

Lessons Learned From a Repo-ed ATM Card

If you have young spendthrifts as clients, try these tips to illustrate the error of their ways



Here are some ways advisors can illustrate to clients the error of their spendthrift ways.

I'll never forget the day the ATM on my college campus ate my card. I was way overdrawn – had been for some time – but was hoping that divine intervention would put money into my account. Not only did the machine not dispense cash, it told me I was no longer welcome to bank there and didn't return the card. Making it worse was that this happened in front of my friends. They started laughing and never stopped. I was not only horribly embarrassed, but heading into the weekend flat broke.

My parents would have welcomed me home for the weekend but I'd have to take the Greyhound from New Orleans to Mobile because my car had been immobilized

by a wheel-boot due to unpaid campus parking tickets. Calling home for more money was out of the question – my parents had been very clear about that when I tried it before. So, resigned to change my fate, I found a job waiting tables at a restaurant about a mile and a half from campus and waited tables for the next three years until graduation. I quit the rowing team, dialed back my social life, and went to work and class. I walked to and from the restaurant sweating through my black pants, white shirt and royal blue bow tie in the thick New Orleans heat until I could gather enough cash to get my car released.

I was awful with money. I had no ability to control my spending or budget for upcoming expenses. It continued for several years after college and today, well over 20 years later, those emotional memories live just beneath the surface. Truthfully, money scares me. Rather, mismanaging my money scares me and I've mismanaged more than my fair share.

Beware the Reformed

Today, I've taken my fear of mismanaging money the exact opposite direction. I've even been told that I save too much; that I'm living a Busch Beer lifestyle while saving for a Dom Perignon retirement when I could live a happy Korbel medium every day. My wife is much the same. Her first job out of college paid her exactly \$1,000 per month and she only got paid 10 months a year. Amazingly, she found \$25 a month to put into Coca-Cola's dividend reinvestment program.

However, advisors and friends alike tell me regularly that my wife's and my savings habits are far from normal. The fact that we save at all makes us unique, so we're told, as most people we know are probably living paycheck to paycheck. An advisor told me that many people my age and younger are unaware of how to use a tax-deferred account to save for retirement. That's a shame.

The money scars I developed in my 20s are certainly a big part of my motivation today. But what would I tell my peers if they came to me with no savings and wanted advice? I'd tell them something like this:

1. Just like the way a doctor describes a patient's future if they don't change their sickly lifestyle, begin by painting a picture of their future if they never change their savings habits: living with their children, no travel, no eating out, etc. Say it this way, "Here is what happens to most people who have saved little or nothing for their retirement"
2. Start a new behavior that is easy to implement and that can be built upon. Set a goal that's easy to achieve, celebrate when you've reached it, then immediately set another goal.
3. Find retirees who live a lifestyle you'd enjoy and ask them what they did to prepare for it. Learn how they saved and where their money comes from today. Most are happy to talk about it.
4. "Want what you have, not what you don't have." I wish I knew who said that, but I say it to myself frequently and it keeps my own spending habits in check.
5. Finally, enjoy the deep satisfaction, the wonderful sweetness, of getting started and the instant reward of engaging in a comprehensive plan that you know will address your challenges. After all, fear and hope are not a plan.