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Mastering Tricky Financial Traps
Debra Morrison

Debra Morrison has helped people to navigate their finances for four decades. She especially focuses on helping women, who experience significant disadvantages in this area. In this episode of Legal Nurse Podcast, you will get some surprising information about major pitfalls in the world of finance. It's not a game for amateurs.

- Women continue to be underpaid, which increases their risks for coming up short for retirement funds.
- Grief at the death of a spouse can negatively impact the decisions one is forced to make.
- Knowing the differences between types of IRAs is critical.
- Social Security is far more complicated than you think.
- Overall, you need to understand your financial situation before a crisis occurs.

Pat: Hi. This is Pat Iyer with Legal Nurse Podcast. And today, I'm speaking with Debra Morrison. She is a navigating finances coach. And the name of her company is "Women Navigating Finances." Debra, welcome to the show.

Debra: Thank You, Pat. It's great to be with you.

Pat: Tell us why you chose to focus on women as the people you would serve with your company.

Debra: Well there are a number of reasons, Pat, and the most vivid, in my mind, is that women typically have been very poorly socialized around their money, particularly women north of age 60. And the socialization was one of "Don't get involved. Keep your role," whatever that is -- wife, mother, etc. – and I feel very poorly about women who have done that.

The woman has been caught unawares with a divorce or a premature death of their, typically, male husband, which means that they're dealing with grief and finances altogether. And it's completely overwhelming.

And the other aspect of women being the underdog, if you will -- and I love to serve underdogs -- is that women have systemically and traditionally been paid less than men for similar tasks. If your pay is less, your savings and your 401k are less. Your Social Security accruals are less. It's just a compounding effect that disadvantages women.

So, I'm here to say there's plenty of time to get this right if we can navigate the course through our finances. And that's exactly my aim.

Pat: It's interesting when you look at pay equity in nursing. The number of men in nursing is increasing. It used to be about 6%. It's now up to about 12%. Many men in nursing gravitate to management positions to becoming nurse anesthetists to being in critical care units, leadership positions of various type where they may be paid more than female nurses because they're in those roles.

So, I think it's still an issue in the nursing profession and probably a much bigger issue in a corporate environment where women are often not promoted or not in high visible positions, although I think that has changed a lot. There are a lot of prominent women CEOs but certainly nowhere near the number of male CEOs.

Debra: Exactly. Well I'm certainly glad the tide is shifting. Yet when we understand compounding, Pat, this is a… I certainly don't want to imply it's too little too late because there's never a hopeless situation. And I want to repeat that. "There never is a hopeless situation," and I'm really eager to coach women about avoiding the difficulties, "avoiding the potholes," if you will.

And so, if I can guide your financial car… I'm going to use analogies all day long. I take a teaching approach. If I can guide your financial car tires away from the potholes, one, that saves you angst and stress, and two, it gets you to your goal more safely and quickly… So, I applaud all the advances.

And yet $1 saved 10 years ago is so much more valuable than $1 saved today. We have to save both. We've got to start saving right now and continue to save. And we want to be smart about where we invest. So, this is all a part of our entire theme of navigating how best to get there.

Pat: The people listening to this podcast are primarily business owners who work with attorneys handling various medical cases. They may have varying levels of understanding about their finances from knowing intimately on day-by-day, week-by-week, month-by-month cash flow basis where they are to having no idea.

Debra: Yes.

Pat: Do you have any advice for the people who have no idea? We'll take that extreme first.

Debra: Well, it's a good extreme because these are the people for whom there is little hope if they do not get help and outside guidance. So, the coaching role that I play is taking the players, taking women wherever they are. It's similar to a GPS system, right? In the old days, we would call a restaurant enroute. I would ask, "How do I get there?" And you know the first question they would ask? "Where are you?" So that's the first step. Let's get our arms around where we are.

And I have fun kinds of exercises as to how to do that. It's a completely without shame procedure that we address. Every single situation is valid, and any kinds of shortcomings can certainly be rectified. And just as you would send your child to a coach if they were going to be a competitive athlete, you would seek out a really good coach. And my four decades of experience, I think, qualify me as a good coach, certainly to keep your financial car's tires out of huge potholes. And we do that all day long.

That's just as valuable, I think, as giving you the northeast six degrees for the next 10 miles and then turn due north.

Pat: [Laughter] Yes. Imagine getting directions like that. "Head north in the general direction of north. But take whatever road you want."

Debra: Right. [Laughter]

Pat: For the people who are very much attuned to their finances, do you have any suggestions for them?

Debra: Yes. WI do want to expand most people's definition of "finances." So, we start there because I think there's been this myopia about "Finances equals Investment." And of course, we can turn on the

internet, we can turn on the television and hear about investments and the averages of the indexes and where they close. And that, of course, is meaningless in a long-term endeavor of building one's financial portfolio.

But finances have to do, Pat, with your real estate holdings: principal residence and additional, your risk management, your insurance portfolio, your taxes, your notes receivable, your intellectual property or potential inheritances. I never want to count on that, but we just have that in the periphery. We certainly include investments.

But basically, we want to know also how to determine where best to withdraw funds from when we need them, whether it's pre-retirement, if you will, or after retirement. And that's a huge pitfall for people that otherwise are pretty okay. Do-it-yourselfers, they pick some investments. They certainly haven't bankrupted themselves. And yet they don't know from tax angles where to take monies from when they need them.

And these mistakes can cost you tax dollars. It probably is not going to bankrupt you, but it would cost you tax dollars. If I can save you $10,000 in taxes to remodel your bathroom, that's like huge, right?

Pat: It is. And I think what you're describing for many people listening is an opaque mystery.

Debra: In what, Pat?

Pat: It's an opaque mystery…

Debra: Yes.

Pat: …that's so formless. Where and how do we get a handle on this?

Debra: Well, I think it's a little bit… I don't want to sound condescending but there's always more than meets the eye. I've inherited a whole bunch of do-it-yourselfers and they've very much enjoyed "doing it themselves," and yet they get to an age in life, and they're like, "Mm, I think I really need a professional to deal with this." And I say, "Yeah," because we've got to cover some of life's unexpected events.

And they're really not plugged into much of that. They probably have the expected life events nailed down to some extent. But the integration of investment withdrawal, particularly in taxation, has become so powerfully important to get right. And if we don't get it right every time, we're sacrificing some of our portfolio, which is unnecessary. Nobody would just go down the road and toss dollars out the side of the window. I mean, first, that's littering. But two, you just don't do that. And so, what I sometimes--

My first gift, if you will, to people whom I'm coaching is to say, "Here's the leak in your boat. We're going to stop up the leak first." You know, you're over here talking about this stock versus that stock. I'm talking about the leak of taxes because you wasted some ordinary income tax when you could have paid capital gains tax.

And these are eye-opening moments for people, and they're almost too numerous to name. And it changes each time the tax law changes. So, it really is not something that you can get done once and rest on your laurels. You must get finances right again and again and again. So, the tax law changes frequently.

But your own situation is going to change. Your health may change. Someone might get laid off. Someone might develop early onset dementia. Someone may be caregiving elderly family members. Some children are back at home and they have a bad habit of eating a lot. And so, these unexpected events really need to be managed.

And I think that it's so stressful for people, especially with these unexpected life events, that that's the exact time for them to be able to lean comfortably on a coach and say, "Oh my gosh, this just happened. How do we do it? What's next?" And that's exactly my role.

Pat: Mm-hmm. I can think of people I know who fit into all of those situations that you've just described -- those unexpected life events.

Let's talk about insurance because I think that we have a belief that the insurance policies that we pay into will cover us when we need them. And sometimes that happens and sometimes it doesn't, or sometimes the insurance company drops us because we've asked for benefits from the premiums that we've paid in.

I've gotten a little cynical about insurance particularly after we were rejected by our homeowner's insurance because we had three claims in a row, and they thought that was too many. We were too high-risk.

What is the scoop with insurance, and what do we really need? And I'll throw in that people have, it seems like, invented new types of insurance. There's one that floated in the universe a couple of years ago about "insurance to protect you from being hacked" for computer cyber security. That was the type of insurance. So, tell me your thoughts about insurance.

Debra: Well, I have an entire course on insurance. It is so multifaceted. And ultimately, what we want to do, Pat, is measure in our minds the risks we're willing to take. And I always like to manage the little risks. Take the little risks ourselves and pass on what I call "groups" -- so zero risks -- to insurance companies -- anything that's going to set us back like a lot. That's where we're exchanging a premium for and putting that onus on the insurance company -- so liability risks.

I often want to say, "One lawsuit can ruin your whole morning." And you have a very vivid life experience with myriad lawsuits, Pat, so it's, I'm sure, real to you and your audience.

Pat: Mm-hmm.

Debra: Life insurance is a gnarly policy to understand for most people. They were sold it. Very few people buy insurance and… because you have to buy… If you want to buy insurance, you're probably not eligible for insurance, right? You wanted to buy homeowners insurance.

Somebody said you had three claims. "Three strikes. You're out, Pat. Go to the marketplace and find a competitor." But if you have a health impairment and they say, "Oh my gosh, this kind of probably means that my life expectancy is shorter. I'll go out and buy insurance," well, you can't buy homeowners insurance if the corner of your kitchen is on fire, right? You must buy insurance when you don't need it.

And this is why it's so problematic because not so many people are willing to put out money when they "don't need it," when it's not been completely right in front of their face.

But let me talk a minute about insurance. Insurance is sold by commissionable agents. And the life insurance agent turnover is extremely high. I sold life insurance for 19 years. Believe me, they didn't expect a 21-year old to last four seconds… four weeks.

I led the agency the first year because I believed in the product. But the products have morphed such that the investment element to the products, Pat, is now resting almost entirely on the consumer unless you're still buying traditional whole life. I don't know one person that's never done that. If you're buying a variable or a universal life policy, you are paying a premium that was somehow backed into with certain presumptions, one of which is future earnings on your investment element of that policy, be it fixed or variable.

Now with interest rates at an all-time low for the last memorable history, you may be underpaid into that insurance policy. Now wouldn't you think that your insurance agent would come along and say, “Pat, you're underpaid. You've got to increase your premium by $1500 a year, or you're going to run out of insurance”? And most people say, “What? Run out of insurance? No. It says I have a million-dollar policy here.” Guess what? As a field planner, we do this all day long, run midstream illustrations for these policies.

And do you know what the harrowing truth is? People have not paid adequate premiums, and their investment cash value of their policy doesn't any longer substantiate that death benefit nor is it substantiated into the future when they're more likely to die.

So now they have that million-dollar policy on its face. It says, “a million dollars.” But in the fine print, it says about the premium payment and the investment risk borne by the individual, not the insurance company.

So, if you haven't had your agent run a midstream illustration on your life insurance policy now, get to that person or get that to a fiduciary planner and get that number because you likely do not have the same policy you thought you bought and have paid in premiums all these years. So, it's gnarly.

And I'm telling you, very few agents that are still in the business are interested in going back and saying, “Hey, Pat, pay up some more life

insurance premiums" because they don't make any money on that, right? So, it's really a very, very difficult conversation. And when we address it, it's a similarly difficult situation. But at least we're here to help and we'll give various options that one can take because there are many options.

Pat: I feel like we just opened up a big can of worms…

Debra: We did.

Pat: …and they're all spilling out on top of my keyboard there.

Debra: Yeah.

Pat: Wow.

Debra: Yeah, it is. And I'm kind of sorry to go that deep in the weeds.

Pat: [Laughter]

Debra: The other thing I want to point out about life insurance is people tend to pay it and pay it and pay it and pay it, and then they think, "Oh I'm 70. I don't have the debts I used to have. I'll just drop my insurance." Don't drop your insurance. There are ways to make money out of that so don't do anything precipitous.

Again, here's where a coach comes in and says, "Hey, I've got the playbook. I've done this before."

Most people, when they're doing something a little new in life, they seek out a coach or a guide. I climbed Mount Kilimanjaro last year. I had a guide. You better believe I had a guide. I probably still be trying to get to the summit. And now, instead, I was up and down in six days.

The point is that many people have not gone into their future yet because… You haven't. I have. For 40 years, I've gone into people's futures and particularly, their retirements. So, I've got a bevy of stories and examples in my mind and psyche, and I can then say to you, "Pat, you haven't done this before. I have. Here's what you want to avoid. Here are the good choices we want to make."

And we'll keep looking at it and looking at it and reviewing and reviewing it and honing your direction. And it's just a beautiful symphony when it works beautifully. And when it doesn't, it's a cacophony of sounds. And that would be just like kind of fingernails on a chalkboard. But it's also very expensive.

And here's the real deal. You don't meet your goals. You have to work an extra six years, four years. Your partner dies prematurely, and now all the years of retirement that you anticipated spending together, you're not. Life is filled with all kinds of new angles and it's best to know how to protect yourself against the bulk of them.

Pat: I think the people listening to this program because of the accidents see this all the time.

Debra: Yes.

Pat: They work on personal injury cases. There's a car crash. The husband is killed, the wife survives, or both people are killed, and the children are left to try to sort out all of this. You're right. There's nothing stable or predictable about life. Things can happen and change in a heartbeat.

Debra: Right.

Pat: So, we have to make what is--

Debra: What we can count on is change.-And then some people quip about higher taxes. But change is something that we can count on. And now the issue is, "Would you like to have a coach beside you when these next changes come down the pike?" And I think that answer should be "Yes."

Pat: [Laughter] I know that people must ask you all the time about IRAs, when you can cash in an IRA. What's the difference between "Roth IRA" and simple IRA? Now those all kind of blend together.

And for our people who are listening to this podcast who are in other countries, these are investment tools that were permitted to use in the United States to put money aside.

So, maybe we'll start with, first of all, “What is an IRA?” and then “What is the difference between them?”

Debra: Well, an IRA is short for “Individual Retirement Account,” and typically, they come in two general flavors.

One is pre-tax. So, if you put your $5000 into your traditional IRA, you actually take a deduction for that on your income tax return. So let's say you put in $5000 into your IRA -- and let's just keep the math simple – if you're in a 20% tax bracket, then you're going to save basically a thousand dollars in income tax for that contribution to your own retirement.

The problem is, with the traditional IRA, it grows tax-deferred under a tax umbrella. But when you take those monies out, you have to pay ordinary income taxes on those withdrawals. Now those are the rules of the land now. It could change, of course, in the future.

The Roth IRA is an after-tax savings vehicle which does not give you any current tax relief on your tax return, but it grows tax-free under a tax umbrella so long as you keep the account for five years. Now this is a huge difference.

And also I want to point out, we are in some of the very lowest income tax… ordinary income tax brackets now in memorable history, such that you just have to scratch your head and say, “Mm, should I get a traditional IRA and get that measly little write-off right now?”

Remember when our tax brackets were 40 and 50 percent, and they could likely be that again, such that like if you just take your little tiny tax deduction now and you put your money in your IRA and it's a million-dollar IRA, and you start withdrawing it at ordinary income tax brackets and now you're in a 50 percent tax bracket, oh not so good. Not so fast. That really was a bad choice.

So, one needs to really weigh that. It may be different each year based upon your salaries. And if you're partnered there, your joint salaries affect this and also the tax brackets. But those are basically ways to save extra money for retirement.

Pat: And then we get to retirement age, and some of our listeners are at that age, is it a good idea to take social security when we are first eligible at 62 or is it better to wait?

Debra: It's a great question. I know fiduciary planners do completely exhaust spreadsheets. They slice the options of Social Security receipt out six ways to Sunday. And it's very intriguing and interesting.

And many listeners may not know that there are typically myriad Social Security benefits for which one may be eligible. Like if you've been married to a spouse for at least 10 years and then divorced, you have rights to your ex-partner's Social Security. It doesn't ding their Social Security. I have had ex-spouses say, "Oh I don't want to hurt him" or "I don't want him to know."

He doesn't even know -- if it's a man and I'm dealing with the woman. They don't even know. One man could be married to four wives for 10 years each and each of the four wives are tapping Social Security for a portion of his benefit. It doesn't take away from his benefit. But she is eligible for a divorcee benefit.

Also, death. If your husband has died, you're eligible for survival benefit. And then you're eligible probably for your own if you've worked outside the home.

So, you really want to dovetail the receipt of the benefits and the amounts of the benefits. So, you might start taking your survivor benefit, for example, if your husband has died at age 60. Let your own defer until later and then switch over to your own.

Now remind yourself, you can push it out to age 70 and you earn 8 percent a year for doing that. Totally smart. Here's the thing a few people really realize. The survivor benefit is slashed, and I mean slashed, if the major breadwinner takes the Social Security immediately upon age eligibility which is typically 62. If a person goes in and says, "I don't think Social Security will stay around. I'm just going to take it while I can and run with it," and then they die, and their partner's Social Security survivor benefit is a modicum. I hope I'm using strong enough language.

Pat: [Laughter] I think you got it.

Debra: …of what it would be if they waited until their normal retirement age.

So have a professional run these numbers. There are hundreds of thousands of dollars over the survivor of two people's life expectancy. You don't want to just guess about this.

Pat: Well, you've given me so much to think about and I'm sure that the listener has lots of questions. How can people stay in contact with you and find out more about the services that you offer?

Debra: Well you could email us any questions you have at team -- T-E-A-M -- @womennavigatingfinances.com. You could go to our website. [team@womennavigatingfinances.com]. We also have a Facebook page. Again, Women -- W-O-M-E-N -- Navigating Finances [Women Navigating Finances].

We're going to give away a bunch of stuff to our viewers and to people who come to the page because we want to get people engaged and we want to give people maybe lists, kind of some of the unexpected perils that may throw some other people off-course. But you are getting the list and having some expert coaching advice will avoid that kind of stress.

And the phone number is 973 706 8924 for people who choose to phone. That's perfectly fine. 973 706 8924.

Pat: And the time zone that you're in is Eastern, correct?

Debra: Eastern, mm-hmm.

Pat: Okay. Perfect. Debra, thank you so much for sharing your insights, your advice, your tips about an area that certainly concerns us all and is one that we all need to pay attention to and probably more attention to than we've been paying, for most of us.

Debra: Right. Thank You, Pat. It's been a pleasure.

Pat: You're most welcome. -- And thank you, the person who is listening to this or watching this show on Legal Nurse Business Podcast channel which is on YouTube.

We love having you be present, asking your questions, thinking about the information that we're sharing and returning week after week. We

are now past 400 shows. I started this Legal Nurse Podcast in September 2016 and I love being able to help you with your business.

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This is Pat Iyer with Legal Nurse Podcast, and I've just finished interviewing Dave Goodall who is a master practitioner in neuro-linguistics programming. Dave, what is our listener going to get from tuning into your show?

Dave: Yeah. What we just got done talking about was how to be a better communicator and negotiator, why rapport is important, how to obtain it and maintain it.

Patricia: So, we focused on communication, negotiation, establishing rapport with your attorney clients and other people you interact with. And Dave shares some tips in this show on how to achieve all of those objectives as a legal nurse consultant using NLP techniques. Be sure to come back and tune in for Dave Goodall's podcast.

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