Should you Die with Zero

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Keith: Welcome to the Empowered Investor. My name is Keith Matthews and I'm joined by my co-host Marcelo Taboada. Marcelo, how are you today?

Marcelo: I'm doing great. I'm super excited about this episode. I think it's going to be a great one. It is a different concept but yeah, I think listeners will enjoy it.

Keith: Absolutely. We're doing essentially a book review on an amazing book that is in our library. Before we get to the book review, Marcelo, why don't we take a few moments and talk a little bit about the history of the library. You're the architect behind it. You've got great energy in terms of reading and bringing books to our team. Talk to us a little bit about the library, what it is, what your thoughts were, and what we're trying to do with it.

Marcelo: Right. So first of all, I think it's a reflection of the culture we have here at the company. People want to learn. People are intellectually curious. We're always sharing ideas. We consume them in different ways. You know, some people like podcasts, some people like articles, and some people like books like myself. And then I think it all started when Jackson and I started just like exchanging books. And then, you know, I came up with the idea of why don't we build a library that we can take advantage of and that clients can take advantage of. It's going to make us better advisors, better human beings. So we have everything in there, right? We have history, we have financial history, we have books about personal finance, we have books about improvement, self-help, heck, even some philosophy in there. So yeah, it's super exciting.

Keith: Well, I absolutely love coming into the office and going into the lunch area, for example, and hearing you guys all talking about books that you're reading and debating and discussing. I think it's fantastic. You have up to about 50 or 60 books in the library right now. It's going extremely well. Everyone's reading them. We're handing them out. It's great.

Marcelo: Yeah. And it's growing. I mean, the list is about 100-150, but we're going to keep adding as we go. And you know, there's never a shortage of ideas.

Keith: Well, which leads us to today's topic. You've suggested that we do a discussion on a book called *Die With Zero.* It's got an impactful title here, Marcelo. So tell us a little bit about the author and a little bit about the concept of the book.

Marcelo: So the book was written by Bill Perkins. So this is a super interesting guy. He was a very successful energy trader. He has an engineering background. So bear in mind that engineers have a very distinct way of thinking about things. So I think that what the genesis of his idea for writing this book was, "Listen, like I have all this money. And I'm probably going to die with a lot of money and I'm not going to optimize my money." Right. So he writes this book *Die With Zero.* And the whole concept in the book is about you should be optimizing your nest egg, your money that you've worked so hard to enjoy when you're retired, and you should optimize it in a way that maximizes the life experiences and adds purpose and fulfillment to your life. So if that means dying with zero, it's a process where you say, "I'm going to have X when I die. Therefore, if I plan well, I should be able to spend all this money and optimize it to maximize my life experiences and my overall life."

Keith: Okay. So, I mean, it's a little on the extreme side, the word zero, but clearly the concept is trying to encourage people to spend some of their resources that they've worked so hard for over their lifetime and start spending it perhaps sooner than they might've thought on experiences. So we're going to go through sort of the framework of the book. There's definitely concepts that we discuss with our existing clients on a regular basis, but it does shed some light on some sort of new twists. So, let's start with the problem that Bill identifies. What is he suggesting is the number one issue within sort of the planning or the investment or just investors at large?

Marcelo: So the conventional financial wisdom is that it's pretty much conditioned us to fear of having too little as we age. And some people's fears are irrational. They will have plenty of resources and they're not optimizing their nest egg. They're not optimizing their finances. And that is pretty much what he identifies as the main problem. So in other words, I mean, this is my words, it's not his. I think what I read from that is that money should have a purpose, especially if there is a large estate planned at the end in the horizon. So that's sort of like what the problem is.

Keith: Okay. Fair enough. And so what's he suggesting as the number one recommendation to solving the problem?

Marcelo: Well, it's to optimize all the dollars that you've used. So it's different things to different people, right? Like you're going to like rugby, I like soccer. People like different things. So we're going to have different ways of spending our money. But his main recommendation is maximize your positive life experiences. So do things that are going to maximize your fulfillment and your happiness as you go through life.

Keith: Yeah. And then he goes one step further and essentially suggests you need to actually plan to do this. Because if you don't plan, if you don't put an action plan in place, you'll never do it. There's a strategy that, and we've talked a lot about this with clients before and investors, you know, in general, create a bucket list, create a list of things that you would like to do and start doing them. Yeah. There's some conventional thinking in here, but it's a framework that he puts around it. I think that's fascinating. So what solution is being proposed here? Start investing in experiences at a young age. So young age, what does that mean exactly?

Marcelo: Yeah. It says like there's something called the memory dividend. We'll talk about it later, but it is essentially that your life is a sum of all your experiences. And you know, there are a lot of things that you can do when you're younger that you can't do when you're older. So by having this like calculated approach where you say, okay, I've accumulated this nest egg and even for young people, like somebody like myself, you know, if we start thinking about this ideas, we can do things now that we may not be able to do in the future, but it requires a lot of planning and it requires a lot of awareness as well.

Keith: Yeah. Fair enough. Fair enough. And I think part of the basis behind the experiences that he would point to is a lot of the psychological studies that show that experiences and doing things with people and having relationships and feeling part of a community will bring additional happiness.

Marcelo: A hundred percent. And you know, like what's interesting is you're seeing a generational change. I think, I mean, you and I have had this discussion many times, but I think my generation is more aware of this, that we know it's better to have experiences than buying material things. But I think that shift is happening across many generations, even though it's more present in younger generations, it is starting to happen. And I'm seeing it more and more in older generations, which is great. And the other interesting thing is you mentioned relationships. So, I'm just reading this great book right now, which is not this one, but it's called *The Good Life.* And it's about the Harvard happiness study. And they've studied people since 1933. So right at the beginning of the Great Depression, and they follow them for all their lives. So they've come to the time where like the first generation of people, and they're studying their kids and their grandkids and pretty much what makes people happy. But the one thing that's constant when you control for every other factor is the number one reason that predicts happiness or fulfillment in a person's life is relationships, which is amazing, right?

Keith: Well, we've had Andrew Hallam on as a guest, Heather Martin, the wheel of wellness, and all of the research points to community, purpose, and relationships. And so it's not surprising, of course, that *Die With Zero* will use this as a basis with regards to supporting the idea of go out and do these experiences.

Marcelo: Right. And they cost money, right? Like hosting a dinner with friends, going on a trip, buying these experiences, you know, whether that's going rock climbing or attending a soccer game. There are experiences that cost money. And sometimes I've been caught myself in situations where, oh, you know, like I need to be saving an X amount. And I think if you do a budget and you have all this, you've taken care of your savings. Sometimes you've got this urgency of being a bit stingy. And you know, if you are planning well, again, this is very, it's key here. We're not saying go spend and not save, right? Because that's not what we're saying. But if you're taking care of all the things you're supposed to be caring for, you know, we've talked about like financial planning, you should be saving 10-20 percent of your income depending on age. Like you should invest in these things because they do matter later on in life, and they matter today as well.

Keith: Yeah. And I think the big distinction, although on age, Marcelo, I think the younger generation can't be fooled by, well, okay, it's good to go have experiences, so I'm not going to save. No. And I think the trap there is that they won't save. My interpretation of the way this could work is that a younger generation individual might be still investing in experiences, but experiences that don't require a lot of money.

Marcelo: Also, yes.

Keith: That's really positive. Whereas somebody who has built up the resources, perhaps surplus resources, has the opportunity to start spending on experiences. And I think that's a pretty big distinction.

Marcelo: And I'll tell you, like to go back to the memory dividend, it is super powerful. I mean, Alex and I sat, unfortunately, you know, we've been caught up in different things, you know, studying and getting our things together in order, but we've done a few trips and sometimes we're having dinner on a Friday or sharing a story with friends or we share a story and we share a laugh based on the trips we've done and I'm sure you've experienced the same thing with Caroline, right?

Keith: Absolutely. Wait, so you mentioned memory dividend. So take a moment here. What is the memory dividend?

Marcelo: So, you know, when you think about, so this is a concept specifically to the book, it's not our idea. What Bill Perkins defines as the memory dividends is think about a stock, right? A stock that may pay a dividend like RBC, like BMO, whatever, like you'll invest in it and it'll pay a dividend. So what he says is that when you buy experiences and you acquire experiences, you're going, this sharing of memories that you have later on adds a lot of happiness and he calls this the memory dividend. And his whole point is that you should build your memory dividend as you go through life because it has a lot of payout all throughout your life.

Keith: Gotcha. So travel, have an experience, do something, and the year after that you'll be able to remember it. You'll have conversations with friends and that's the dividend.

Marcelo: Correct.

Keith: Very cool. That's an interesting concept.

Marcelo: It is.

Keith: So we got the psychological studies that suggest that experiences are very valuable. He refers to the memory dividend. What are the roadblocks that would stop, let's say a person does have the resources, what are the roadblocks, Marcelo, that would stop an individual from building the memory dividend?

Marcelo: I think there's a few, and it's a great question, but I think the two main that we've identified and I have a third one, but I'll surprise you with that one. I think the first one is people work really hard and they are reluctant to spend the money they have accumulated. I think that's just ingrained in the human DNA, right? I think about like ancient times, you know, you would farm a lot and you never knew if you were going to have food. So, I think when you add money to the equation, it's translated into that as well. Then you have the lack of planning, the uncertainty, the not knowing how much you can spend. So, this is a big factor. So, if you don't have that aspect in your equation, it's going to be tough to know. And I think the third one is Morgan Housel, who wrote the book *Psychology of Money* and writes a lot in, it's a great essay. So if you can check them out, please do. He says that our upbringing, the way we grew up also has a huge impact on our relationship with money. So we have to remember that. Like you sent me a post, I think a few weeks ago that if you were a 10-year-old in the 1920s, you've gone through the Great Depression, World War II, and like a lot of traumatic events. So like your idea of money and your relationship to money will be very different from somebody like myself who was born in the late 80s, right? Who hasn't been through any of these traumatic events. So how we relate to money and our psychological attachment to money is very related to our upbringing. So I think that's a big one as well.

Keith: Yeah, absolutely. And I think there's clearly individuals perhaps in their late 50s, 60s, and 70s who might have saved and worked very hard throughout their entire lives. There's a chance that they have more resources than they will need during retirement. And so the book speaks to this idea of spending money on experiences, and we'll talk about a few other things that it suggests to spend money on. But you find yourself in a variety of camps. Those that have the additional resources perhaps have more choices in terms of how to spend and do some planned spending.

Marcelo: Correct.

Keith: Okay. So Marcelo, there's another big area in the book that I think is interesting, and this is where Bill suggests if you have additional resources, and if you do your planning, and if you do your forecasting, and you realize you're going to have extra resources, he suggests giving it away earlier versus leaving a larger legacy when you pass in your 80s or 90s. Let's delve into that because I think that's an interesting topic. It's getting a little bit more press in Canada right now. What exactly is he referring to?

Marcelo: He's talking about the effects it has on people's lives as we age. So take myself as an example, right? I'm 34. I'm actually, no, I'm 35. So don't let me lie here. So 35, I've already bought a house, but let's say if I go back five or six years, if my parents had the ability to give me an inheritance, if they give me that inheritance or maybe an advance of that inheritance, it will have a greater impact dollar for dollar than if they give me the inheritance when I'm 60. And I've established myself in my career, had my higher earning years, I've paid off my house. Hopefully, I'm hopefully by then planning to optimize my life so I could die with zero. And it is just a different environment, right? And we see that happening a lot, that a lot of people will be projected to have a large estate and their kids may need the help earlier than later, like I just described. So he says that you're not optimizing that properly if you're not thinking about this idea that it has a higher impact in a person's life when they're younger.

Keith: Yeah, absolutely. And I think the idea is give to your children or to a charity, your favorite charity, when it has the most impact. And then enjoy watching your kids or that charity benefit from that. So, you as the giver of capital, you get to really enjoy seeing either your adult children or charities be able to move forward. And what I think is interesting about today's environment in Canada in particular is that Canadian real estate has gone off the charts and the affordability index is so low relative to where it was many, many years ago that this is resonating with more and more individuals that are in their sixties and seventies that might be able to, if they have additional resources, perhaps assist their adult kids moving forward.

Marcelo: Now, there is a caveat to that, right?

Keith: What's the caveat?

Marcelo: We talked about it off-mic that you may do something wrong for your kid's character, right? And I think we have to be aware of that as well, that not everybody will use the money wisely. So there also needs to be some planning around this and some honest conversations because we could see a situation where, you know, a parent says, "Fine, let's advance some of that inheritance," but then the kid will stop working harder, will stop trying to advance in life. I mean, that could be a very real possibility as well.

Keith: Well, a hundred percent. And I think in Bill's book, he specifically says the best time to do it is when the adult children are between the age of 25 and 35.

Marcelo: Correct.

Keith: I don't think he's suggesting helping 21-year-olds who haven't quite figured out certain career paths. And even for that matter, the last thing you want to do is take away a person's motivation and their ability to work hard. Because it's the greatest gift. Giving grit, allowing your adult children or your children as they evolve to develop a form of grit is one of the also the biggest gifts a parent can give. It's grit that's going to get you through life.

Marcelo: Yeah, absolutely. I mean, I was talking to this with Will Rainey, the guy we had for Kids and Money, right? Like sometimes when you give too much to your kids, you're robbing them of an experience or an opportunity to build character in that grit that you're describing. I think that's the main concept in the book is like you have to do it when it's going to be more impactful in a person's young life. And the issue in Canada with real estate is that it is crazy that two young professionals can have a really successful career and can't even afford a home, which is, it's crazy to me.

Keith: And that's definitely the case, perhaps in Toronto more than anywhere or Vancouver. We're in Montreal, Marcelo, and it's a little bit easier on that front. But yeah, you're absolutely right. And the other point on charity I think that's important here is this discussion of giving money to charity so that you can enjoy and see the money go to good use. See what the charity does. And that can bring a tremendous amount of reward for individuals. This gets back to these intangible rewards that you receive when you use your money versus when you leave it to the very end.

Marcelo: A hundred percent.

Keith: So let's switch gears a little bit, Marcelo. We're in this sort of endemic, the whole world is opening up again. It's been a long two and a half, three years. There's been lockdowns, there's been a variety of sort of work from home environments. And we're clearly in this mode now where people are back to work, they're doing things, they're socializing, they're having gatherings. What are some of the rules and some of the concepts that Bill mentions in the book that we think are relevant for this new opening up environment?

Marcelo: Right. So I think the first one is don't live your life on autopilot. Make sure you're intentional about how you live your life. Then think of all your life as different seasons, right? Like I said, there's things that you can do when you're younger, middle age, and later in life, and you kind of like approach it that way. And then as a secondary to that is he says take your biggest risk when you can and you have little to lose. So that's like when you're a bit younger. So again, you're not going to take a backpacking trip when you're 45 and with three kids the same way you can take it when you're like 20 out of university. Right. So that's sort of like an example that he gives.

Keith: Yeah. What I like about, I mean, a lot of common sense here, nothing kind of crazy, but the common sense, it makes sense. And you know, we see it in some individuals where everybody is working, they've got their head down, they're trying to move forward, they're focused on their careers, they're trying to save. There will come a point in time and we do this all the time with our clients where we say, you have enough resources. Now you've got options. And essentially what I think is interesting about the book is like, you need to plan, you need to figure out what you need to do. Otherwise you don't do anything or you don't do the things you want to do. And it's kind of a reminder of some really nice concepts, which is like you said, don't get yourself stuck in autopilot. I think a lot of people want to break that autopilot because the pandemic has created a lot of these autopilot sort of concepts that people are sort of stuck in and we need to kind of break that and get out.

Marcelo: And it's amazing to see, you know, how people during the pandemic, personally, I've realized how much we took things for granted. And I feel amazing now where I can go to a concert or have a barbecue or have a dinner with friends. It's like, you get to appreciate it more when you had that life experience where you lost it for a little bit.

Keith: Yep. A hundred percent. The other thing that like you said earlier, think of distinct seasons and think of what age you're at and think of the activities that are relevant for that age category. So you're right in your twenties is risk taking, maybe taking a risk in businesses, maybe taking risk in careers, maybe doing certain travel trips that you know you can't do when you're 50. Yeah. I'm in my late fifties now, Marcelo, and I'm telling you, like we talked to our clients about the distinct categories of retirement. You've got the go-go years, the slow-go years, and the no-go years. And so go-go years are up to about 75 years of age. If we're lucky, if you're healthy, maybe you can get to 80, go-go. So I look at that and I'm starting to sit back personally and say, okay, start planning, start making some decisions about how you want to do things.

Marcelo: You also can't take health for granted, right? I mean, you never know how long you're going to have it.

Keith: Yeah, for sure. So Bill was very direct in his concept of an action plan. Let's start to wrap the show up here because I think the action plan concept is a really good one.

Marcelo: Yeah, Keith. So the action plan is pretty much make a list of meaningful experiences that you like to have over your lifetime. So I think when you're intentional about them, you're more likely to do them. So that's something that he recommends in the book. And then the second thing is place them in different buckets depending on your age. And the reason for this is what we just discussed. There are things that you can do when you're younger and there's things that you're more likely to do when you're a bit older. And he says revise it every five years and break it down in different age periods. So if you do this, you're going to be more intentional and more likely to do them and to plan for them.

Keith: Yep. And so I'd also add in one little caveat. I don't think every bucket list item has to necessarily cost a ton of money. No. So if you're younger, that list can include more experiences that perhaps don't cost as much. If you are older and you have your financial affairs in order, and you know through planning that you have perhaps additional resources, then that list can be made up of things that do require a bit of spending. So he's very big in action plans and as are we when we have discussions with clients. So Marcelo, is this concept "die with zero" is this concept for everyone?

Marcelo: Yeah, that's a great question. I think it's a big question that our listeners may be asking themselves. And I think the strategy is definitely not for Canadians that have under saved. So if you're struggling to save and you know, you're spending like crazy and you're not even taking care of your RRSPs and TFSAs and your retirement plan, this is definitely not for you. Then really only the top savers who have built significant nest eggs can and are able to think about this. And at the end of the day, it's also a personal decision. You know, some people may say, you know what, I know all this, but I'm okay. I'll leave a large inheritance. And that is okay because at the end of the day, it's a personal choice.

Keith: Yeah. And again, like you said, I mean, for those that may not be saving what they need to be saving, you can still benefit from the concepts of experiences, but you can't necessarily spend as much on experiences. You should be actually doing the opposite. And so he's even admitted that part of the strategies are for those that have additional resources.

Marcelo: And then, you know, people have different spending levels too, right? Like some people may want to live more frugally in order to afford this concept of being able to buy more experiences, but other people don't want to have that frugal lifestyle. And that's okay. Again, it's a personal choice.

Keith: Yeah. And I got to tell you, Marcelo, I've been doing this for 20 years. I think over the last 20 years, I have been telling our clients who have the additional resources, please use them for the things you want to do in your sixties and seventies. You have to do those because you've got to take advantage while you're healthy. So it was always like, I was like, you go into meetings and say, please spend more money, go on that extra trip, do that thing that you've always wanted to do. And I think that's, it's great. And I recall clients coming back a year later and say, thank you for pushing me. Thank you for encouraging me. We had a great time.

Marcelo: Absolutely.

Keith: I know that it's something that coming out of the pandemic now where people are out and about doing things, I know there will be more discussions about this, about spending the money and using it. So let's talk a little bit about financial advice here and the importance of financial advice when you're looking at these concepts and then we'll be wrapping up.

Marcelo: Yeah. So I think this is huge in my opinion. Obviously people are going to say, you know, you're, I'm biased because obviously I'm an advisor, right? But the planning is so important. So even if you're not working with a financial advisor, make sure you hire a financial planner by the hour or, you know, if you have the ability to run the numbers yourselves and have them checked by a professional after you have to do this because you can't just jump on this blindly. You have to run projections based on saving rates and spending rates later on in life, how you're invested. That has a huge impact on the sustainability of your plan. And then once you have the plan, you can know, okay, if I'm saving X and I'm investing in a certain portfolio, I know that I can spend an X amount. And then you can start testing and testing the waters and stress testing the plan and saying, what happens if I spend 10,000 more, 20,000 more? What happens if I stop saving for five years and then I catch up? I mean, there's many iterations of this. It is crucial that people plan because the opposite of this is getting to retirement with not enough money. And that is not a pretty sight, right?

Keith: Well, yeah, a hundred percent. So projections, if you're ready to give money to the next generation, if you feel the time is right, if you're ready to give money to charities, make sure you put the projections and make sure you work with your advisor. Make sure you see what kind of an impact it has on your nest egg. And I think that's your overall message. And I think that's very, very sound, Marcelo.

Marcelo: Yeah. I mean, one of my favorite parts of the meeting with clients is when we open the projections on the screen and we're like playing with different iterations and say, you know, “Hey, what happens if you do take a trip a year? And that's going to cost you an extra 15,000” you know, and we're running the projection and there's not better feeling than telling the client, yeah, you can afford it. You can do it. And it's powerful.

Keith: Yep. So the other concept, I guess, of dying with zero is tell me what age I'm going to die and we can figure things out pretty easily. And of course we can't, right? So, and Bill also adds a whole series of insurance concepts, which not everybody is comfortable with in terms of buying annuities in order to protect yourself so you can go ahead and spend your capital. So there's a whole bunch of nuances that are a bit tricky. But at the end of the day, I think your message of get good financial advice, get good projections. But let's do a wrap up now on the book. What's your takeaway?

Marcelo: My takeaway is that, you know, like money should have a purpose and you should use it to buy things that make you happy. And just accumulating for the sake of accumulating is not a good approach. And that's my takeaway of the book. But yeah.

Keith: So the only thing I'll add is I'll buy it a little bit of conservatism to it. It's like, take care of your affairs, make sure you're doing all your saving and get your plan in order. If you're approaching retirement, really figure out what your burn rates can be, what your sustainable lifestyles can be. And then for those who have built up some additional resources, I think there's some real valid points that this book brings up in terms of invest in experiences and invest in things that will make you happy.

Marcelo: A hundred percent. Couldn't agree more.

Keith: So Marcelo, listen, your initiative on this book library has been fantastic. I want to congratulate you. It's a wonderful initiative. This has been a great little book review and a really interesting topic. So thank you for really leading the charge here.

Marcelo: Absolutely. And see you next week. And by the way, if you want to read the book, drop us a message. We'll make it available for you.

Keith: All right. Thank you, folks. Have a great week and we'll see you in a few weeks. Take care. Bye-bye.

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