

## **FLYING TOO CLOSE TO THE SUN**

When I (Jim) took the CFP (Certified Financial Planner) test, there were 101 subjects covered. Those subjects included taxes, estate planning, insurance, and investing among others.

But the test did not include anything on the psychology of money. The hardest part of being a CFP practitioner isn't knowing the subject matter; it's how to nudge people into making good decisions.

Ben and Alice were an affluent couple who had everything going for them when I first started working with them. He was in his mid 50s making about a quarter of a million dollars per year; she was a stay at home mom looking after the 2 young children that they had just adopted.

One year, during the real property bubble, I noticed when I was preparing their tax returns that they had started buying real property. I was alarmed at that for a number of reasons, but mainly because they were putting their financial security at risk when they could ill afford to do so.

I asked them to swing by one day to chat about what they were doing. I wasn't going to tell them not to do what they were doing; I just wanted to make sure that they understood the risks and the tradeoffs. They were not interested.

A couple years later, when Ben was 60, he lost his quarter of a million dollar job and took a job paying just \$100,000. The mortgage interest on his rental properties alone was \$100,000.

Soon their savings were wiped out. They lost the rental properties. They were bankrupt. And as often happens when a couple face financial adversity, they divorced.