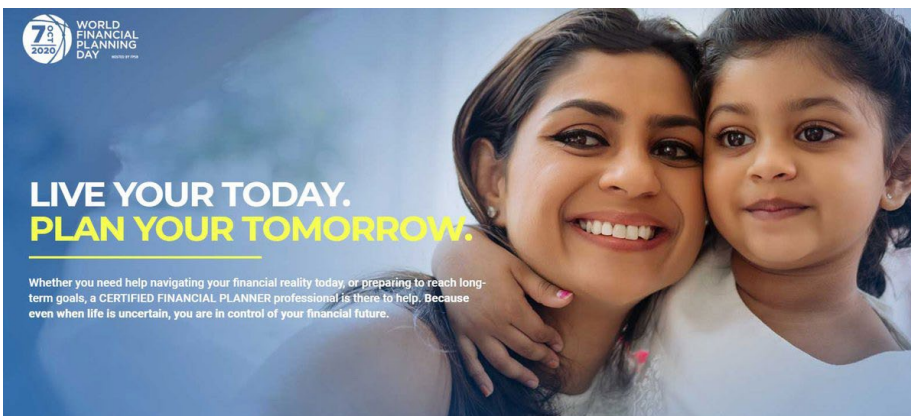
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Process and goal

I will conclude by reflecting on one final question, which often arises when speaking of or addressing happiness: is happiness a goal (the pursuit of happiness) or a sense of wellbeing in the moment (process)? There are a range of perspectives on the matter, and there is, in fact, an answer which corresponds with my own thoughts: this is that we need to value both purpose and process, the two are inextricably linked. In the words of Kevin Rathbun ⁽⁸⁾: “there is no dichotomy. We do not need to choose between Purpose and Process: they are the two halves of a well-lived life. We need both”.



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For financial planners this highlights the importance of ensuring that alongside the planning, the “process” side always remains part of the conversation.

Footnotes:

6) From www.positivepsychology.com

7) From www.optimisticspark.com

8) and 9) From www.quora.com “Which is more important, accomplishment or happiness” by Keith Rathburn

10) From www.cfp.net