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RETIREMENT PLAN

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[RETIREMENT REHAB]

SECTION 2

THE FINANCIAL CHALLENGE

Section II:

The Financial Challenge

Introduction

Welcome back to Retirement Rehabilitation. You've reached section two, The Financial Challenge.

As we prepare to dive into section two, I want you to reflect on what we have covered so far. We've mostly talked about the preliminary steps to getting started – things like mindset and understanding your retirement goals. Now we are going to take things to a little more practical level. By that I mean we are going to discuss how money actually flows in and out of your life.

This sounds pretty straightforward. Any conventional financial adviser will tell you that you need to understand how you make and spend money, as well as the outstanding assets and liabilities you hold onto if you want to take control of your finances.

Not only will we cover those basic ideas and their place in your life, but we will talk about the less discussed intangible elements of being a corporate worker, getting out of debt, and how all of this bleeds into your personal affairs. It's important that you understand ahead of time what kind of ride you are getting into. With my help and the help of the Retirement Rehabilitation community, you will be better able to navigate the changes which await you.

Let's get started.

Lesson 1 – Cash Flow Basics

Welcome to the first lesson of Section 2. In this lesson, we are going to talk about what it means to understand the basics of cash flow, i.e. money coming in and going out of your life through income and expenses. It's simpler than it might seem at first glance. Let's get started

A thorough examination of your current financial situation is absolutely critical to making any significant progress. In fact, in my experience, it takes two or three attempts to assess your budget and lifestyle accurately. More often than not, deeper cuts are needed to be conservative than what most people assume on their first try. The good news is that it gets easier and easier to do this as you develop the mindset of cash flow basics.

The first thing you need to know is how crucial it is to develop a regimen where you are able to save and pay down existing debt. To develop entrepreneurial opportunities, you'll need capital and resources at your disposal. This is the only way to take advantage of the attractive opportunities you'll become aware of when you start creating your own path. Debt and debt service are a major drag on this ability.

One thing to consider is that most financial advisers would not counsel you to invest while still carrying debt, but I will. Stick with me, and I will make a strong case for how you can out-earn even the very high consumer debt interest rates in many investment opportunities. It's all a question of which strategies and options will contribute to your cash flow the fastest.

For over 20 years, I diligently kept track of all of my expenses and investments in the popular personal finance software Quicken. I did this primarily to itemize business expenses for my accountant at tax time. Since I always maxed out my allowable deductions, the time spent was more or less time wasted. As I look back on the entire practice, I don't recall a single major spending or savings decision ever being influenced by it. Taxes were my primary motivation for tracking expenses. This has all changed now.

As the reality of permanently lower income hits home, spending has to be reduced accordingly. In fact, in my case this was a radical necessity. I lived in the world of large annual bonuses that were as predictable as Monday morning. In the new corporate reality of constant downsizing and diminished income prospects, the handwriting was on the wall. The abundant cash flow I had grown so indulgently accustomed to was about to run out.

Fortunately, there are steps you can take right now to figure exactly what your financial situation is and what you need to do next. The mechanics of this evaluation are straightforward for most situations:

1. Take your bi-monthly paycheck and multiply it by two for monthly income.
2. Look at your checking account month-end balances for all accounts and determine how much was spent on your living expenses that month.
3. Look at all of your credit card account statements and other loan statements to determine the increase or decrease in balances.
4. Look at all of your investment account contributions, including retirement accounts.
5. Note any annual expenses that have not been accounted for, especially taxes.
6. Map this out on a spreadsheet from the beginning of the year.

This is the most basic level of granularity you must have to get even a simple handle on your current cash flow dynamics. For most people, I suggest a far more detailed analysis. You can download the attached template for the opportunity to go into a far deeper understanding of your expenses.

You may think that this seems like an oversimplification of your lifestyle and earning or spending habits. While it is true that everyone has unique circumstances, the math involved for everyone is inviolable. You cannot consistently spend more than you earn. It just doesn't work that way. Your first priority needs to be getting your spending habits lower than your earning ability. Since your corporate income is likely declining over time, your only real lever is your expense run rate.

You may ultimately have a unique lifestyle or earning situation, but the sum total is what matters in the end.

Here are five easy benchmarks you can use to see where you stand:

1. You are consistently under withheld for taxes (which funds monthly expenses that are too high).
2. Your total housing expense (including all housing related items) is over 20% of your after-tax income.
3. Your food and entertainment expenses (including vacations) are over 12% of after-tax income.
4. Your automobile costs (including fuel and insurance) are over 10% of after-tax income.
5. Your “one off” expenses are off the charts.

These percentages hold very well for incomes up to \$250,000. If your earnings are higher than \$250,000, the percentages should decline materially. The Economic Policy Institute provides great data on how much people need to spend by zip code. (<http://www.epi.org/resources/budget/>). The bar is pretty low here, as the number calculated is "a modest yet adequate standard of living". When you look at the numbers you will not think you can live on this budget, or want to.

In any case, if you are a corporate executive in your 40/50's your goal will be to create a large amount of excess cash flow. This excess cash flow will initially provide for a disaster and your peace of mind. But eventually, the excess income will allow you to invest in high-yielding entrepreneurial opportunities. To put this in perspective, some financial planners subscribe to a savings rate of 30-50% of annual earnings to insure for adequate retirement or disaster protection. The “normal” savings rate is more like 10% of earnings with 20% being highly recommended. Keep in mind that debt pay down and interest expense are not covered here, but will be covered in the next module.

The obvious problem with reducing expenses is that it's finite—you can only go so far. For most people, the better and also necessary option is to find a way to increase income. You will practice both strategies: utilizing all of your family's resources in an optimal way while attacking your burn rate.

Please continue on to lesson 2 to learn about balance sheets and how they can help

you plan your finances.

Lesson 2 - Balance Sheet Basics

Welcome to lesson 2 of section 2 of Retirement Rehabilitation. Now we are going to discuss balance sheet basics, including the assets and liabilities you need to consider that traditional retirement planning overlook entirely.

The largest primary financial assets of most corporate executives and their families are their home and their retirement accounts. This is the standard fodder of traditional planners, and also where their analysis begins. Unfortunately, this is usually the entire focus of the plans they create.

It's absolutely shocking to me that the analysis both begins and ends there! It fails to take into account so many other pertinent variables and considerations that almost anyone can take advantage of. What about non-traditional assets? What about non-financial assets?

The fallacy of the traditional approach to forecasting the rest of your life's opportunities is staggering. People are constantly in motion and seeking knowledge. Any reliable model needs to be able to take into account the numerous and complex changes a person's needs, lifestyle, and economic environment will go through. If this traditional model was applied at the time of your birth, the derivative predicted future would be naked starvation because it would not take into account how you will have changed from infancy to adulthood and beyond.

It is also vitally important that we look at the non-financial liabilities that hold people back from achieving the financial freedom they seek. People develop bad habits and poor mindsets that limit them far more than any specific financial conditions, yet they hardly give them as much importance. These non-financial liabilities stop most people from making the changes they need to succeed.

Summoning the will power to overcome poor habits and negative environments will have as much to do with your success as any new earth shattering financial revelations. You should also take into account the fact that the human spirit is content to consume great information... but is often hesitant to act upon it. To

succeed you need to take action, and that will only happen when you have removed the mental and emotional obstacles standing before you.

Let's get started by going over exactly what assets and liabilities are, including non-traditional non-financial ones. Some very basic assets not included in a normal retirement plan include:

- Good physical health
- Mental acuity
- Positive friends and relationships
- Adventurous spirit
- Discipline

Some basic liabilities of having been a successful and comfortable corporate executive are:

- High level of stress
- Entitlement mindset
- Singular focus on work
- Complicated family expectations
- Social stature concerns

Some taking this course will know immediately they need to change certain bad habits that have been floating around in the back of their mind for a while now. They also know they have the ability to do so, but have failed to take action anyway. Some students may face challenges in controlling either their own tendencies or their environment, perpetuating these problems for them.

These are complex issues, and the Retirement Rehabilitation support community we have created allows for people to share both their successes and challenges. For my own sake, I emphasize what has worked for me and share that. The same tactics work for many people facing the same problems. However, something different may work best for you. By collaborating with each other, we get exposed to a wider variety of potential solutions, and each person can find the path that is ideal for where they are.

The critical component to any major financial change - particularly after a long corporate career - is embracing the required mindset. In essence, we have all been hard wired to stay on our current trajectory. We tend to keep doing the same thing until it becomes so uncomfortable that change is absolutely necessary. That means that most people will continue without acting, even when they know what to do.

My own motivation to act was rooted in fear. My sheer terror of the possibility of ending up financially insolvent kicked my butt into gear. I was spending at a level my new reality could not sustain, and that realization came upon me very quickly. I knew I was lining myself up to lose a lot. It didn't take a genius to realize that I had to change.

I was at first preoccupied by all of the potential negative outcomes. It was overwhelming to consider all the things that could go wrong, and the unknown solutions to each of them. I had to get myself out of that dreadful headspace if I was going to be of any use to myself and my family. It was only when I got back into a positive frame of mind that I could begin to strategize.

Slowly, I began to see a path, and I started to prepare proactive plans and contingencies to preserve what I had achieved. I first saved money for a disaster fund that would last me a couple of years in the event I should instantly lose all my income. This eased the pressure on me and allowed me to become more strategic in my thinking. Since my worst case scenario was accounted for, I had the time and space to alleviate the more minor fears.

Every single day, I took positive action and this became self-reinforcing and rewarding. Small successes quickly turned into bigger successes, and soon I was on my way to where I am now.

The purpose of "Balance Sheet Basics" is to take the entirely failed science of historical retirement planning and make it robustly effective. Corporate executives no longer retire with substantial pensions after 40 years of good service. Defined benefits hardly exist, and defined contributions are the norm. Life expectancies now require new math. Career plans need to incorporate job changes that are inevitable. Finally, even if you had a big pile of cash savings, interest rates are so

low that traditional metrics of spending 4% per year will not afford you much security or a very lavish lifestyle.

In the next lesson, we will dive into a broader conversation on assets and liabilities than traditional planning would encompass. This will be a liberating experience as you take stock of things that may not have considered as assets you can monetize. Similarly, an honest person will identify and account for problem areas where they need help.

The good news is that help can often be purchased, expediting your success, and support groups (like this one) are available IF you want to make a change. Staying in a corporate environment has many advantages and a steady paycheck will allow you to safely plan for your future while you whip your financials into shape.

Please continue on to Lesson 3 on Traditional Assets.

Lesson 3 – Traditional Assets

Welcome to lesson 3 of the second section of Retirement Rehabilitation. Last lesson we talked about how traditional retirement planners use balance sheets to help their clients understand their financial situation. In this lesson, we are going to focus exclusively on assets. An asset is anything you have which will help you achieve your financial goals.

Most corporate executives today tend to hold their major financial assets in things like personal homes and retirement accounts. Any traditional planning conversation starts with these assets. But it doesn't have to stop there, and there are even serious drawbacks to holding these assets that often go undiscussed.

Home ownership is a complex personal choice that is chock full of emotions and dynamic variables. It is not a straightforward decision. While many people may have built equity in their home, the investment value of home ownership is dubious for most. The housing crisis alerted everyone to the possibility of job loss or interruption at the time of a decline in prices. Those with savings always profit in times of disaster, and many did in the Great Financial Crisis by buying residential Real Estate.

The problem arises when you have too much home for your circumstances. If you are a renter, you gently move on and down size. If you are a home owner, you have built in bias to staying put and hoping for the best. You lack liquidity with a major expenditure and lifestyle determinant. You also face the potential challenge of selling in a bad Real Estate market.

The key primary advantage of home ownership comes from the option to stop payments for a period of time to financially regroup. Banks are loathing to kick out homeowners when they stop paying, even if they can. This is huge! Renters don't have this choice. For some people, this makes the decision to purchase a home far more worthwhile.

If you are close to the right housing expense as a home owner, staying in your home is the right move. Unfortunately, most people have succumbed to the rampant mentality of continually trading up in home value. As a result, they are spending too much each month. They will need to reduce this expense. This is a liberating feeling, but it's also daunting when you first consider it and all of the attendant family issues.

Now let's look at retirement accounts. One of the best benefits of being a corporate employee is the annual 401k contribution and employer match. This allows you to save a certain amount of money pre-tax and also have your company match a specified percentage. This then vests to you over time for potentially substantial results.

Retirement accounts are gold. They should be treated like an emergency fund of last resort. I advocate holding large amounts of cash, unless of course the financial cycle is at a particularly compelling time to invest. Never hold equity in your employer or a competitor, as this magnifies your exposure to your employment risk. Whenever possible, keep things in your own control and in your own hands.

Maximizing contributions to a retirement fund, especially with a corporate match, is a good idea if used in addition to funding a disaster fund. What you really pick up is a corporate match with some current tax relief and future tax liability. For many people I know, this is their only savings, so the discipline has turned out to

be quite helpful.

The other significant advantage of a retirement account is that it is generally creditor proof. Don't be tempted to borrow from this account and put this advantage at risk should your circumstances become dire. You always want to hold on to something that others cannot so easily get their hands on in even the worst of situations.

Traditional retirement planners would total up these numbers and any other savings, and then run a simulation on expected returns from your investments. Your expected income would be plugged in along with your retirement date. Most of us already know the outcome of this exercise or we wouldn't be here. However, as you have already suspected, this simplistic estimation simply isn't enough anymore.

What the planning profession has forgotten to account for is the most important set of assets you possess! Nontraditional assets are what we will cover in the next lesson. Please continue.

Lesson 4 – Nontraditional Assets

Welcome to lesson four. We just went over the traditional ideas of financial assets – things like a home or a 401k account. But the story doesn't end there. There are other, highly important, assets you have acquired from your time in the corporate world that you need to utilize the value of.

So, what are the unconventional assets that traditional retirement planners overlook?

First, big time corporate experience is invaluable in today's distributed economy. Corporate executives in their 40's and 50's have experience and skills which are incomparable to younger generations. This provides a huge asset base to build

from and monetize.

This is especially true today, as many Baby Boomers have had the benefit of big corporate training in an era of international best practice exchange. Yes, those seminars you were forced to attend years ago may have seemed dopey and trite at the time, but corporations can no longer train workers like they once did. You are from the cream of crop of corporate ability.

Younger workers today have never had the benefit of the group seminars with dynamic idea exchanges that were so prevalent when Boomers were being trained in their 20's and 30's. They have never met a colleague at a meeting from another office on another continent and heard their perspective. You may not even realize how invaluable this is because you have always taken it for granted.

To illustrate this point... I am the kind of person who has an almost maniacal addiction to audiobooks and podcasts. If you listen to podcasts from the entrepreneurs in their 20's and 30's, you will hear them talk about things like how to perform a proper prospective employee interview, how to have a performance conversation, and how to hold a meeting. Really? Seriously?! This spells opportunity to me! It means they simply aren't learning even these most basic concepts and functions on their own, and lack the same familiarity you have been practicing for most of your life.

So, before you allow your paucity of financial assets to depress you, take inventory of some of the non-financial assets you may have. There are many ways to think about this topic, but I will stress three areas I will be developing later in this course: big firm executive experience (as discussed already), relationship building and development, and excess family bandwidth.

While everyone reading this will have had a different corporate role and experience, it is fair to say we were all shaped by them in some similar ways. Corporations have protocols and ways of behavior. I can vividly recall being in a meeting at Goldman Sachs when an individual had breached the common standard for proper tone of a group discussion. Everyone in the room realized he had crossed the fine line of what was acceptable, and he was called out for it. The point is that it was so subtle I doubt anyone but a Goldman employee would have

noticed. That's a level of refinement and attention to detail you won't get anywhere else except decades in a corporate environment.

During your corporate career you may have been given increasing responsibilities that further separated you from your peers. These skills and competencies you gained from each have stacked atop one another to forge your current and unique professional self. The longer the time span and the more varied the responsibilities, the more irreplaceable you have become. There is no one else exactly like you.

Likewise, opportunities to participate (or lead) projects gave you even more valuable experience. If you had the good fortune to be involved in a merger or down-sizing, you have a cornucopia of wisdom compared to younger and less experienced employees. You know what it is like to survive the best and the worst of the corporate world.

Second, working in a corporate environment has also given you world class on-the-job training in building and developing relationships. You behave one way when in the presence of your boss. You behave another way in the presence of a client. You behave even differently with a colleague from whom you need some help.

This may sound obvious but it's massively differentiating, as younger workers are awkward with bosses, often treating them like friends since casual workplaces seem to inspire a more relaxed approach. Make this mistake once, and your career trajectory is forever altered. There's an important hierarchy and culture in place that contributes immensely to keeping the whole operation running as smoothly as possible. Inexperienced workers often fail to appreciate this fully, costing everyone around them time and money. This will never be the case with you.

Then there are client relationships to consider. To put it bluntly, younger workers are deathly afraid of dealing with existing clients, acquiring new ones, or just selling at all. This is an acquired skill that is akin to any finely honed craft on earth. The better you are, the more you respect the real masters of the client game. Underperformance in this area leads to lower purchases, lost customers, and

countless lost revenue. Obviously, this is a crucially valuable skill.

As a younger salesman, I often had the opportunity to watch how one of the senior guys in the company would interact with a client over dinner. The first few dinners seemed like just normal events with the end result always being a big order. I soon learned that every move and spoken phrase was choreographed to get to that conclusion. It was like a fine ballet in its execution. Nothing was left to chance. The very best salesmen were truly friends helping their clients overcome their objections and arrive at a better decision for their lives. I pity the younger workers who don't even know that an unseen game of three-dimensional chess is being played at all times, and not checkers!

Now think about how this applies even to collaborating with your ordinary colleagues. Extracting something valuable from a reluctant coworker is as hard to do as anything in the corporate world. We all know gatekeepers of resources and how absolutely infuriating they can be when you need something done right away. The obvious solution is to have built a mutually beneficial relationship where you can elicit a helpful response as soon as you need it. Absent this, you wait until his mood changes and so do your fortunes. Learning to work these difficult intra-company relationships can mean the difference between succeeding and failing, and that means everything to a company's bottom line.

After spending 14 years at my second employer I was offered a significant role at a smaller competitor. The single biggest worry I had was whether I could get done for my clients what they had become accustomed to at my old employer. You see, I had built up huge "wasta", or clout in Arabic with my old colleagues. My word was my bond, and it was taken as a given I would perform as I said in situations where lots of money was on the line and at risk. Would this be the case at the new place? This worried me a lot. No matter what else I had going for me, there was going to be a transition period.

Today's young entrepreneurs come from a position of significant disadvantage in that they have never had to work in this world. This kind of skill requires forethought and planning. It's finely honed over a long period and nurtured for the time when it's needed. My perspective is that today younger workers expect to be taken on their word, but they have never made the requisite deposits over time. They haven't earned that respect or reputation. Age, some gray hair, and big company experience go a long way in establishing trust.

The third huge non-traditional asset that corporate executive families have is excess intellectual and work capacity. Let me explain how this manifested itself with my family.

Since the year 2000, my family and I have lived in five different cities, although we lived twice in one of them. My wife was able to maintain a good job, but we decided to have children and this took her out of the workforce for about eight years. This was very similar to many of our friends at this stage of their lives. I'm sure many of you can relate.

When we look back at the experience of our friends, the wives' roles were split. About one-third remained working, one-third did not need to work, and one-third gave up a career to start a family. After the Great Financial Crisis, that last group pretty much all wanted to work, but they had been out of the workforce for around eight years.

That is a daunting time frame unless you have a very specific skill or profession. Even then, opportunities became fewer and jobs went to people who were already employed. It honestly felt like we could not catch a break. We never really wanted her to go back to the workforce, truth be told.

My wife and I discussed this frustration so many times it became monotonous. There just didn't seem to be a good answer. Finally, a friend offered my wife an opportunity to re-enter the full-time job world. While the timing was not ideal, we sucked up the additional expenses to have her get a foot back into the corporate world. In fact, I think it cost us money for her to go back to work. Then I got another opportunity in another city, and we were back to square one all over again.

I had been busily trying to solve for this problem and we tried something entirely foreign to us. This time we created a job in our own family enterprise that suited my wife's skill set. She learned some new things in the world of online entrepreneurship and I supported her with overall strategy and some outsourced structure.

Slowly, she became very confident in both her primary area of focus, serving

customers, and all of the support areas of the team we built from outsourced staff hired online. One freelance employee soon became three. We hired some professional firms for some services, and they showed us technology and tools which we implemented with our team. We made lots of mistakes along the way and it was very inefficient, but the rewards were enormous. Most importantly, we kept control in our own hands.

My wife now takes a laptop to our kids after school events and tethers to the internet. She puts in useful hours while they are in school. After they go to bed, she can check on the progress of her team, which now spans 12 time zones! We get to collaborate together on the family business and it's exciting knowing we have this future together without being dependent on outside employers. By the way, her earnings are largely sheltered by our corporate LLC as we massively reinvest for future earnings.

In this short summary, I have briefly described three key non-financial assets never considered by traditional planners. Any one of these—or all of them—may fit your personal situation. The critical take away is to keep them all in mind as you consider how to leverage your family's assets to create sustainable and durable cash flow for the years when the corporate job doesn't deliver it.

The sooner you start to ruminate about what might work for you, the better equipped you will be to take the plunge!

Lesson 5 - Traditional Liabilities

Welcome to lesson five of the second section of Retirement Rehabilitation. In our last lesson, we talked about traditional and non-traditional concepts of assets, which is another way of saying the things you have which will help you achieve your financial goals. In this lesson, we are going to talk about the opposite: liabilities.

Liabilities are anything which will hinder your progress. Just like assets, there are some obvious and not-so-obvious ones worth taking into consideration here.

The first thing most people think of when they think about liabilities is personal debt. Personal debt, used wisely, can actually be an asset as part of a larger

financial strategy. The use of personal debt early in life is fairly easy to understand. People have aspirations for more and plenty of time to repay the loans and exorbitant interest charged. It becomes a major problem and liability when it becomes a permanent part of the balance sheet of older employees.

Financial articles are full of advice about saving for retirement before funding college. Most families I know will not make that decision. Often times, this means debt is taken on by folks in their 40 or 50's with diminished earnings outlooks and jobs at risk. This is a perilous cocktail.

I counselled two individuals recently with student loan debt requiring over \$5,000 per month in after tax payments with over 6 years of payments remaining. The pre-tax earnings required to service this is astonishing! In both cases, the family made the decision to incur debt over saving for retirement. In doing so, they created a mess that would take many years and a lot of clever action to overcome.

Over 40 million Americans are paying student loan debt, and the scholastic arms race looks like it will continue. More and more education is required for the same effect on social status or increased favor in the job market, meaning every year we pay more and more for college. If you have this kind of debt, the good news is you can negotiate lower payments under the right circumstances. This flexibility can be critical when establishing a disaster fund or if a disaster arises.

Other consumer debt is more insidious. The rates charged on credit cards are ridiculous, and any sizeable balance will sap any cash flow you may have left at the end of the month. Lines of credit may have lower rates, but allow for more balances. These lenders are also very litigious. You can wind up in a real mess very quickly from a few simple oversights with consumer debt.

The *average* household in the U.S. pays roughly \$6,600 per year in interest or about 9% of average household income of \$75,500. About 40% of that interest is from credit cards. This is a dangerous amount of interest to have to pay. It is disastrous to your saving and spending ability. Can you just imagine if that amount of money were going into a disaster fund, new business, or passive income investment instead? The results would quickly compound into an amazing improvement on your finances.

If you think it's bad for the average household, things can get much worse. The demographic I work with is much wealthier than this and has a much higher dollar amount of debt. This means they have much higher monthly debt service. This wealthier demographic wasn't bothered by this, because it has long felt more comfortable about their continued employment... until now. These types of people are either employed or not just like everyone on the planet. A conversation about the ins and outs of debt is a gentle reminder of the gravity of being a debtor.

Debt is technically just a legal contract about money owed, but it also arouses a lot of social and moral sentiments. It can absolutely destroy morale, family relationships, and other intangible aspects of life far beyond what you can afford to buy. I've seen it all countless times over. Fortunately, if someone cannot pay their debt, they have the ability to negotiate a better deal. The morality of negotiating or even abrogating debt is not my specialty. Everyone has their own compass here, and you must decide for yourself what the best thing to do is in your unique situation.

In personnel debt restructuring, there are quite a few things to keep in mind, and relatively few of the professional working in this space are truly the experts that they claim to be. Few people have seen both sides of the negotiations over a long enough period of time to understand the full scope of the choices made here. Few people know the "why"--the real intentions of the actions the other side is taking. I'm one of them, and I'm in a position to pass on what I have learned.

Initially, the non-payment of debt will incite a flurry of mail and telephone calls from the bank or credit card issuer. This will typically go on for nine months or more. At this point, the borrower has already suffered a hit to their credit score. At this time, the debt may be either assigned to a debt collection agency or sold to an investor who will attempt to collect on it directly. In either case, more mail and telephone calls will ensue.

After the new servicer/owner has attempted to collect for six or more months, a negotiated settlement may be offered. They will start to realize that it is very unlikely they will be able to get the full amount from you, so they may offer to resolve things for a reduced amount. The first offer may not be much of a discount,

but it is intended to start a dialogue. After this initial offer, the deals get better every few months until they see you are ready to resolve things.

If you finally do decide to settle for a lower amount, things aren't over quite yet for you. The monetary consequences of settling debt for less than the original amount owed is the issuance of a Form 1099 showing the amount forgiven as taxable ordinary income. This can have a long term impact on your ability to access additional credit, as other creditors will be very cautious to take that kind of risk with you.

Many people make the decision they don't care about access to future credit. They want to put their families first. They have no ability to get out from under the debt they have incurred, so they simply forget their obligation to pay back what they have borrowed. This is not the only option available to you.

Competent professionals renegotiate debt terms for clients every day, keeping their reputation in good standing while successfully lowering their payments. Entire law firms exist to represent debtors against the creditors, who were so abusive leading up to the Great Financial Crisis. They generally know the terms that the large financial institutions will accept. If it comes to this, I recommend a third party help you and have some resources I will share with you.

Importantly, executives in legal, accounting, and banking industries, and others have strict regulation forbidding the settlement of debt at a discount. Professionals at every level of an organization are bound by company HR rules. Seek out advice on all these aspects before going down this path.

Now please continue on to lesson six where we will discuss the more nontraditional liabilities you may be carrying.

*This article is a fairly comprehensive description of the current personal debt situation and trends in the United States

(<https://www.nerdwallet.com/blog/credit-card-data/average-credit-card-debt->

[household/](#))

**There are fairly strict laws concerning how debt can be collected. The principal law is the Fair Debt Collection Practices Act (<https://www.ftc.gov/enforcement/rules/rulemaking-regulatory-reform-proceedings/fair-debt-collection-practices-act-text>).

Lesson 6 – Nontraditional Liabilities

Welcome to the final lesson of the second part of Retirement Rehabilitation. Last lesson, we talked about traditional liabilities in the form of debt. But as you know, liabilities don't stop there. They are anything which can prevent you from achieving your financial goals. In this lesson we are going to go over the other liabilities you have unwittingly picked up over the course of your corporate career, and what to do about them.

Because you have lived the life that you have, you picked up certain personality and lifestyle quirks along the way. Some of these are very very beneficial for you. We already talked about these nontraditional assets in lesson 4. Some, however, are only holding you back. They will continue to do so until you learn how to manage or negate them.

The first liability is stress, which is something we all know a lot about. Stress is the result of decades of taking on a lot of responsibility, occupying your thoughts and emotional capacity. Over time, it has a huge impact on your physical and mental health. You might feel tired and worn down at this point in your career, not ready to take on the new challenges that a changing environment will bring. This is the powerful advantage younger generations have over older ones. They are fresher and more gung ho about challenges.

It is likely that all that stress has built up over the years because you have trained yourself to maintain a hyper-intense focus on your work. You probably define yourself by it far more than you want to admit. Because you have built up so much tunnel vision onto one way of doing things (doing them very well, no doubt), it will be more difficult to start looking at opportunities outside of the corporate world. This needs to change. You need to start thinking like an entrepreneur and a strategist.

Although you might think of your level of experience as your greatest asset, in some ways it can actually hurt you. Corporate employees who are used to working in a certain place within the corporate hierarchy develop a sense of entitlement and expectation. It can be very humbling to have all this taken away from you without warning, and you will be made to feel like the victim of unjustness. This lingering resentment will stand in the way of you taking the strategic actions that are now, more than ever, paramount to your success.

A similar effect can happen even outside of the workplace. Your sense of professional entitlement can bleed through to your social stature and how others will see you. It's a huge hit to the ego to go from gainfully long-time employed to square one of starting your own business or cutting back on luxuries. Chief among these concerns lies with your own family. I began this course by telling you that one of the most important (and difficult) parts of this process is having a very important talk with your significant other about your goals and lifestyle changes. You will find it nearly impossible to make meaningful progress if your household is divided, and not working together as a functional machine toward a common destination.

Depending on what type of thinker you are, these might not seem like such a big deal to you right now. You might still be obsessing over your personal debt or dwindling job prospects. But take it from what I have learned through my own trials and what I have seen in countless others. If you don't solve the personal problems that plague you, they will bleed into everything you try to do with your current job, new business, or financial investments.

We all go through stages and phases in life. You did already when you were fresh out of school and entering the corporate world for the first time. You did when you got married, or had kids. And you are doing the same now with the new mindset and priorities you will adopt as you bring the principles of Retirement Rehabilitation into your life. Just don't fight the transition or the internal changes you will make along the way.

Up next in section three, we will talk about the elephants in the room – the seemingly impossible tasks you never even want to think about overcoming. Yes, there are solutions. Keep learning to find out what they are.

