

## Lorraine Ell - Better Money Decisions - Transcript

**Tim:** Welcome back to Living With Money. This is Tim Mullooly. On today's episode I'm joined by Lorraine Ell. Lorraine is the CEO of Better Money Decisions and also the author of the recently published book, *Bozos, Monsters and Whiz-bangs* which was published March 1st of 2018. Lorraine, thanks for coming on the podcast.

**Lorraine:** Well, thanks for having me.

**Tim:** For the listeners out there, could you just tell us what the beginning of your career was like and how you got started in the industry and how you got to where you are today?

**Lorraine:** Well, it's one of those kind of odd stories because as you know I've traveled quite a bit in my career. It was between overseas adventures, I had just returned from Saudi Arabia with a bagful of cash and I mean that literally. I was paid in cash. This was a few years ago, paid in cash. And you know what? I had no idea what to do with the money. I knew I had to put it in the bank but I didn't know how to invest it. And so I saw an ad for a financial advisor and I thought, "Well, I might as well learn about this." And that's how I got started. It's a little bit crazy.

**Tim:** Awesome. So, you mentioned that you spent a lot of time all over the globe. What kind of unique perspectives did you bring back from all those years traveling, whether it's investing and finance related or just unique perspectives about life in general?

**Lorraine:** You know, I think the big takeaway from traveling, and I think this is true for anybody who travels, individuals are not the governments that represent them.

So, I think, while we're sitting here in the States and we're sitting at home. We see all these stories about different countries and the thing that really stands out is that there's a big difference when you meet people personally. I mean, I have just met so many great people from all over the world with different cultures and religions and ethnicity and they're all so welcoming and open to share ideas and you don't get that perspective if you just focus on what their governments are doing.

I think having that experience, and I think this is what travel does for almost everybody, is that you begin to see others through their eyes, through their perspectives and it gives you a fresh view of the world and it kind of really forms how I look at investing and everything I do in my life. I'm really open to questioning the status quo so I do that quite frequently. Because I've experienced other ways of doing things and other cultures and different views of the world, so it keeps my eyes wide open to look at things anew.

**Tim:** Yeah, I think that's definitely a good thing. You don't just want to have a close minded view of certain people or of certain country, economy, something like that without first-hand experience, right?

**Lorraine:** That's exactly right, and when you get into these countries, I've lived at some countries that of course it was before bad things happened there like Iran, but the Iranian people

were just so warm and wonderful and kind and helpful. I mean, I just have a whole different view of the people, not the government.

**Tim:** Right, and in terms of how the people in different countries handle their finances or money is there any one country or group of people or something that people did that kind of is not the way we do it here in America that stood out to you?

**Lorraine:** Well, you know, there are some rules and regulations for ... Let's just say, because I did spend a lot of time in Islamic countries. So, they do have restrictions on earning interest on money, so that's a big difference. It's still the old usury laws that existed in the Old Testament are still present in today's society in certain ones of those countries.

So, there are differences and of course not too many countries have the kind of open market that we do. I mean, our stock market is over 50% of the world market cap. We are the big kids on the block and we just have a really developed, really strong, really transparent way of investing in companies in our country and you don't see that in a lot of other countries in the world.

**Tim:** Right, I think that's an important point for Americans to remember. I feel like people in America don't really understand that point. Our economy is very different from much of the rest of the world.

**Lorraine:** Right, I mean, we are really fortunate to be able to invest in corporations and corporations are fortunate to be able to have individuals be able to help them grow their companies and invest in that as well so that has really helped fuel the whole American experience and I think that's just a big difference.

I mean, China does not have that so it's easy to understand that. It's a big economy but they are 3% of the world market cap in equities, so when you kind of really put that in perspective you realize, wow, we have it pretty good here.

**Tim:** Yeah, definitely. So, after you got done traveling, how did Better Money Decisions get started and when you're starting with a client what are the main benefits that you hope to provide them?

**Lorraine:** I was in this industry in the 1980s and then left again to start a business in Budapest, Hungary after the fall of Communism. So, I got back into this again in 2008 and worked for a firm for a while, but then we started Better Money Decisions in 2014. And we did that because we really had a vision to do something a little bit different and everything that we do for our clients is based on really one simple question. Are we adding value to someone's life? I mean, that's the whole thing.

If I can't add value to the clients who come to me for help, then it's not a good fit and so this goes for our clients and the people who work for the firm because I'm really concerned and it's really a priority of the firm to make your life better. What's money for but to live the life you want, and if I can help in some way to make that happen for you, then I've done my job right.

**Tim:** Right, yeah. I totally agree, we have the same philosophy here at our firm as well. It's about the clients you can benefit, some people benefit themselves and not the clients. That kind of leads me into my next question.

In the biography about your book and on your website it says that you don't mince words when it comes to talking about the good and bad advisors out there so, how can a client figure out if they're working with the wrong advisor?

**Lorraine:** You know, I have often heard that someone would say, "Lorraine, tell us how you really feel?" Because I tend to have very strong opinions about things, but you know I think trying to get a grasp on whether you're working with the wrong advisor's really a difficult question to answer for most folks because people who come to me for one reason or another before they become clients, they all say that their advisor is their really good friend and that they really like them. And then I look at their portfolios and I'm thinking to myself, with friends like this, who needs enemies. The stuff that I see in there is just horrific.

So, I think in general, investors need to really expect more from their advisors. They need to expect more help and more concern and some of the things that I always caution people to look for or to really think about, is your advisor speaking in jargon to you? I mean, that's just not necessary. Are they speaking more than listening? Have they really stopped talking long enough to hear what you're trying to communicate to them? Are they trying to beat the market? Is it all about performance and the investing or is it about your financial life and how these investments can work to make you live the life you want and be able to do what you want in life?

So, those are some general guidelines. It's not an easy ... When you're involved with someone, you almost can't see the forest for the trees and it's difficult to pull yourself out of that and say, "You know, I'm really not getting what I need here and I bet there is some place better," and I think your firm is probably like that and I know ours is because we look at this as really a partnership with our clients.

**Tim:** Right yeah, and I think going back to what you said about are they listening more than they're talking. And then that goes back to are they serving your goals or their goals? There's a story that I'm forgetting the name but the punchline is something like, "Well, if you're doing such a good job for your clients, where are the clients' yachts." Or something along those lines-

**Lorraine:** Right, exactly, yes.

**Tim:** Meaning are you patting your clients' pockets or are you patting your own pockets.

**Lorraine:** Right, I mean and are they able to do what they want to do in life? That to me is the measure. Are they happy? Are they able to live the life they want? And if that's the case, then I know I'm doing a good job.

**Tim:** Yep. Over the last year or so, there's been speculation about rules and laws being put in place for fiduciaries and advisors. What would you say is the most important thing about making sure that your advisor is a fiduciary?

**Lorraine:** You know, it just seems so obvious to me that clients would want an advisor who puts their interest first. I mean, I just don't know why someone would not be working with a fiduciary because you want someone who's working to better your life, not just a source of income for the advisor.

I think that it's just so easy in this business to do the right thing for your clients and also provide for your family and yourself. You know, I just don't understand why everybody's not a fiduciary.

**Tim:** Right, I agree with that as well. The fiduciary rule didn't end up getting put in place but I think the good that came out of it was a lot more awareness for the individuals in terms of even knowing what a fiduciary is because you were saying, why would people not work for a fiduciary. Do you find that they just don't know what the difference is?

**Lorraine:** Yes. I think that's a big problem in trying to explain the difference although I have to say that recently I have noticed that people come into our firm looking to engage with us are now more aware of that term fiduciary, but it's always a little bit of a complicated explanation to make sure they do understand what this actually means for them, for their lives, for their investments. But to me, a very important thing that needs to happen more.

**Tim:** Absolutely. So, you've mentioned the word jargon before and it's a problem I find with other advisors as well, it's easy to use words that are common to us but not necessarily to the clients and there's a lot of potentially confusing terminology out there for individuals. How can an individual not get overwhelmed by industry jargon or how can they combat hearing terms that they're not really familiar with?

**Lorraine:** You know, I have a couple of thoughts on this. First of all, with my firm, we have this imaginary jargon jar that if you use jargon you have to put a dollar in. It's like a swear jar.

**Tim:** That's a good idea.

**Lorraine:** Yeah, right. So that kind of keeps us as advisors honest in trying to really explain things in terms that are easy for our clients to understand. But you know, with that being said, I sometimes worry that clients like the jargon. They think it makes the advisors sound so smart, they're saying to themselves, "Oh, they're using such big, confusing words, they must know more than I do." And you know, if you find yourself even saying that as a client then I think you really need to step back and say, if an advisor can't explain everything in simple terms, I would really question whether or not they understand it themselves because, let's be honest with everything in life it can be explained using proper English and simple terminology without having to confuse or muddy the waters.

But I do think that there's a little bit of that issue that sometimes I think clients are looking for someone to use those jargon-y terms because it gives them confidence that the person knows what they're talking about.

**Tim:** Right that's a good point, I've never really thought of it that way. Clients might seek out the jargon because they think it makes the advisor more knowledgeable or that they have some magic formula that'll make them millions of dollars.

**Lorraine:** Right, hey, if it's confusing and difficult to understand then it must be really good.

**Tim:** Right, definitely, which is usually the opposite.

**Lorraine:** Exactly, exactly.

**Tim:** Right, so is it kind of a 50-50 split in terms of responsibility on the advisor and the client for the advisor to not use too much jargon and then for the client to not want to hear the jargon or to kind of speak up when they don't understand something?

**Lorraine:** Yeah, I mean I think the same thing applies to when you go to see your doctor for example. And the doctor is using some kind of terminology and we all need to stop professionals, whether a doctor or an investment advisor, and say, "Wait, I don't really understand what that means." And don't be afraid to do that. If the person cannot give you a clear answer then maybe you do need to look for someone else.

**Tim:** Yeah, I definitely agree with that, I would throw mechanics in there too, I know for me personally when they're explaining stuff about my car I'm helpless.

**Lorraine:** No, I get that, but you do want to know, "Wait a second, what happens is this stays broken? Is my car going to run?" Simple things like that help you understand a lot better.

**Tim:** And in all of those cases you're most likely paying a good chunk of change for their advice or for their skills fixing or prescribing medicine, something, so I feel if you're paying money for something you want to, at least I do, I want to know in terms that I can understand what I'm paying for.

**Lorraine:** Right, I agree with that one 100%.

**Tim:** Right. Shifting gears a little bit, the definition of the word retirement has kind of become fluid or more fluid all over the years. So, how do you think the idea of retirement has changed from your parents' generation to your generation and then even one step further to my generation with the millennials?

**Lorraine:** Well, I mean, I think there has been a huge shift in the kind of work people do so in the past, my grandparents, my parents' generation's jobs were a lot more physical and they tended to die much younger than they do now. Life expectancy, you were lucky to get into your seventies. And then, in that regard also the cold concept of work, life, balance, no one talked about that. No one talked about that in the '50s or the '60s or the '70s and it's more of a recent phenomenon so it was just work, work, work and then do nothing and then retire, and retire as early as possible. But my own mother who's 95 now rues the day she ever quit working because-

**Tim:** Really?

**Lorraine:** -she never expected to live that long. Yes. I mean, she said, "why did I quit working when I was 60. I was, like, 62." She said, "I could have worked another 10, 20 years." I had no idea I'd live as long as I am now.

So, I think that's a good metaphor for how retirement is really shifting, so my clients who say they're "retired" it's because they're so busy now, they're probably busier than when they were working. It's even hard to schedule an appointment with some about it. They're volunteering and they're traveling and they're working part-time, socializing and exercising and doing all the things that they love to do so I think it's really almost like a sliding scale.

I don't know if really the next generation thinks of retiring the way anybody does anymore. I think it's a whole different view of what that really means and it's different for everybody.

**Tim:** Yeah, I totally agree with what you're saying in terms of the sliding scale and how it's changing. As more people retire the idea or retirement is just getting thrown out the window and getting rewritten. I wonder, and tell your opinion on this. Do you think it's cyclical in a sense? Like, at one point it might eventually go back to the way your parent's generation thought about it or do you think it's kind of changed for good?

**Lorraine:** You know what? I think that the work that we do has changed. I mean, we do a lot more virtual work. You can work from your home now. You don't even go into a workplace for many jobs and businesses so I think that that whole concept of getting up and having to be through rush hour and having to get to an office and grind out 8 hour days, the 9 to 5. I think some of that is changing and with that I think retirement and the concept of retirement is changing because why stop doing something you love to do?

**Tim:** Yeah, that's so true. If you love something, if it's not broke, don't fix it, right?

**Lorraine:** Exactly, exactly, why retire? I mean, I love what I do. That whole idea retirement to me is like, "Why would I do something different that maybe I don't like as well as what I do?" I think it's very fluid.

**Tim:** Yeah, definitely like you're saying, with the technology too I think it's only going to continue to change from there.

**Lorraine:** I agree, yes.

**Tim:** You know, with that, one of the concerns we hear most from clients and prospective clients that come in is they're worried that the money they have won't last them through retirement since retirement is much longer than it has been in the past or it starts earlier for people. What are a few ways to try and ensure money will last for people through their retirement?

**Lorraine:** I have three words that sums that up and it's called cash flow management.

**Tim:** Absolutely.

**Lorraine:** Yeah, I think a lot of advisors don't spend enough time in this area of financial planning or helping clients because it's just a huge part of what we do. How are we going to create that income, that monthly paycheck for our clients year after year after year because you know this very well, if you sell the wrong investments at the wrong time, it could have disastrous consequences for the future.

So, we talk to folks about how much can you ... I know you want to spend X number of dollars but how much can you afford to spend? So, that's a big part of the conversation that we have. You might want to spend \$20000 on travel every year but maybe throughout the financial planning process we find out, wait a second, you can only spend \$20000 every other year or every three years on travel.

And so, I think by having that conversation, by opening up those ideas to folks and say, "If you do this, then you have a higher probability of a successful retirement than if you overspend or you invest incorrectly or you don't take enough risk." So, it's really a process that we go through with every client and absolutely every client is different.

**Tim:** Right, so that's where you would start the financial planning process? Kind of almost work backwards, determine how much they want to spend or determine that cash flow management and what they're spending, what they want to spend, where they need to get to and then kind of build from there?

**Lorraine:** Yeah, we look at what are their goals for retirement, how much do they think they want to spend in retirement and then we look at their assets, their other sources of income obviously, social security or some of them even still have pensions, which are kind of wearing out but still have them and put that all together into the big picture of things and then figure out, okay, can you spend a little bit? Have you taken care of your healthcare issues and questions for the future?

Women, it's big problem for women because women tend to live longer than men too, so we factor in that possibility as well and tend to work on financial planning and when I say planning, I really mean planning because it's a continuous process, it's not a one and done. This whole concept of having an embossed financial plan that someone takes and throws in a drawer is not what we do because life happens and things change. So, you really have to take all those things into consideration and then every year, look at, okay, are we on target? What did you spend last year? Did you overspend? Or, did you not spend enough? Take that vacation. But you see this is all part of the conversation that we have with our clients. The planning is continuous.

**Tim:** So, you kind of touched on it a little bit in terms of women tend to live longer than men. In terms of planning and conversations that you have, are there any other differences between men and women when it comes to financial planning?

**Lorraine:** Well, I think there are. I think there are some considerations that are different and 80% of those living into their nineties are women. So, that's one big difference right there.

The other thing is women tend to kind of want to give more to their adult children. We find that is an issue. Women are also stuck in that sandwich generation where they may be trying to help their younger kids get started in life but then they also have 85 year old parents that they're trying to help as well and so the squeeze on the finances for people in that particular situation can really have an impact on the future and those are things that have to be consider and what we consider when we go through the whole planning process.

**Tim:** So, you can't just have a blanket process for men and women. Like you're saying everyone's different regardless of gender or if it's a man or a woman, you need to just kind of sit down and identify their own specific goals and how it applies to their retirement.

**Lorraine:** Right, I mean you really have to understand. This is where the listening part comes in. You have to really understand what is important to your clients, what do they need to do with their lives, are there people they need to be taking care of, do they have responsibilities and until you really understand their entire picture, it's very difficult to recommend investments or that side of it.

We always do the planning before we even look at the investments in a client's work. I mean, I don't know how to invest for someone until I know what that money needs to do.

**Tim:** Yeah, I totally agree, there's really no way to pick suitable investments for a client if you don't know anything else about the other parts of their lives.

**Lorraine:** Can't happen, it's just not possible.

**Tim:** Right.

**Lorraine:** Because one size doesn't fit all, it really doesn't fit all in this circumstance.

**Tim:** Yes, absolutely. In your opinion, what would you say is the absolute biggest thing that needs to change in the financial services' industry over the next five years?

**Lorraine:** Oh, boy there's a lot I could say.

**Tim:** I was going to say, there's a lot.

**Lorraine:** But I'm going to give you one that I think most people wouldn't say. That I think it may shock you because I really don't like this whole trend toward standalone financial planning where it's a financial plan, it's one and done and then the customer goes away or the client goes away and they're supposed to implement this on their own, they're supposed to manage their finances on their own and there's no kind of system or maybe monthly subscription or check in or follow up because I see a lot of this happening in our industry and the people pay for the plan and then they throw it in their drawer and they go off and they really do some things that are not the most productive.

So, it's like there's no checks and balances, so, I know that there's this whole trend in the industry, some type of, I just do planning, I don't want to touch those investments, I don't want to get involved in guiding a client as to how to implement the plan, I just want to do the plan, and I think that's really harmful and dangerous and I as a fiduciary think that if I did that I would be abandoning my fiduciary duty to really help clients follow through on things.

So, I would rather see this industry go to a more holistic approach. Go to a more comprehensive, hands-on, and I understand that younger folks don't have assets to invest but there are other ways of doing this. There are subscription agreements where you are involved in groups and you kind of help each other with accountability for what you're trying to achieve and an advisor can help facilitate that kind of conversation.

So, I don't care if it's people with no assets or people with assets. The whole idea is to be involved in a more comprehensive and holistic way with your clients. I don't know if you agree with that or not, but that's what I see.

**Tim:** I definitely agree with that because from an advisor standpoint, you want the clients to implement the changes or the points that you give them in the plan, otherwise, what did you as an advisor do all that work for?

**Lorraine:** What's the point?

**Tim:** Yeah.

**Lorraine:** What's the purpose?

**Tim:** I mean, I guess there are some people out there that would just say, "Well, I got paid, that's okay. They paid me for the plan," but it goes back to wanting to help the clients and their goals and not just patting your own pocket so I definitely agree with that.

**Lorraine:** And we see people coming because I think there's this idea has been promoted lately. Oh, no, I don't want any investments, I just want the financial plan. And we actually have to turn those people away because we won't do that.

**Tim:** I think that's an important point for advisors out there as well. If that's like you're saying you would turn those types of people away and not many advisors would do that.

**Lorraine:** Oh, I do.

**Tim:** Yeah.

**Lorraine:** Again, I take being a fiduciary seriously. Really seriously and I don't see how by creating a financial plan and sending the people off into the blue sky that I'm helping them at all. I just don't see where I'm adding value to their lives, so I feel very strongly about that as you can see. I told you I have strong opinions about things.

**Tim:** I think, hey, in this industry you need to have strong opinions. So, you also have a podcast called Better Financial Decisions Show. What can listener expect to hear or learn from listening to your show?

**Lorraine:** You know, I think it's very similar to what we've been talking about today. You hear all of this conventional wisdom and cookie cutter instructions or simplistic rules. Hey stop drinking lattes and you'll be fine, pay off your house, that's the most important thing and that's just not necessarily true and it's definitely not true for everybody, so I think that our podcast really tries to dispel some of this mess but also just in general helps people make better money decisions and that's the whole concept is helping people to do the right thing with their money.

**Tim:** Right, and like you're saying that's pretty much the goal of this podcast too so I'm right there with you. I think it's a great idea because it's needed in today's society I think.

**Lorraine:** So much so.

**Tim:** So, being a CEO, you have a newly published book, a podcast we just talked about, a lot of great content all over the internet. Is there anything new in the near future that's coming for you that you're excited to take on?

**Lorraine:** Well, I'm not one to let grass grow because I'm always out there doing more, so I have in the works more videos and webinars because I just think that more and more people are looking to the internet for information and that to me is critically important, to give folks more choices of how they can get better information about what to do with their money and how to save enough and how to make their lives work and so just more advice in general because almost everything we do in life has some financial component in one way or another and the more that I can help and reach out to folks in as many different platforms and media as possible, I think that would go far to fulfill my mission, which is to make sure that people make those better money decisions.

**Tim:** Yeah, I mean like you're saying people are turning to the internet for pretty much everything and there's so much information and there's a lot of bad information on the internet too, so I think wanting to put more good information on there is only going to benefit the individuals out there.

**Lorraine:** I totally agree with that.

**Tim:** So, if there's ... I like to ask every guest who comes on the show if there's one piece of advice, whether it's a personal thing of a professional thing that's stuck with you throughout your career and throughout your life, what would that one piece of advice be?

**Lorraine:** You know, I think it's the realization that change is a constant and I know those two words don't usually go together because consistency and change are two different things but if there's one thing that you can count on is that things will change and I don't know if it's my international experience. I mean, I was in Iran in 1979 during the Iranian Revolution and one moment I'd be strolling down the big boulevard in Tehran and then the next moment I'd be

confronted by a mob of angry rioters and people and these things happen in life and things can change in an instant and that awareness that this is the way life is, I think, has really helped me to weather the storms or the flow or the whatever I'm confronted with on a day to day basis and that to me is good advice for anybody. Especially with stock market, I mean, the market's always changing.

**Tim:** Right and the advisory business, finance in general, the stock market, everything is always changing and it's easy to get stuck in your ways and be resistant to change so I think being open to change is one of the best things you can have whether it's finance or just life in general.

**Lorraine:** Just embrace it. Embrace it and say, "Yeah, let's go, let's see where this takes me now."

**Tim:** Exactly. So, kind of flip that question around. Is that the same piece of advice that you would give to someone just getting started in the finance industry today or is there another piece of advice that you would want to give them on their first day on the job?

**Lorraine:** It's a funny thing, when I first started in this business one of the old brokers, and I was an old fashioned stockbroker in those days, he came up to me and he said, "you know, this is the hardest way to make an easy living." I mean, that just stuck with me because I know it's a struggle for new advisors to get started. It's hard but once you have some momentum going it's a really wonderful profession to help others and to also provide for yourself, so I would say that ability to embrace change, the persistence to keep going in the face of difficulties but also, if you can find that value that you can add to people's lives. If you can find that thing that separates you from everybody else that's uniquely you, that's really what would help you to succeed, and I think that's true in any walk of life.

**Tim:** Yeah, I'd have to agree and that kind of ties it together nicely. We started with wanting to just add value to people's lives and ending with it as well. That was the last question I had for you Lorraine, thank you for coming on the show.

**Lorraine:** Sure, thanks so much for having me, this was a lot of fun.

**Tim:** So, for the listeners out there, we're going to link to Better Money Decision's website and also where you can find Lorraine's book, *Bozos, Monsters and Whizz-bangs*. Be sure to pick up a copy of that and read all the good content they have on the website as well.

Thanks for listening to this episode of *Living With Money* and we'll see you on the next one.