



Money's White Lies

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It takes more than money to solve life's deeper dilemmas. Money can give the appearance of success, but it cannot purchase significance.

For example, money can buy a degree of freedom, but what if we were to turn around and use that freedom to support a less fruitful life? This was always my thought as I watched well-heeled and early-retired men (and yes, it was almost always men) whittle away their existence playing cards and drinking gin every afternoon at the local country club. They had enough money to do as they pleased—and their choice was a pleasure path void of significance.

Money promises to do an awful lot, but the result doesn't always pan out as expected or hoped. The short list of unreliable promises money makes would have to include the following:

1. You'll be safe.
2. You'll be secure.
3. You'll have peace of mind.
4. You'll be somebody.

Let's focus on the first two promises. I will address the other promises in a future article.

The intractable problem with the promises money makes is that it cannot deliver on most of the promises. Far too many people expect money to solve problems that are spiritual or internal in nature.

Examine the promises and then the reality people experience, then judge how well financial assurances hold up. This closer examination may aid us in better understanding what Jesus meant by the idiom "the deceitfulness of riches."

Money Promise No. 1: You'll Be Safe.

In other words, you'll have protection from, or non-exposure to, the risk of harm or injury.

Finding a place safe from harm, damage or loss is not possible on this planet. With sufficient funds, one can build an impenetrable fortress and buy the most advanced security equipment, but that is the extent of the protection money can purchase.

Consider the money/safety myth: The more money you have, the more of a target you become for the greedy, the criminally inclined, embezzlers and litigious deceivers. For example, how much does Bill Gates have to spend to protect his family and possessions? Would Charles Lindbergh have traded all his fame and fortune to bring his baby back?

Certainly there is a degree of safety in having health insurance to protect you against the threat of illness. Long-term-care insurance provides a margin of safety for those facing a long convalescence after an illness or injury. There is also safety in having a regular paycheck and a stream of income to count on.

Like all material provisions, however, these margins of safety have their limits. When people are confronted by the vicissitudes of life, safety may prove to be vaporous. If you have \$5 million in the bank, you could wake up tomorrow and get sued for \$10 million.

You can have the best insurance but wake up tomorrow and find out you don't have a job and your benefits have disappeared. If you retire with pension benefits and your former company files Chapter 11 to protect its corporate interests, your protection may very well burn up in the ashes of the company's action.

Depending on wealth for an internal sense of safety and satisfaction will be of little help to us when we are forced to deal with real life. For example, I have a friend who lost her home in a flood. The damages required more to repair than the home was worth. She owed the bank enough to make the situation untenable for her. She was forced to grieve the loss and move into an apartment, and her daughter was forced to delay her college education. It took a few years, but eventually they got their lives back on track.

Even those fortunate enough to have flood insurance to replace their homes lost so much—the familiar atmosphere, as well as precious tokens and mementos. No insurance company can replace the birthday cards the kids made for them when they were young. Having money to rebuild is not the same as having the kind of safety that really matters.

Money's promise of safety is flawed and limited. What can we do then? We can insure our stuff for what it's worth. We can avoid unnecessary risks. We can pray for protection. We can learn to live with what comes. But whatever steps we take to protect ourselves should come with the understanding that a sense of safety is an internal issue that the material cannot fully address.
Money Promise No. 2: You'll Be Secure

In other words, you'll achieve the state or feeling of being safe and protected, and be assured that something of value will not be taken away.

Every financial professional knows that investment returns operate on a risk/reward continuum. The more risk one is willing to tolerate, the more return one can potentially reap. If one cannot stomach risk, then one must learn to be satisfied with smaller, more marginal returns.

There is no escaping this fundamental principle of growing money. Occasionally, wanting to believe an illusion to the contrary, people fall prey to "can't miss," "ground floor" and "no risk"

pitches from con artists, opportunists and the sincerely misguided—only to find out that the risk/return rule does not bend to fascination.

Every asset is at risk because anything we touch is vulnerable to happenstance and calamity, not to mention the whims and flaws of human manipulation. For example

- A house can burn down because of faulty wiring.
- Tenants can leave an office building in a down economy.
- The government will insure your savings only up to \$250,000.
- Stocks are only as good as the current leadership in the company and the company's current competitive edge in the market. Both are transitory at best.
- Bonds and insurance policies are only as solvent as the companies, cities, counties, states or nations that are underwritten.
- Retirement plans are only as stable as the firms funding them, and insurance is only as stable as the insurer.

Everything and everybody is exposed to risk. In the CDO (collateralized debt obligation) meltdown of 2007-2008, financial companies told clients that their money market funds (which everyone assumed were perfectly safe) were invested in “cash equivalents.” If you consider overpriced homes bought by short-term speculators in Las Vegas (who quickly filed bankruptcy when the market turned against them) to be cash equivalents, then I guess people had all the security they needed.

There was one other crucial aspect that most people forgot to factor into this particular investment scenario: People lie, especially when money is involved. The loan applicants lied. The banks lied. The investment firms lied. The ratings agencies lied. Other human aspects (besides lying) come into play as well, and these also lead to greater degrees of risk. Take all the security you can from the following list:

- People are greedy.
- People jump on financial bandwagons that are headed for cliffs.
- People do stupid things with money.
- People demonstrate these tendencies over and over.

Financial professionals are obliged to do extensive due diligence when clients entrust their assets to them. Personal character and a pure professional record should be the baseline for any financial professional. The small margin of safety that money can afford is possible only when we work with trustworthy individuals—and when we are trustworthy ourselves.

Job Security?

The oxymoron “job security” is used to describe the level of insulation we feel we have from the Big Bad Wolf huffing and puffing and blowing our financial house down. But if we work for the typical major corporation, we are working for the Big Bad Wolf.

And he is not really concerned about anyone's security. He is only concerned about security for

his Big Bad Wolf self (and maybe a few of his pups).

He will promise anything as long as we bring him quarry to eat. But what do we do when his appetite becomes ravenous and irrational? How much security can we take from the everyday reality of the quarterly reporting corporation and from our understanding of human nature? One of the great gambles in our working life is trusting short-term thinkers who have irrational appetites for profit—people who will indiscriminately wipe out a thousand jobs if it puts a few million dollars in their own pockets.

Corporate promises are true until they are no longer true. We often mistake good intentions or reassuring talk for soundness and security. Take, for example, the airline pilot who flew for 30 years with the promise that he would receive a full pension and comprehensive health coverage in retirement, but today exists on a pension that is one-third of what was promised, and without health coverage.

A pension is a long-term promise. Should the economy change or a leader turn out to be stupid, opportunistic or greedy, the rules could quickly change—and the promise could be amended. So ask yourself what these promises are worth. Man-made promises all too often are worth little more than the paper they are written on.

I have chosen the entrepreneur's path because I have ideas I want to pursue in the way I want to pursue them. People used to say to me, "Wow, that sounds like a lot of risk." And I would look at the leaders or the track record of the companies they were counting on for their employment security and think, "No, that sounds like a lot of risk."

Security is based on trusting someone else to fulfill a promise. Who are you willing to extend that degree of faith to?

Money can help us arrange external realities, but it cannot rearrange internal reality. We will not be able to find the safety and security we seek in account balances. They are nothing more than numerical realities of the moment. The safety and security we seek is a matter of trust. The safest, most secure move we can make is to partner with those who understand what money can and cannot do.

Mitch Anthony is the author of The New Retirementality (Wiley), now in its fourth edition.