LIFETIME FINANCIAL
PLANNING
THE CAUSE WAY

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Foreword

I apologise in advance to readers of this paper who are accomplished academic researchers, who may be expecting from me an accomplished research paper. This is more of an ideas paper, borne of solo analytical reflection on my own life and experiences, hypothesising that “there must be a better way” than the well-trodden normal career and financial path through life.

I also apologise to the highly technical types who would appreciate some ground-breaking maths and formulae in the paper. You won’t find that here, but the concepts are very actuarial in nature, involving time, money, trade-offs, maximisation, risk appetite and financial risk management.

On the positive side, I hope the paper does stimulate your thinking and bring a new angle on life’s plans. My suggestion – as you read, ask yourself the question “How does this apply to me?” or “What’s my version of this?”.

Introductory question - What would “a win” look like in my life?

I used to be unimpressed by phrases like that, trotted out endlessly by consultants, until I became a consultant myself. Now, I find that phrase rather useful in getting our minds to create the ideal future state, in order to allow us to construct a plan to get us there (“begin with the end in mind” – one of Stephen Covey’s 7 Habits of Highly Effective People).

I believe most people’s answer to that question would involve the concept of maximising something. For the purposes of this paper, let’s use the term “cause” to describe that ‘thing’ that people want to maximise over their lifetime. Here are some possibilities, of what different people may choose their one single most important cause to be, if pressed:

1. Career success
2. Happiness
3. Love
4. Live a morally good life
5. Spiritual ends – eg salvation / honouring God / becoming pure / a better reincarnation
6. Health
7. Relationships
8. Pleasure / comfort / money / house / food / experiences / travel
9. Security / freedom / choices
10. Retirement – length & quality
11. Provide for family - needs and opportunities
12. Social causes / contributing to others (eg in the area of education, research, children, environment, animals, arts & culture, community, poverty, women’s issues, health services, human rights, religion, disability, elderly, veterans, bullying, social justice, public policy, science, international affairs, disaster relief)

This paper is a case study of possibility #12 – how to maximise your lifetime contribution to your favoured social cause(s). (Side note – according to www.one.org1, 7 out of 10 American young adults can be classified as ‘social activists’ – caring about one of the causes listed under #12 above). It is beyond the scope of the paper, but very possible, to apply the thinking to many of the other 11 causes, or any other cause. Note, the paper doesn’t discuss how to maximise your contribution to a

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1 http://www.one.org/us/2013/10/10/infographic-how-young-adults-are-supporting-causes-and-why-you-should-care/
social cause at the expense of the other 11 potential items, but rather in parallel with achieving healthy and fruitful outcomes across all items. Indeed, fruitful outcomes in the other items would probably be significant predictors of one’s ability to contribute to social causes.

The table below provides another way to frame this. Most causes exist to increase the wellbeing of others, and this paper focuses on achieving this while paying attention to the wellbeing of ourselves and our families.

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Overview
The graphic below shows the four key questions answered in this paper. The answers to these four questions effectively map out a strategy for maximising your contribution to your cause, whilst also providing for yourself and your family.

The four questions are set against the background of a 2x2 “life grid” which will be explored further later in the paper. Each box represents the health of that particular area – eg of your personal P&L account. Q1 relates to the speed at which the personal balance sheet will be accumulated, which is driven by day-to-day income and expenditure decisions in the personal P&L context – and thus straddles both areas. Q2 deals with the tension between dedicating time and income to personal activities, or to activities of your cause, and how that balance might shift over a lifetime. Q3 looks at whether time, money, or other resources, might be the most effective way to contribute to the P&L of the cause. Q4 poses the question of whether some of our financial assets could be effectively invested in the cause (reducing the required size of the cause’s balance sheet).
Q1 – At what speed will I build assets to provide for me and my family? and...
Q2 – When will I contribute to my cause? Now or later?

A lifetime financial plan is something that not many people have ever carried out. I have created three distinct cases in an attempt to characterise the myriad of possible plans:

- The “Monopoly” plan – accumulate as much as possible for now, working towards financial independence. Then think about contributing to the cause.
- The “Mother Teresa” plan – contribute to the cause as much as possible, now and forever.
- The “Follow the Curve” plan – accumulate assets and provide for family at a pre-determined rate AND steadily contribute to the cause.

The Monopoly plan

The two primary focuses during the working years of the Monopoly plan are the purchase of a property as soon as possible, and growing the bank balance. Financial independence is reached in this example in the late 50s. At this time, some people may choose to cease accumulating assets and devote time or money to their cause, while others will continue to accumulate assets for say another 10 years, before then turning to the cause.

Note - the early purchase of a property, say in the early 30s, creates larger expenses, putting strain on the personal P&L and constraining the time or money that can be contributed to the cause.

The 2x2 “life grid” is another way of telling the story of the Monopoly plan. The colour within each cell represents the ‘health’ of that cell at that point in time. Specifically:

- A white personal P&L means one is losing money – income is less than expenses. A black personal P&L is one where significantly savings are being accumulated – income is significantly more than expenses. Light grey represents a balanced P&L and dark grey represents small savings.
- A white personal Balance Sheet means zero assets. A black one shows that sufficient assets are held to be financially independent for life.
A white cause P&L means that we are contributing no time / money etc to the cause. A dark orange one means that we are dedicating either most of our time, or the majority of a yearly salary, to the cause. A light orange represents a small contribution of <10% of our time or money, and medium orange represents between 10% and 50% of our time or money.

A white cause Balance Sheet means that we are contributing nothing to the assets of the cause. A dark orange one means that we are contributing the majority of our assets. Light orange represents <10% of our assets, and medium orange 10% to 50%.

For example, the following grid describes the position at age 35 under the Monopoly plan – the personal P&L is black, significant savings are being accumulated. The personal balance sheet is light grey, indicating small amount of assets have been built up (probably including some equity in a house). The cause P&L is light orange – indicating a small investment of time or money in the cause, and the cause balance sheet is white – no assets being contributed to the cause.

The following six grids represent a snapshot of the health of the personal and cause P&Ls and balance sheets at six different ages – 20, 35, 50, 65, 80 and 95.

These grids are summarised into a single grid below – with the six columns within each cell representing the progression of the ‘health’ of that element across the six ages from 20 to 95.

Key features of the Monopoly plan life grid:

1. The personal P&L is strong in the working years, and sufficient in the later years to track along the financial independence line, such that the assets don’t run out.
2. The personal balance sheet builds quickly – almost up to financial independence (black) by age 50.
3. The contribution to the cause P&L is minimal until age 65 onwards, and then strong thereafter. The weak early contributions represent a significant missed opportunity, due to the strong multiplicative returns possible on investment in the cause.
4. The cause balance sheet is weak all the way through.

The Mother Teresa plan

The primary focus of the Mother Teresa plan is to maximise the resources into the cause, both now and into the future. There is some means of funding the P&L needs throughout the lifetime, but no financial assets are accumulated.

Key features of the Mother Teresa plan life grid:

1. The personal P&L is sufficient just to meet expenses in the working years, and in retirement (probably through the age pension).
2. The personal balance sheet never builds.
3. The contribution to the cause P&L is large from early on, maximising long-term returns, and would build through the lifetime due to expertise, social networks, etc.
4. The cause balance sheet builds over time as the worker’s activities bear long-term fruit, through the building of infrastructure, relationships etc.

The Follow the Curve plan

The focus is twofold: to contribute to the cause throughout the lifetime, while also accumulating assets to provide for family and retirement, both in a steady and measured manner. The specific shape of the curve and the age at which financial independence is targeted will depend upon the risk appetite, health and working circumstances of that family. A goal under this plan is to generate excess time or money in the personal P&L (ie more than needed to ‘follow the assets curve’), which can be contributed to the cause.
Key features of the Follow the Curve plan life grid:

1. The personal P&L is sufficient to meet expenses and put aside progressively more savings in the working years, and to allow a slow draw-down of assets in retirement along the financial independence line.
2. The personal balance builds to the financial independence line at age 65 and then reduces.
3. The contribution to the cause P&L is moderate through the working years due to the spare capacity created by building personal assets more slowly. After retirement the contribution to the cause P&L steps up.
4. The cause balance sheet builds slowly over time as the worker’s activities bear long-term fruit, through the building of infrastructure, relationships etc.
5. Smaller apparent outcomes for the cause than the Mother Teresa plan – but not necessarily so (see below).

How to choose the optimal plan for me?

The key task is to estimate the differing returns on investment (ROIs) on investing in financial assets and investing in the cause. The ROI on financial assets over the long-term is well established – somewhere between 0% and 5% real return. The trickier part is estimating the ROI of investing time/money/other into your cause. On the other hand, quick analysis will reveal for most people that the ROI on their cause far exceeds a ROI on financial assets. For example, in the case of a social cause that alleviates poverty for example, one would argue that “you can’t put a price on changing peoples’ lives”. The one-off value created, in the eyes of an advocate of that cause, is greater than the dollar value of the investment, and the value will multiply rapidly into the future as the person with the changed life is able to leverage that initial investment for themselves and others over time.

The table below shows the return (internal rate of return – IRR) on a financial investment, and multiple ‘cause investments’, in my eyes. The return on the cause investments are extremely subjective and will differ dramatically from person to person according to their personal values and perspectives. My guess is that most people will be able to identify at least one cause that generates returns well in excess of financial assets (in their eyes).
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The implication of this greater return on cause investments is that it makes sense to invest in them as soon as possible, in preference to investing in financial assets. Superficially, this might suggest that the Mother Teresa plan will produce the greatest total return. However, there are likely to be other good reasons why a variation of the Follow the Curve plan (with an individualised slope and shape) is superior, including:

- The Mother Teresa plan may involve sacrificing providing for one’s family, which is, in itself, a social cause with large immediate and multiplicative pay-off. A strong and secure family with lower amounts of financial stress will have many positive consequences, and help avoid negative consequences.
- The Follow the Curve plan may involve undertaking a broader range of work activities that enable the building of ‘soft assets’ on one’s balance sheet (eg relationships, expertise, knowledge), which may enable a greater contribution to the cause than otherwise.

A variation to the Mother Teresa plan which could result in even larger cause outcomes would be for someone to fund an individual’s contribution to a cause over the long-term, allowing them to provide financially for their family and future, whilst focusing their efforts on the cause. Some kind of social worker or social entrepreneur salary market place might help facilitate such arrangements. (The first of several ideas highlighted in purple and summarised in the “initiatives” section towards the end of this paper - initiatives that could have a large positive impact on contributions to social causes).

In summary, the Mother Teresa plan (particularly with funding support), and the Follow the Curve plan, appear to be superior to the Monopoly plan, in terms of maximising ROI and social impact. Both involve investing a portion of time or money in the cause from the beginning to end of one’s life.

Ways to push the “Follow the Curve” curve to the right

If the curve can be pushed to the right, this will delay the accumulation of financial assets and result in more heavy near-term investment in the cause, and therefore a higher overall return. Here are four ways to push the curve to the right:

1. **Better financial literacy / understanding of these concepts** – encouraging less financial asset accumulation and more investment in causes
2. **Life and income protection insurance** – providing greater security against contingencies, allowing a slower asset accumulation
3. **Renting for longer** – creating lower total P&L expenses in the early years which would free up time or money to be invested in the cause. A residential property trust could pair investors with long-term renters, creating more capacity in the social economy.
4. **Building ‘soft assets’** – such as relationships / social networks / experience / qualifications, all of which can give greater confidence in one’s earning potential in later life (as well as enhancing one’s ability to contribute value to the cause)

Q3 – What will I contribute? Time or money?

The answer to this question may be revealed through reflection on the following more detailed lines of thinking:

1. What type of contribution will create the most valuable short and long-term return for the cause?
2. What option is most sustainable?
3. Does your ‘time pie’ or ‘money pie’ have more capacity now? Over the coming years?
4. Will investing time engage you, energise you and create synergies in your life? And expand your ‘soft assets’, which may generate a future return for the cause?

Q4 – How will I invest my assets?
Over a lifetime, an average Australian’s financial assets would be mainly invested in property, shares, bonds and bank deposits. As mentioned above, these may offer a real return of 0% to 5% over the long term.

One possibility would be to ‘park’ one’s assets in investments that help facilitate the operations of the cause. For example, instead of owning a residential apartment as an investment property, one could instead purchase an office building for a social cause and lease the building to the enterprise over the long-term. This would free up the cause’s capital to enable expansion and growth in their activities. Assuming that the activities are generating a high return in your eyes, your act of parking your assets in the cause’s operation property, would generate a much higher overall return than a residential apartment. Such social impact investments could be facilitated by a social cause property trust. Social impact investment is an idea whose time appears to have come – with investment growing dramatically worldwide over the last five years. A significant barrier in this case will be the desire of many social organisations to own their properties, to maintain security, stability and flexibility. These outcomes may be achievable through trust-based ownership structures that allow the organisation to maintain control of the property.

There are also other potential beneficial investments that would free up the capital of causes – eg IT infrastructure, motor vehicles, equipment, materials, etc.

In practice then, one could invest the majority of one’s assets in ways that facilitate the operations of the cause, throughout one's lifetime. One implication of this might be a decision to rent, rather than own, a property to live in – facilitated by the residential property trust mentioned above.

Another possibility is to contribute or lend one’s ‘soft assets’ to a cause. By soft assets, I mean human and social capital, such as research, infrastructure, data, reputation, social networks. To do so may involve minimal time or money, but may generate large returns for the cause. A ‘soft assets’ for causes inventory and matching service could facilitate such interactions.

Initiatives to facilitate greater investment in causes
All of the following initiatives have significant potential to free up time and money to be invested in causes. I plan to invest time into several of these in the coming years and would warmly welcome partners in the journey.

- Social worker / social entrepreneur salary market place
- Better financial literacy / understanding of these concepts
- Residential property trust
- Social cause property trust
- ‘Soft assets’ for causes inventory and matching service
Conclusion

Analysis of the standard lifetime financial and resource planning approach (the Monopoly plan) reveals that it is likely to generate sub-optimal outcomes for the causes that people care about, and therefore sub-optimal outcomes for that person in terms of their lifetime utility and return on the investment of their resources.

Simple ROI thinking has the potential to transform the way people invest their time, money and assets over their lifetimes, pulling forward the timing of their contribution to their favoured causes, and creating new types of contributions – eg property investments and ‘soft assets’. The same thinking could result in new initiatives being established that enhance the ability of individuals to contribute to causes and ultimately multiply by several orders of magnitude, the impact of social enterprises.

Below is a potential life grid for an individual / family who chooses a “Better Way” plan – a very slow “Follow the Curve” plan – ie a slow build up of assets which allows greater early investment of time or money in the cause. This is facilitated by long-term rental through the residential property trust and potentially an element of a social entrepreneur salary marketplace. They also invest the majority of their assets in a social cause property trust and share their soft assets with the cause through a matching service:

![Image of the Better Way life grid]

Key features of the Better Way life grid:

1. Personal P&L is dark grey in the early working years, indicating that expenses are covered plus a small level of saving. And then light grey in later years, showing the drawing down of assets as they move down the financial independence line.
2. Personal balance sheet builds up slowly in early years, to a point of financial independence at age 65.
3. Cause P&L receives moderate contributions all the way through the working life, stepping up to significant contributions later.
4. Cause balance sheet is able to make use of the family’s financial and soft assets all the way through their lives – starting small and building throughout the lifetime. In the older ages, the financial assets fall, but this is more than offset by the increase in social networks, expertise, reputation, etc.
5. It achieves strong cause outcomes and strong personal financial outcomes.
The Cause Way / The Causeway

If a life lived in line with the Monopoly Plan is like a taxing swim across the ocean to a faraway island, perhaps the Better Way Plan is like a smooth drive across a causeway built by a new way of thinking and the initiatives above.²

² Picture is from [http://www.darkroastedblend.com/2007/07/worlds-most-interesting-bridges.html](http://www.darkroastedblend.com/2007/07/worlds-most-interesting-bridges.html) - and is of the Hangzhou Bay Bridge in China