

The Financial Planning Gazette

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Smoking Cures Financial Woes

By Mark Friedenthal - Staff Writer

William Johnson is a financial planner with a successful practice in the Midwest. Like many advisors, he's focused on helping his clients figure out the right plan to best achieve their goals. Johnson isn't one who tells clients to scrimp and save every penny. Rather, he says, "It's a balancing act between enjoying life now and being able to continue enjoying it throughout retirement. The basic plan for most of my clients is to maintain their lifestyle and not be a burden on their children." That seems reasonable enough.

Johnson uses sophisticated technology to examine each client's probability of one or both outliving their money. "When a client's probability of running out of money is too high for their comfort (or



Amy (second to the left) says smoking has lowered the stress levels surrounding her financial future.

mine), I counsel them on planning to work longer, spending less and saving more now, or downsizing something in the future," Johnson says. "But clients are tired of that message."

Johnson set out to find innovative solutions to the everyday problems he'd been encountering with clients. He noticed in his risk assessment software that the longer than

average life expectancies of his clients were driving up the probability of outliving their funds. Since many of his clients had good family history, health and habits, their above-average life expectancy was necessitating greater savings rates or longer careers.

One day, Johnson was working with a cli-

ent who was rather obese and suffered from heart disease. To protect his identify, we'll call the client Fred Flintstone. "Fred and his wife Wilma both had health issues that compromised their longevity," says Johnson. "But they were very happy and lived a very nice lifestyle as they began their retirement." Johnson noticed that with their reduced life expectancy, they only had a 3% probability of outliving their money, which was quite satisfactory for them. "Having taken them through our financial planning process, they were actually quite relieved to be in such good shape (financially speaking). It was a stress reducer for them," he explains.

Johnson thought to himself, "If there was only a way to replicate the Flintstones' financial planning success with other clients." ... **CONT P2.**

2021 T3 Fintech Survey Opens

Tyler Kelbaugh - Contributor

Bob Veres and Joel Bruckenstein have opened the 2021 Fintech Survey. The annual survey helps steer the course of technology within financial services, giving advisors a chance to provide feedback on the technologies

that are driving their practices.

Advisors are encouraged to [take the survey](#) and check back for a full analysis of the results in early 2021.

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Then it hit him. Maybe there was another way.

Johnson met with Michael and Amy Dougherty, a couple in their mid-40s with two school-age children. "We went through their financial plan, and like many, their probability of running out of money was too high for comfort ... 42%," he says. "I gave them the standard advice and they shrugged as they said they were looking for something more." So he threw out an offbeat idea. "Have you ever considered taking up smoking?" asked Johnson. At first, the Doughertys thought he was kidding. But Johnson continued, "It's been popular for generations and most smokers actually enjoy it. Best off, even with the added cost of ciga-

rettes, the probability of one or both of you running out of money drops to 9%."

"Initially, I was very apprehensive," says Amy. "But the numbers don't lie," Michael adds. "The last thing I wanted was to run out of money and burden my children. I just couldn't do it."

"I'll be honest, in the beginning, it made me cough. But I was amazed how quickly my body adapted and I grew to really enjoy it. In fact, if I went too long without a cigarette, I really missed it," Amy confesses.

Johnson explains the math: "When we reduced their savings by \$250 per month to pay for the cigarettes and adjusted their life expectancy to be commen-

surate with their new pack-a-day habit, their probability of running out of money came straight down! It was almost like magic."

According to a [2017 study by Statistics Netherlands \(CBS\) and the Netherlands Institute of Mental Health and Addiction](#), the average heavy smoker's life expectancy is reduced by 13 years.

"I'm not saying this is the solution for everyone," says Johnson. "But it's a nice alternative to simply telling someone they need to work another 8-to-10 years."

About The Author

Mark Friedenthal is the Founder & CEO of [Tolerisk](#), the fiduciary caliber risk tolerance assessment tool for Investment Advisors and Financial Planners. He is also the Founder of Friedenthal Financial, an SEC registered Investment Advisory firm in Marlton, NJ. Prior to becoming an entrepreneur, Friedenthal held executive level risk management positions at Citigroup, Cendant, and GE Capital. When not working, he enjoys photography, musical performance, travel, and writing financial planning satire.



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