

# MONEY THOUGHTS: Five seasons of life

By Rajen Devadason - July 7, 2024 @ 9:00am



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HENRY David Thoreau's mid-19th century journal writings are considered fine American literature by many readers. This philosopher and essayist advised us all, in his Aug 23, 1853 entry, to...

"Live in each season as it passes; breathe the air, drink the drink, taste the fruit, and resign yourself to the influences of each..."

I take Thoreau's arresting sentence to mean all of us should proactively choose to be fully present in the myriad moments comprising every God-given day of our lives.

So, if we then compress our full lifespan into a stylised single "year", we might view our — actual and anticipated — evolving circumstances from young adulthood on through to our prime middle decades to the (likely) two distinct phases of retirement and then straight into our final waning months or years on Earth, as precious seasons that bleed into each other. If so, we should aim to facilitate smooth transitions from one stage of life to the next.

What do I mean?

Let's consider the likely changes we experience from the age of 25 to 95. Admittedly, some people begin earning decent amounts of money before the quarter-century mark, and growing numbers exceed 95 years of age with every passing month because of humanity's lengthening lifespans.

Nonetheless, taking an illustrative seven-decade snapshot of a long-lived person's journey throughout the five seasons of adulthood I mentioned above will help us appreciate the role and value of each of financial planning's three dimensions:

1. Wealth Protection;
2. Wealth Accumulation; and
3. Wealth Distribution.

### **THREE DIMENSIONS OF FINANCIAL PLANNING**

Wealth Protection (WP) is achieved largely, but not exclusively, using insurance.

Wealth Accumulation (WA) stems from our capacity to earn money; to manage it well by spending less than we earn, and then saving and investing the difference for a long, long time. Technically, though, the cash flow surplus we generate from our productive economic activities, like working and running a business, could also flow into speculating and gambling ventures.

In my opinion, gambling is stupid because by indulging in it, we conjure up a large economic risk where there wasn't one before; plus, the probability of winning is microscopic.

Speculating has higher odds of success, yet most people still lose heavily when they speculate.

Therefore, I tell my clients — and friends — I can only help them with the far less risky, far more intelligent and prudent disciplines of saving and investing.

Wealth Distribution (WD) focuses mainly on legacy gifts after we die. The two main tools are a will and a private trust. However, living gifts can also be made if a person has more than enough to fund his or her retirement and wishes to monetarily help children, grandchildren, charities and foundations with outright gifts of cash and other useful assets.

I recommend you take at least a full day, soon, to assess the current state of your WP, WA, and WD financial planning initiatives pertaining to the three key dimensions of holistic financial planning.

(You might then wish to reach out to licensed financial planners, lawyers, bankers, insurance and unit trust agents, and estate planners to plug in the relevant gaps in your long-term financial plan.)

## SEASONS OF LIFE

Bear with me now as I slice up a typical person's five seasons of life and map onto them the likely relevant decades of life. For each season, I will give you my professional opinion of which dimensions to focus more (and less) on:

Season 1: Young adulthood — 25-35;

Season 2: Prime middle decades — 35-65;

Season 3: Retirement Phase One — 65-75;

Season 4: Retirement Phase Two — 75-85; and

Season 5: Closing months or years — 85-90-95-???

(Note: I have assumed Retirement Phase One spans the ages of 65 to 75, and not from Malaysia's current retirement age because it is shockingly obvious to me our present official retirement age of 60 is too low. I say this for three reasons:

1. We're putting people out to pasture too early, thus squandering precious stores of viable human potential, experience, and knowledge, when our public education system is failing to produce young school leavers with decent grasps of English, mathematics, and science;
2. Most Malaysians face a huge retirement funding shortfall that can only be narrowed through longer working years; and
3. Malaysia's low fertility rate (FR) of 1.6 (the average number of births per woman) is well below the needed FR of 2.1 to hold any country's population steady, which means in the next two decades we will face a steep shortage of viable working adults.)

Obviously, for each of us our precise span of years for the identified seasons will vary. After all, we humans die at all ages from zero to about 118.

Based on the LLN or Law of Large Numbers, however, the Silver Tsunami of ageing humanity is an established global demographic mega trend. It suggests we are more likely to live long than short; for elaboration, read my 2022 *Money*

*Thoughts* column: [www.nst.com.my/lifestyle/sunday-vibes/2022/05/798287/money-thoughts-surf...](http://www.nst.com.my/lifestyle/sunday-vibes/2022/05/798287/money-thoughts-surf...)

The Silver Tsunami trend tells us that both financial planning and retirement planning warrant close attention by all responsible household heads. (I'll explain more next week.)

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