

Improving Financial Health

By

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Financial Health Questions

- Do you have a budget and are you following it?
- Have you looked at ways to invest in yourself?
- Do you understand the returns and risks of your investments?

- Wealth Therapy[®] is a psychologically mindful approach to personal finance
- The system organizes the wealth building process into a simple unified flowchart to help with the analysis
- You care because your patients care

Increase Wealth

- Save money
 - Improve Inflow
 - Decrease Outflow
- Invest wisely
 - Return
 - Risk

Money Flowchart

	Build	
	Assets	
	↑↑	
	Retention	
	Savings	
Inflow	↑↑	Outflow
Paycheck	⇒⇒⇒⇒⇒⇒⇒⇒⇒⇒⇒⇒⇒⇒⇒ Budget, Insurance Focused Planned Execution	Liabilities Extra Money

My Background

■ Education

- Board Certified Psychiatrist
- M.B.A.

■ Experience

- Entrepreneur (BrainMatriX, Inc.)
- Medical Director
- Private Practice

Overview

- Stress
- Money (Happiness and Envy)
- Savings and Investing
- 12-step model
- Preventing Financial Suicide

Stress

The image features a solid blue background. In the lower right quadrant, there is a faint, stylized graphic of a person's head and shoulders, rendered in a lighter shade of blue. The person appears to be looking towards the left. The overall aesthetic is clean and professional.

Stress

- A perceived threat that causes a physical and/or psychological response
- Minor stress can be stimulating
- Major stress can be debilitating

Stress

- Up to 80% of job related accidents can be blamed on stress related decrease in concentration
- Up to 60% of decreased productivity related to stress
- 60-90% of doctor visits are from stress-related symptoms

Stress in the workplace

- Poor concentration
- Short temper
- Little job satisfaction
- Low morale
- Absent
- Less productive

Stress in the therapy office

- Anxiety
- Substance abuse
- Depression
- Chronic
 - Heart
 - Cancers
 - Infections
 - Back pain

Treatment

- Exercise
- Relaxation techniques
- Support groups
- Therapy
- Medications
- Wealth therapy?

What causes stress?

- The American Psychological Association performed an study asking people the main causes of stress in their lives.
- What do you think people said?

Source of Stress

- Work → 74%
- Money → 73%
- Workload → 66%
- Housing costs → 51%

Mind

- Irritability or anger
- Nervous or sad
- Little interest and low energy
- Feeling of crying

Body

- Fatigue
- Headache
- Upset stomach
- Muscle tension
- Appetite change
- Grinding teeth
- Change in sex drive
- Faint or dizzy

Healthy Coping

- 82% of people felt they were managing their stress well
- 50% exercise or walk
- 54% listen to music
- 52% read

Poor coping

- Skipped a meal
- Ate too much
- Lay awake at night
- Drank too much
- Drinks more
- Smokes more

Adjustment Disorder

- Financial stressors fall in Axis IV
- How do we deal with this?

Holistic Approach

- Mind
 - Relaxation techniques
 - Mindfulness
 - Healthy financial behaviors?
- Body
 - Sleep hygiene
 - Balanced nutritional diet
 - Exercise
- Spirit

Stress and Money

- Money related issues cause stress
- Stress is hidden in psychosomatic complaints
- Unhealthy self-soothing responses to stress include overeating and substance abuse
- Understanding and dealing with the cause of the stress can help get to the root of the problem

What is Money

Early Currency

- Gift of economics
- Barter
 - Complete strangers
 - Would be enemies
- Sumer - large scale economy on commodity money, shekel (barley) (3000 BC)
- Babylonians - defining rules of economics (1760 BC)

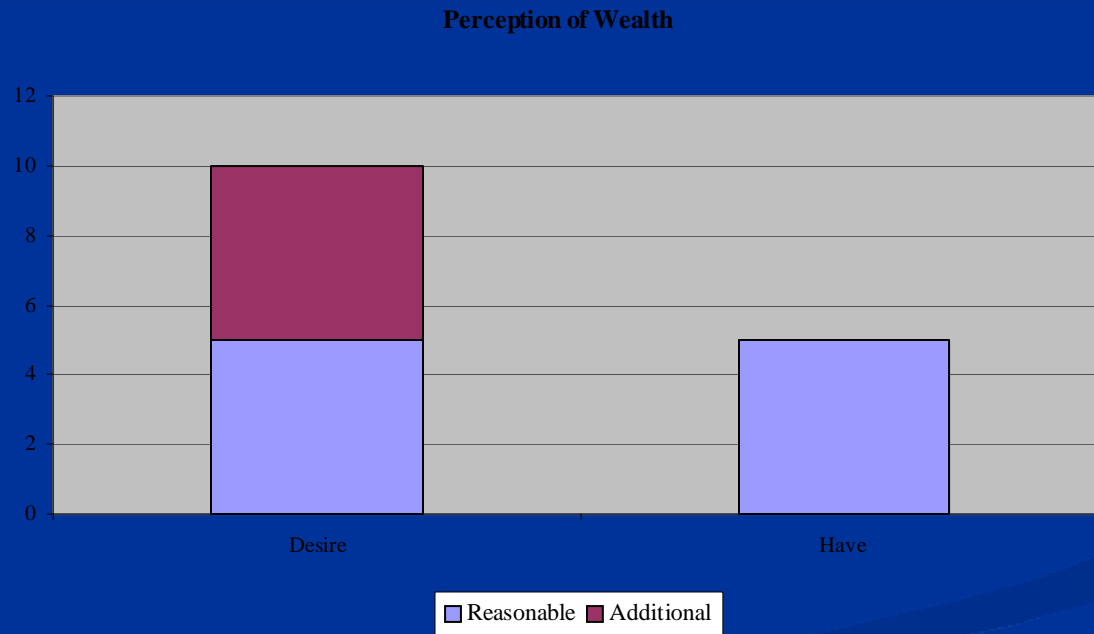
Emergence of money

- Egyptian grain banks
- Greece widespread coins (6th century BC)
- European goldsmith bankers (17th century)
- Deposit slips and IOUs became currency
- Banknotes
- Commodity
- Fiat currency (trust)

Does Money
Buy Happiness?

Perception

Abundance versus Poverty



Perception

- Mind: Blue Objects
- In Body: Toys
- In Spirit: Give to Receive

Happier

- Does money make people happier?
 - Are wealthier people happier than poorer ones?
 - What happens when someone moves up the income ladder?

WWII vets

- Soldiers with higher education had less happiness with promotions than those without
- Easterlin studied the Vets in the post war boom. No change in overall happiness
- Expectations drives the sense of poverty
 - High income person can feel poor
 - Low income person can feel well off
- High income people who used to be poor often times have fear of being poor again
 - Their well-being scores can be below the poor

Easterlin paradox

- Hedonic treadmill – once basic needs are met, relative income matters more than absolute income
- Set point – everyone has a happiness level, and it is only a matter of time before they settle back down to it after an event

Poverty

- Extreme poverty is associated with unhappiness
- After basic needs met, income is still important but increased happiness driven by:
 - Rising aspirations
 - Income differences
 - Financial security

Wealthy vs. Poor

- Within countries, wealthier people are happier than poorer people
- In general, wealthier countries happier than poorer ones
- Inter-country, wealthier no more happy than poorer people

Sudden Wealth

- Sudden Wealth Syndrome
- Income effect
- Affluenza

Lottery Winners

- 137 winners of £1,000 - £120,000
- Increased stress immediately following for win over £1,000 up to a year
- Two years out, there is a significant improvement (1.4GHQ) in overall feeling of well being over £1,000

Lottery vs. Accident

- Adaptation theory – how does current experience compare to past history
 - Contrast – past positive experience shifts adaptation level making new experiences exciting and old ones mundane, the negative one making mundane experiences more exciting
 - Habituation – the positive event loses its magic, the negative one its impact

Lottery Winners

- Improved financial security
- More leisure time
- Retirement reality
- Minor celebrity

Simple Things

- Winners found less pleasure in the simple things
- Accident victims slightly less pleasure than control group, but not significant

Lottery vs. Accident

- Lottery winners and control equally happy before winning, today and looking ahead → adaptation
- Accident victims were happier than controls about their pasts (nostalgia), but were less happy than controls about today, but same looking ahead (but almost half refused on future) → no adaptation
- Winners 71% chance (deserving), Accident victims 33.6% chance (not deserving)

Misperceptions

- Researchers have found that people who are poor or disabled are just as happy as those who are well-off and healthy (mixed)
- People tend to overestimate the psychological impact of both good and bad events on others

Envy

\$57,000,000,000 spent on lottery tickets in U.S.
each year or on average \$500 per household.

(9x amount spent on movie tickets)

-TV Show “Lottery Changed My Life
9/9/2009”

Popular Assumptions about Lottery Winners

- Become irresponsible with money
- Stop working
- Bigger and better everything
- Eventually bankrupt

Self-Serving

- Self-serving bias – more favorable view of self versus others
- Janet becomes:
 - Extravagant
 - More suspicious
 - Into appearances
 - People less important
 - High expectations of others
 - More grumpy and sad

Self-Serving

- Self becomes:
 - More generous
 - Volunteer work
 - Donate money
 - Stay in school

Perception

- Affluent perceived as:
 - More abilities
 - Greater control
 - More educated
- Less affluent perceived as:
 - Warmer and friendlier

Deserving

- Self-made seen as more deserving than luck or inheritance
- Making an effort was appropriate and not doing so was inappropriate
- People preferred the affluent lifestyle

Affluent Personality Perception

- Affluent more conscientious and less agreeable
- Self-made more conscientious and open to experiences than inherited
- Self-made more agreeable than inherited
- Self-made more risk taker than corporate ladder

The Joneses

- Comparisons
 - Internal
 - Past living standards → strongest
 - Local → next strongest
 - Parents
 - Classmates
 - Co-workers
 - General social ladder

Social Comparisons

- Investigate the characteristics of the reference group in the US General Social Survey
 - Age → strongest
 - Race
 - Sex
 - Religion

Reference Group Focused Therapy

- Assumptions:
 - Person's experience dependent on context
 - Reference group impact depends on importance
- Define internalized reference groups
- Analyze triggers with respect to the groups
- Role playing between the different actors
 - Reflective self vs. secondary self

Easterlin Update

- Marriage/Divorce and Health/Disability have lasting effects on happiness
 - No setpoint
 - No hedonic adaptation
- Increased income does not have lasting effect on happiness (over the life cycle)
 - Hedonic adaptation
 - Social comparison

Being happy

- Money
- Health
- Family
- Friends
- Control of one's life
- Spare time
- Work that is satisfying

Savings:

Inflow

Financial Range

- \$10,000,000
- \$5,000,000
- \$1,000,000
- \$500,000
- \$100,000
- \$50,000
- \$10,000
- \$5,000
- \$1,000
- \$500
- \$100
- \$0

Money Flowchart

Inflow		Outflow
Paycheck	⇒⇒⇒⇒⇒⇒⇒⇒⇒ Budget, Focused Planned Execution	Liabilities Extra Money

Motivate Savings

- Three themes
 - Avoiding debt and achieving security
 - Self-gratification (vacation, hobbies, toys)
 - Preparing for old age

Improved Inflow

- Education
- Skills
- Experience
- Temperament (part of the 50% variance)

DNB Household Survey

- 2000 households
- Extraversion-desire for human interaction
- Agreeableness-help others and cooperate
- Conscientiousness-following rules and staying on schedule
- Emotional stability-secure, happy, calm
- Autonomy-make independent decisions

DNB Household Survey

- Emotional stability rewarded for men and women (correlated with productivity)
- Extraversion and Agreeableness lower wages for women
- Autonomy rewarded in later career men
- Conscientiousness rewarded in early career men

Money Beliefs and Behaviors

- Obsession (men, less educated, lower income, alienated)
- Power/ Spending (younger, HS educated, lower income)
- Retention (older)
- Security/ Conservative (women, older, more than HS)
- Inadequate (none)
- Effort/ Ability (men, older, less educated, higher income)

Decrease Outflow

Inflow		Outflow
Paycheck	⇒⇒⇒⇒⇒⇒⇒⇒⇒ Budget, Focused Planned Execution	Liabilities Extra Money

Budget

	<u>Affordable</u>	<u>Unaffordable</u>
<u>Planned</u>	Healthy Budget	Self-Destructive Budget
<u>Unplanned</u>	Extra Money - Okay	Extra Money - Dangerous

Lower Limit

Rent:	\$1,500
Food:	\$700
Telephone:	\$75
Cable:	\$80
Utilities:	\$90
Transportation:	\$105
Entertainment:	\$400
Credit Card:	\$250
Unplanned Spending:	\$2,000
<hr/>	
Total:	\$5,200

- How much are you paying yourself?

Lower Limit

Safe Savings:	\$800
Rent:	\$1,500
Food:	\$700
Telephone:	\$75
Cable:	\$80
Utilities:	\$90
Transportation:	\$105
Entertainment:	\$400
Credit Card:	\$250
Extra Money:	\$2,000 → \$1,200
<hr/>	
Total:	\$6,000 → \$5,200

- How much are you paying yourself now?

Generating Income

- All resources have some value
- Doing something with those resources which transforms them and increases their value to the world
- Delivering more and more value to the world by:
 - Providing more value to your current customers
 - Providing value to more customers

Make More

(Give more Value)

- Bob is a therapist.
- Bob focuses on mood and anxiety disorders.
- Bob lives in Los Angeles where people seek his services.

Make More

(Give more Value)

- Bob starts providing group sessions instead of just individual sessions.
- Bob gets certified in CBT and later learns DBT to deal with more complicated cases.

Negative Inflow

- Debt issue with lower household income
- External financial challenges
- Social support for debt
 - Know others in debt
 - Less likely to have others disapprove of debt
 - Friends would think it is normal to have debt

Factors Impacting Balance

- Positive attitude more likely to borrow money on credit cards
- Increase education and income have increased balances
- More cards and higher interest rate, higher balances
- Late or missed payments, higher balances

Debtors

- Family and friends understand if they owe money
- Parents were financially good and better off
- Less money than those around them (including TV) and it bothered them
- Missing appointments
- Feel they are poor money managers
- Less likely to own car or phone
- More likely to buy cigarettes and Christmas presents
- Attitude towards debt and locus of control not different

Debtors Anonymous

- Started in 1968 from AA members
 - “Penny Pinchers” and “Capital Builders”
- 1971 adopted 12-step model but stopped after a few years
- Started again in 1976 and has grown to over 500 meetings in U.S.

Savings: Outflow

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Liabilities

- Something that you owe that other people value now and/or will value in the future.
- Something that prevents you or diminishes your ability to provide a product or service that other people value.

Liabilities

- Obvious Liabilities
 - Debt, overspending/ shopping
 - Probabilities
 - Gambling
- Hidden Liabilities
 - Unclear Probabilities
 - Investing
 - Opportunity Costs
 - No Plan
 - Fear

Upper Limit

(Reservoir)

- \$10,000,000
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- \$100,000
- \$50,000
- \$10,000
- \$5,000
- \$1,000
- \$500
- \$100
- \$0

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Spend Less

- Can I buy this _____?
- What is my budget?

Financial Purge

- Savings exceeds upper limit
- New ideas of things to buy
- Shopping behavior engaged

Compulsive Shopping

- Lower self-esteem
- Money solves problems
- Money for comparison
- Spending for status and power
- Never enough money
- Conflicted over spending

Upper Limit

(Reservoir)

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- \$1,000
- \$500
- \$100
- \$0

Where You Are

- Lower Limit (Stream)
- Upper Limit (Reservoir)
- Money Behaviors

Shifting the money behaviors

- Write out the behaviors at the Upper and Lower Limits
- Name the states of mind
 - Lower: tight, budget, limited
 - Upper: my turn, pay day, shopping
- Shift the locus of control
- Mindfulness techniques to identify current state and shift in state (wallet, cards, check)
- Create a plan to shift the activation of these states

Investing

Money Flowchart

	Build	
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	↑↑	
	Retention	
	Savings	
Inflow	↑↑	Outflow
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Assets

■ Assets

- Something that you own that other people value now and/or will value in the future.
- Something that allows you to provide, or that improves your ability to provide a product or a service that other people value.

Assets

- Active Assets I & II
- Passive Assets

Active Assets I

- Tools
- Knowledge
- Information

Bob's Active Assets I

- Bob has the **Tools** and **Knowledge** to provide therapeutic services
- Many people in his town can potentially benefit from his service and can afford it
- Bob purchase **Tools** that allow him to write his notes and bill more efficiently
- Bob obtains the **Knowledge** to deal with more complex cases that other therapists cannot
- Bob obtains **Information** about the best way to reach out to his potential client base

Active Asset Phase II

- Starting a Business
 - Customer Base
 - Products & Services
 - R&D and Staff Development
- Organize People with Tools, Knowledge and Information to fulfill Customers' Needs.

Underearners

- Earning less than is necessary to pay your bills and build up your savings/retirement
- Absolute income does not matter
- People who do not make use of active assets
- Refuse money coming into their lives

Treating Underearning

- Admit the problem
- Ask for what you are worth
- Get a clear sense of your financial situation
- See the wealth in your life
- Surround yourself with financially healthy people
- Make money your friend

Assets

- Active Assets I & II
- Passive Assets

Passive Assets

Gambling

vs.

Investing

Money Flowchart

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RISK

The Right Call

- Professional players pride themselves on making the right calls and not winning hands
- They win in the long run even if they lose the current hand
- Process over outcome

It's probably worth...

- 100% chance of getting \$1,000,000 is worth \$1,000,000
- 50% chance of getting \$1,000,000 is worth \$500,000
- 10% chance of getting \$1,000,000 is worth \$100,000

Risk

- Each investment is worth the potential return multiplied by the probability of it working out.
- $\text{ROI } \$100 \times \text{Success } 20\% = \text{value} \rightarrow \20
- $\text{ROI } \$50 \times \text{Success } 80\% = \text{value} \rightarrow \40
- If you do not know the probability of success, you do not know the value of the investment.

Vigorish

- Slot machines – 2-25%
- Roulette – 1.35-3.7%
- Craps – 0.7-16%
- Blackjack – 1%
- Poker – entry fee

Problem Gambling

- Money motivation same for all gamblers
- Periodic wins reinforce the behavior
- Negative outcomes lead to negative feelings
- Problem gamblers get a release of tension from gambling
- Blind to consequences of gambling
- Excited
- Others' approval

Problem Gambling Risk Factors

- Demographic: <29, Male
- Cognitive Distortions: erroneous perceptions, illusion of control
- Sensory
- Reinforcement schedule
- Psych: OCD, substance abuse
- Breaking the law

PG Comorbidities

- 62.3% psychiatric disorder
 - 34.8% one
 - 24.6% two
 - 2.9% three
- 23.2% alcohol abuse or dependence
- 17.4% Adjustment disorder
- 14.5% Antisocial PD
- 27.5% other PD
- 8.7% Mood disorder
- 4.3% Anxiety disorder
- 2.9% other substance abuse

Does personal luck exist?

- Gambler's fallacy – if it hasn't paid out in a while, then it should now
- Start from gambler's beliefs and make adjustments
 - “Clarify half-truths or misunderstandings.”
- Gamblers may not understand the math
 - Teach them how it is due to chance
 - Let people know average plays needed to win each prize

Gamblers Anonymous

- GA started in LA in 1957
- Over 1,000 chapters in U.S.
- 22.4% do not go to second meeting (in Scotland)
- 15.5% attend two meetings
- 69.4% attend 10 or less
- 18.1% stay for over a year
- 7.5% 1-year pin
- 7.3% 2-year pin

Treating PG

- Higher abstinence in patients who are in treatment along with GA (39-56%)
- Functional analysis
 - Triggers
 - Positive and negative consequences
- Leisure activity checklist (including GA) and homework
- Brainstorm ways to manage triggers, cravings and urges

Treating PG

- Skills training and role playing
- Track triggers, cravings, social challenges, and responses weekly
- Education of gambling misconceptions
- Attempt to plan ahead for future life events

Losing Investments

If you continue to invest your money into something that clearly does not give you a return, then is that an investment or a gamble?

Passive Assets

- Someone else is managing the Active Assets.

Stocks	Fractional ownership of a business.
Bonds	IOUs from a business.
Mutual Funds	A business that focuses on managing assets including but not limited to stocks, bonds, derivatives, real estate and currencies.
Agreements	Licensing arrangement or other contract.
Real Estate	Properties with or without buildings.

Passive Assets

(Buy Low, Sell High)

- Getting In:
 - What is the quality of this investment?
 - Is the growth path clear?
 - Is there a gap between perception and reality?
 - Does the story behind this gap make sense?
- Getting Out:
 - Was my goal reached?
 - Was my perception off?

Buying a Car

Would you buy a car for \$60,000?

Buying a Car

- Would it make any difference to you if that car was a new Honda Accord or a new Porsche 911?

Wealth Therapy®

- Rule out any underlying psychiatric disorder.
- Make a plan with dates:
 - Money Flow Diagram Behaviors
 - Budget
 - Active Assets
 - Financial Planner
 - Steps to get you there
 - Challenges and ways to overcome them

Financial Health Questions

- Do you have a budget and are you following it?
- Have you looked at ways to invest in yourself?
- Do you understand the returns and risks of your investments?

Wealth Therapy®

- Points of failure on money flowchart
 - Make appropriate referrals
 - 12-step group
 - Life coach
 - Financial Planner
- Relationship with money
- Right people
- Managing it regularly

Right People, Right Job

- Lucky People
- Passion
- Value/ Integrity
- References
- Gut

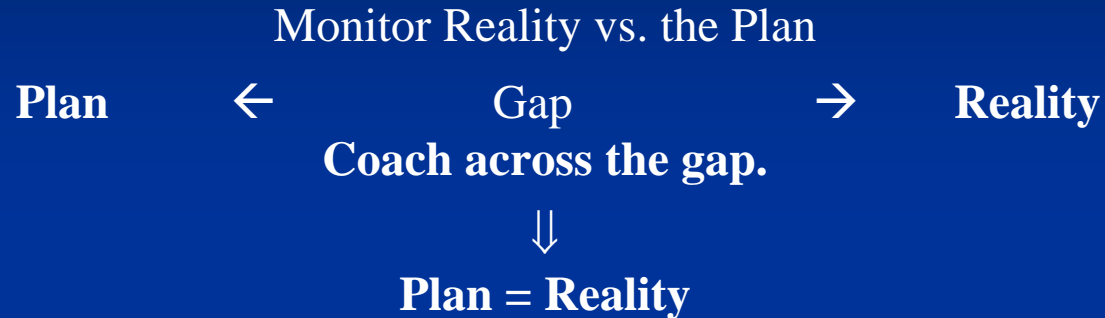
Model of Change

- Cognitive Behavioral Therapy
 - How you perceive the world influences your response.
 - Who have learned behaviors that give you desired or undesired outcomes. You can unlearn behaviors.
- Change the way you organize your world.
- Look at your behaviors and create a plan to modify them as needed.

Comfort Zone

- Map out your range.
 - What number gets you to take action to try to increase it?
 - What number gets you to take action to try to decrease it?
- What do you believe your target to be?
 - Regardless of what you may consciously think your target is, your real target is somewhere in the range of your actions.
- Does your range include your desired target?
 - If no, then you will have to work to shift your range.
 - If yes, then you will have to work on your monitoring mechanism.
- What is your mechanism for perceiving the gap between your desired target and your current reality?
- Are your responses healthy and productive or unhealthy and unproductive?

Script Your Life



1. Have a plan.
2. Monitor your actions (reality) against that plan.
3. Notice the gap.
4. Monitor your background thoughts and feelings and look for things that may undermine your healthy and productive behaviors.
5. Coach yourself across the gap i.e., motivate yourself to do what needs to be done for your plans to become reality.

Financial Suicide

- Patients engaging in activity that severely compromises their financial standing.
- Patients engaging in activity that exposes them to significant financial risk.
- I advocate speaking up.

Increase Wealth

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 - Improve Inflow
 - Decrease Outflow
- Invest wisely
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 - Risk

The End