

# FINANCIAL LITERACY:

THE MISSING LINK IN HUMAN RESOURCE MANAGEMENT'S  
SUCCESSFUL IMPLEMENTATION OF DR. W. EDWARDS DEMING'S  
SYSTEM OF PROFOUND KNOWLEDGE  
AND OTHER ORGANIZATIONAL RE-ENGINEERING EFFORTS.

A discourse on the process of converting the extrinsic rewards of work and career to intrinsic rewards that cause employee's efforts to align with corporate business goals for a more successful cultural change. Particularly in organizations going through a transition when the need for employee re-commitment to the organization's mission is great.



By  
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## INTRODUCTION

**"The significant problems we face cannot be solved at the same level of thinking we were at when we created them." - Albert Einstein**

As organizations in the 90's continue their evolution, there is a need for corporations to help their employees realign their thinking and commit to a pro-active stance that acknowledges the link between personal and corporate needs. This recognition can play a role in motivating employees to pursue the rewards of being members of the lean and highly productive corporations of the 90's and beyond.

After reading this paper, we feel you will be pleasantly surprised with a fresh perspective on how Personal Financial Management relates to your responsibilities and functions as Human Resource professionals. Today, most employees already have an idea of what financial planning is and why it is important. Experience indicates, however, that most people's notion of financial planning is greatly influenced by their personal experiences with insurance agents, investment brokers or fee-based planners. The fact is that these industries have, for the most part, distorted and occasionally compromised the true benefits and potential significance of the personal financial planning process for the individual and the corporation.

Cygnet's Lifestyle Quality Financial Management© course teaches a process that is both familiar to most people and extraordinarily unique in the way it is presented and executed in class. Properly implemented, this course strengthens and improves the relationship between the employee and the organization so both entities have an opportunity to fulfill their goals and objectives.

## ORGANIZATIONS AND FINANCIAL TRAINING

It is hard to imagine anything more critical to organizations today than the productivity of their employees. When examining the issue of productivity in the workplace, repeated texts indicate that productivity of the human resource is a function of the employee's attitude, knowledge and skills. Developing your employees' knowledge and skills is a straightforward process. The necessary training is easy to administer and the results are easily measured and evaluated. Influencing the attitude of your employees is a more involved process. Unlike traditional training programs, attitude enhancement is subjective and difficult to measure. In an effort to address this issue, most companies have implemented programs that are designed to help the employee gain some control over the many psychological, physical and financial issues that impact the workplace. The expectation is that positive control over these issues will help bring about a more positive attitude and work environment; which, in turn, is expected to enhance productivity. These programs (usually provided as employee benefits) include career related training, time management, safety programs, exercise facilities, stress management, health insurance, pension & savings plans and retirement/financial planning. Of these areas, the one that usually receives the least amount of attention is personal financial management. Unfortunately, for both the employee and the organization, this area (which has the potential for the most direct impact on productivity) has not yet been adequately integrated in the benefits "family" of most organizations. Yet it has the potential of more impact on employee morale and productivity than any other program.

Many organizations have made attempts to address the issue of personal financial management, but most of these efforts are generally ineffective due to their structure. As a result they rarely achieve their potential benefits. Typically, the programs most often used are lectures with a one way flow of information. They offer great amounts of information and utilize a workshop process to teach participants the nature of stocks, bonds, mutual funds, annuities, tax deferral, asset allocation, estate planning, insurance, lump-sum distribution strategies, etc.... The deficiency of this approach is that these programs merely describe the tools that are used in personal financial management. While this is beneficial, until those tools are actually applied at the personal level they remain theoretical and are of false value to the employee. Since the employee is only taught the nature of the tools, but never shown how to use them in their specific personal situation, the employee still has to depend on the representatives of the financial institutions and their proprietary financial products (in the case of insurance or mutual fund companies) and financial services (in the case of accounting or "consulting" firms), to finish the job the "educational" program starts. Instead of empowering the employee to develop an attitude of financial control as does Cygnet's interactive and self-completing program, the

limited information provided in these presentations merely serves to prepare the employee to become somebody's client; albeit a more knowledgeable client. This approach can be harmful because it creates the false security that a financial plan has been built, when in fact that's not the case.

The inadequacy of this approach becomes more obvious with the following situation: How comfortable would you be about getting into the cockpit of an airplane and taking off alone after simply studying the flight manual and passing a series of written exams? Until you actually take the "wheel" and fly with an instructor at your side, your training will be incomplete. Knowing all the textbook details about flying will not make you a pilot. Stated simply, knowing how to do something is different than being able to do it. Yet this is how financial planning is generally handled in the corporate setting.

It's in response to this, that Cygnet's Lifestyle Quality Financial Management© System was developed. This is a unique training program that addresses an employee's personal goals and guides them through an interactive workshop process that gives the student (your employee) permanent, hands on control over all their financial decisions. Not only does this course describe the tools and their use, but it is designed to assist and guide the student in actually putting them to use. Through expert guidance by Certified Financial Planners, Attorneys and CPA's, the participants actually build their own professional quality financial plan in class.

# THE HUMAN RESOURCE - A FUNDAMENTAL PERSPECTIVE

Some of the material that follows may be elementary, but it is important to understand that the Lifestyle Quality Financial Management© System shares the same foundation as basic human resource management concepts. When we look at human resource issues, it can be difficult to understand the full picture because we ourselves are also a "human resource." This is where an exercise in perspective can be very helpful.

Basic economic or management theory tells us that the two key components used by organizations to produce a product or a service are people and equipment. Expanding on this, let us dwell for a moment on a typical piece of equipment to get a clearer view of all the things that need to be managed in order for a "non-human" resource to be productive. Armed with this perspective we can then see if there is a pattern that can be related to human resources. Once this comparison is complete, you can then form your own conclusions whether or not your organization is adequately active in addressing all the elements of the productivity relationship it has with its "human resources" - its employees.

At its base level, the cycle of the relationship between a company and a piece of equipment could be described as follows.

- Begins with an acquisition cost
- Needs fuel/energy/electricity to run
- Systematic maintenance
- Replaced by supplier if not performing to specifications
- Replacement of parts that wear out
- Periodic re-calibration
- Modifications to adapt it to changed needs (if possible)
- At some point is reduced to salvage value of zero and disposed

Now let us look at the cycle of the relationship between an employee and the company.

- Begins with an acquisition cost (RECRUITING and TRAINING)
- Needs fuel/energy/electricity to run (WAGES and BENEFITS)
- Systematic maintenance (VACATIONS, AWARDS)
- Replaced by supplier if not performing to specifications (PERSONNEL PROBLEM)
- Replacement of parts that wear out (REASSIGNED or DEMOTED or FIRED)

- Periodic re-calibration (REFRESHER TRAINING)
- Modifications to adapt it to changed needs (if possible) (TRAINING)
- At some point is reduced to salvage value of zero (a long-term pension liability) and disposed (RETIRED)

It is generally clear that when dealing with the Lifecycle of equipment, there exists a definable time frame. This in turn creates the opportunity to ascertain the controllable "cost-benefit" relationship which can be monitored as alternative production strategies are developed to deal with changes in the marketplace. The productivity of mechanical equipment is generally easy to define in terms of quantity and quality. With humans, on the other hand, the organization depends on communications to redirect or modify the productivity thrust of its employees. Because humans have an "infinite" range of options in their responses, managers are always looking for the right "buttons" and "levers" to influence those responses so that the quality of the resulting production falls within the desired limits. If we accept Dr. Deming's point that optimizing the output of the whole organization generally demands that some of its parts (people as well as departments) function at less than optimal levels<sup>1</sup> we can understand the need for a "System of Profound Knowledge"<sup>2</sup> which can help managers see their organization as "a network of interdependent components that work together to try to accomplish the aim of the system."<sup>3</sup> But as we explore Dr. Deming's discussion of the role of psychology in the System of Profound Knowledge we need to appreciate the importance of the organization's need for translating *extrinsic rewards* (money) into *intrinsic rewards* (quality of life). Dr. Deming goes on to say that "The most important act that a manager can take is to understand what is important to an individual. Everyone is different from everyone else. All people are motivated to a different degree extrinsically and intrinsically. This is why it is so vital that managers spend time to listen to an employee to understand whether he is looking for recognition by the company, or by his peers, time at work to publish, flexible working hours, time to take a university course. In this way a manager can provide positive outcomes for his people, and may even move some people toward replacement of extrinsic motivation with intrinsic motivation."<sup>4</sup>

Cygnet's Lifestyle Quality Financial Management© course is a training tool managers can use to help employees focus on "INTRINSIC" motivation issues and quantify for

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<sup>1</sup> Page 104; W. Edwards Deming, The New Economics for Industry, Education, Government (GM Powertrain 1992)

<sup>2</sup> Page 102; Ibid

<sup>3</sup> Page 102; Ibid

<sup>4</sup> Page 119; Ibid

themselves what they want from the corporation in order to satisfy their needs. An employee that's knowledgeable about their personal needs is more apt to seek out an "alignment " of their personal goals with those of the system, assuming the system is properly structured management then is in position to maximize productivity.

Human autonomy (sovereignty) dictates that you cannot "make" somebody more productive unless they want to be more productive. As things change, the "cost-benefit" relationship between the employee and the organization is also constantly changing. The human resource differs greatly from equipment in that the organization (the employer) can only control its side of the relationship. It hopes that all its actions cause the right reaction in the employee's attitude. Unlike a piece of equipment, the employee is an independent being who has dynamic control of their side of the relationship with the organization.

Let us now explore the complexity of the relationship between the employee and the employer. Quite simply, people sell their time (labor) for money. Before currency was standardized, this was accomplished through a barter system. In modern society, money and money equivalents (Benefits) are used. As a result, a much more efficient system emerged in which the employee agrees to perform certain tasks for an organization over a prescribed time period in exchange for wages (money and benefits). This is the critical connection in the employee/employer relationship that we want to influence.

Unlike a piece of equipment, the value of work received from a human resource is represented and controlled by the seller, not the buyer. The seller (the employee) decides whether the wages are adequate for the work the organization requires. If the employee feels that the compensation is inadequate they will adjust their productivity to the lowest acceptable level. If, on the other hand, they feel positive about the long term success of the organization, they will be motivated to function at a higher level. But how does the employee make that assessment and adjust their output (productivity) accordingly? What standards of measurement can be used to properly weigh the relationship? It is our belief that the employee's perception of the present and future lifestyle that they are pursuing is the gauge they use to measure the adequacy of their present and future compensation. The employee determines the adequacy of the compensation by comparing it against what that employee feels he/she needs to achieve their lifestyle goals. The underlying question in this analysis is, "Is it enough?" But what does "enough" mean? Enough for what? And how does the employee quantify and subsequently evaluate this equation? How accurate is the employee's assessment?

Let us now take a look at the whole picture so that the complex linkages that are in place can be exposed. One of the functions of effective management (after a job is properly

designed) is to assure that the organization's policies and procedures allow for the job to produce the level of output for which it is designed. This is where the need for human resource professionals is recognized. Within the organization, they are responsible for making sure that the employees receive all the training necessary to assure that they can accomplish the mission of the job to which they are assigned. Assuming that the human resource professionals have succeeded in helping to develop a workforce with all the knowledge and skills necessary to perform the required job, there still remains one key element that must be addressed. The key, and perhaps most difficult ingredient for the organization and its human resource professionals, is to manage and develop is the ATTITUDE and commitment of the employee.

Employee attitude is of critical importance to the organization because of the effect it has on the quality and productivity of the eight hours purchased from the employee. Attitude closely correlates to how well the employee feels their job advances their personal lifestyle goals. Although rarely done correctly, people generally have a mental picture of their goals translated into dollars they will need in the future. If the employee believes that the dollars (and benefits) from their job are not adequate to let them achieve their goals, and if there is no prospect that this job will lead to another one down the line that can generate the dollars (and benefits) needed, attitude and commitment will surely suffer. As a result, the eight hours the organization purchases from an unhappy and unsatisfied employee will not be as valuable as those hours purchased from a satisfied employee who appreciates their job and the organization.

Let's look now at one of the more subtle aspects of compensation. Although the organization controls the nominal compensation given to the employee in exchange for their time, the employee actually dictates the real rate of their compensation by adjusting the level of intensity of their work. Stated another way, whereas the employer spends a fixed dollar amount, that dollar amount will buy varying amounts of labor and productivity depending on how the employee feels about the level of quality of the work he or she wants to give the employer. As long as the employee's performance stays in an acceptable range, everything is ok. The question that is always present is whether or not all the factors that affect the employee's attitude have been addressed. Dr. Deming focuses on this issue by suggesting that employees must understand the interactions and relationships inherent in the system and that management's *"aim should be to help people to optimize the system so that everybody will gain."* The organization, through its Human Resource Managers, is constantly refining the steps necessary to create an environment that encourages the human resource (the employee) to want to improve their productivity. Ideally, though, there should be a motivational relationship between the employee and the organization. As many involved in management can attest, simply increasing wages is not an effective way to build these relationships over the long term.



Social science can help us deal with this. Maslow's Hierarchy defines the five sets of goals or needs that all humans seek to satisfy - physiological, safety, love, esteem and self-actualization. Staying at the academic level for a moment, we know that goals can be characterized as the centering principle in motivation theory. In other words, whenever a need is felt, a course of action is identified. The steps contained in that course of action can be also defined as goals. We also know that needs cease to function as a motivating force once goals are satisfied or the person perceives them to be satisfied. When that happens, new needs surface which help define the new sets of lifestyle goals that must be satisfied. A clear example of this is that in the United States, daily gathering of food is no longer a driving force in our lives. Rather, we tend to focus on other consumer goods and services as the goals which drive our activities. This is in contrast to the residents of many third world nations whose primary daily goal is to provide adequate food for their families. Because the more fundamental goal of providing food has not yet been fulfilled, trips to Hawaii or a new car are not meaningful motivating goals for them.

The potential problem here is that if an employee has incorrectly quantified their goals and feels that their goals are not being satisfied, they simply continue asking for more money - needlessly. What is generally lacking is a credible measurement mechanism. We believe that "cash-flow based" personal financial management is that mechanism.

## **MAZLOW'S HIERARCHY AND THE CORPORATE ORGANIZATION**

Where the typical employee is concerned, most organizations have no mechanisms in place to focus compensation (wages and benefits) in a way that lets the employee correctly determine if and how their wages can satisfy their ever changing goals. Even though all the pieces are there (401-k, cafeteria plans, health insurance options, tuition assistance for retraining), the decision-making is scattered, or too rigid, and often times not focused on addressing the constantly changing goals of the individual. This causes the employee to either make decisions in a piecemeal fashion or to neglect to make any decisions at all. The net effect of this situation is that the employee is never sure to what extent the decisions he or she makes in pursuit of one lifestyle goal affects the attainment of another. Also, it blurs the long term perspective which is needed to allow a person to properly evaluate the true nature and validity of their perceived needs and goals. The ideal situation for an organization is to make sure the employee has all the tools and mechanisms necessary for making long term evaluations of their needs and goals. If this arrangement is in place, it is easier for the employee to develop a

positive attitude that reflects a clear understanding of the importance of the link between their career and the achievement of their long term lifestyle goals.

With a high level of awareness regarding Personal Financial Management, the employee is able to make an honest evaluation as to whether they have the right career for their goals. This evaluation assures that the organization keeps the "right" employees who understand the necessity "*to optimize the system so that everybody can win.*"<sup>5</sup> To achieve higher productivity, the corporation should want its employees to find out if they are working much too hard for what they want to achieve in life, or not hard enough. Rather than advancing employees whose productivity will eventually decrease because they feel overworked and resentful of their extreme efforts, the employer should want those people at a level where they feel satisfied and feel their abilities are in balance with the requirements of the job. This will allow the organization to make optimal use of their human resources by slotting them where the human resource (the employee) feels the most positive and productive. If the corollary is true, would the organization not like the employees to know if their career is not moving in a direction that will allow them to achieve all the goals you have? Knowing this could create a platform for actions, like working harder at their job to increase their productivity and become eligible for a promotion. But how can the organization assist the employee in making that determination?

Quite simply most goals can be translated into dollars. Cash-flow based personal financial management is the ideal process that can guide employees in making the proper decisions. If the corporation is honest about wanting to align the direction of its employees' goals with the aims of the system, then Cygnet's Lifestyle Quality Financial Management© training course can help .

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<sup>5</sup> Page 132; Ibid

## FINANCIAL PLANNING IN HUMAN RESOURCE MANAGEMENT

While financial planning has always been a factor in our lives, it was not nearly as necessary in the past as it is today. The importance of financial planning has increased in pace with the complexity of modern life. From a human resource management standpoint, it is a powerful, yet missing, part of the productivity equation. Financial planning creates a framework for a decision process that is generally absent from the lives of most employees. This is unfortunate because this process can influence employees' attitudes by helping them identify their true goals and how to best achieve those goals within the context of their financial resources; the most significant of which is their career. The corporation benefits greatly when employees are less distracted with their personal financial affairs. There is significant anecdotal evidence regarding employees who are pre-occupied at work with trying to come-up with solutions to their financial problems. Typically, these problems result from spending more money than they should, getting in debt, and then trying to figure a way to get more money with which to pay their debts. Reducing financial stress eliminates the biggest problem area for most people. This allows them to be happier and more productive employees, who have a less demanding attitude toward the organization. This is a key result of a properly focused and completely integrated Personal Financial Management training program.

While the need for financial planning has always existed in our society, managing one's finances was easier in the old days. This was because decisions about inflation, mobility, lifestyle, financial instruments, debt, consumer goods & services, cultural values and career were easier to make. It used to be that people (our parents) had very clear-cut and predictable lifestyle goals. They worked hard to raise their kids and put them through school, while at the same time hoping to have enough for a comfortable retirement. Of course, up until recently, pension plans at most companies were designed to take pretty good care of retirees. Today, more and more companies are getting away from the "richer" defined benefit plans and are trying to get their employees to accept more of the retirement burden by saving part of their wages in a 401-k plan. The other key factor is that consumerism, and the resultant needs people perceive today, was not as destructive a force in the lives of our parents. In fact, most of their time back then was consumed by work. Pleasure was derived more through family relationships than consumer products and services. Overall, their work had a very clear mission: do a good job, be a good employee and the company will take care of you.

Another frequent problem in financial planning is the inappropriate use of funds for the purchase of financial products like or money management services or life insurance outside the organization. In many cases, marketing programs and advice by outside professionals leads

employees who have not properly integrated their benefits to their personal situation and goals to minimize use of those corporate "elective" benefits in favor of what that salesman represents.

Whereas employees used to be able to rely on the organization to provide ever increasing wages (in a low inflationary time period) and a comfortable pension for retirement, that is simply not the case today. Changes in the marketplace have put the squeeze on organizations and even the most generous ones are not able to make the same kinds of promises as they did in the past. Although organizations still spend significant amounts of money in an attempt to assist their employees in attaining their lifestyle goals, there are some differences in the way this assistance is provided. A big difference is that these new compensation and benefit packages require more action and choices on the part of the employee. The complexities of modern day financial decisions often times hinders this approach. Finding it difficult to gain a clear and focused financial picture, the employee's actions and choices often times do not correspond with the organization's intent.

Employers frequently cite frustration with the current state of benefit utilization. Among the current prevailing conditions, the more critical issues are:

- Low participation in 401(k)'s.
- Unnecessary investments outside of the organization's programs.
- Buying needless and in many cases expensive financial products which dilute the individual's financial condition.
- Inadequately protecting their family because they don't buy enough under the company's group plan.

The negative effects of inadequate utilization of the benefits at work can be clearly identified. These include:

- Inadequate accumulation of funds for retirement.
- Lost tax benefits (by not using the 401-k) reducing total value of assets.
- Losses through needless fees and commissions by purchasing expensive retail financial products outside the company.
- Capital losses due to poor judgment and direction caused by inexperience and efforts to "beat the system" with heavy reliance on popularized books, seminars or services that claim to help you achieve "financial security". This is driven by sales claims that feed on people's greed.

## **Greed - Not Always a Bad Thing**

The complexity of financial planning in today's economy affects decisions regarding Income Needs and Career Development by injecting a high level of uncertainty and anxiety into the "equation". A natural human response to uncertainty is greed. Greed becomes the operating strategy when a bona fide plan and strategy is missing. Unsure as to "how much is enough", employees will often appear greedy by asking for as much as they can get. Under this situation, the only way they will ever feel comfortable is when they believe that they have as much as is possible. This highlights the point of view that greed is not necessarily a negative trait, but rather a strategy of self-defense against financial uncertainty. So when a salesman claims that a mutual fund will deliver 15% - 18%, there is pressure on the employee to forego their 401-k savings option that has averaged 8%. Since the level of "enough" is never defined, the employee feels compelled to pursue the higher returns, usually ignoring or minimizing the risks at the encouragement of the salesman. The greed motive is never satisfied and anxiety is never eliminated with this strategy. As a result, people end up chasing yield, and suffering the consequences of risk.

An example of greed in another setting can be found with persons living in dry desert climates. Put yourself, for a moment, in that environment. Assuming a very limited water supply existed, having "enough" water would be a key goal. Well, how much is enough? Never knowing when the local water supply may dry up, you would probably react by hoarding as much water as possible. A person would do this with the attitude that as long as they have excess water, they and their family will survive. This behavior, which arises out of fear and uncertainty can also be characterized as greed. And just like in financial greed, the person hoarding water can never have enough water, and thus never loses the feeling of anxiety. This can become an obsession which typically prevents a person from recognizing other productive opportunities for their time because they are consumed with collecting water(money) they "may" need.

## **Addressing the Need for More Money**

Even if an employee has a demonstrated need for more money, they are not going to be able to get more by simply asking the organization. Without a rational reason, an organization is not going to simply increase compensation. Organizations will increase their "purchase price" of the employee's time only if they feel they also are receiving more in return. The "more" that an organization needs is generally reflected in more responsibility or a more demanding job. The key role here for Personal Financial Management is that employees can quantify how much

more income they need. With this knowledge, they can then relate their need for more money with the need to first "invest" in their career so that they can make themselves more valuable to the organization and eventually earn a promotion, which would produce the additional income they need.

*In a survey of 150 human resource officers and other executives from the nation's 1,000 biggest firms, the Office-Team a California and New York based national staffing service, the following question was asked. "What do you feel is the single best way for employees to earn a promotion and/or raise?"*

- *82 percent of the respondents replied, "Ask for more work and responsibility."*
- *11 percent said, "Publicizing achievements."*
- *2 percent mentioned, "Working longer hours."*
- *5 percent, "Other."*

Employees can easily lose sight of the link between earning more money and their career development. One of the goals of Human Resource Managers then is to help employees realize the importance of investing time and energy in their career so that they can earn the needed promotion. If, however, the employee is unwilling to pay the price of becoming more valuable to the organization, the employee needs to confront it and accept the consequences. This acceptance can foster a more realistic attitude, and help them avoid becoming a poor employee and avoid having them ultimately blame the organization for their problems.

The issue regarding the quality of career decisions made by most married employees has an additionally complicated component when considering that input from the spouse is not always accurately integrated into their career decisions. This is not usually the result of any deliberate attempt to exclude the spouse, rather, it simply reflects the lack of comprehensive and understandable information available regarding how the FAMILY'S lifestyle and career goals relate to the organization. This is critical in light of recent research done in this area.

*A study recently released by the Families and Work Institute which was commissioned by 15 companies and foundations supports the premise that employees tend to evaluate the value of their career in terms that go beyond wages and benefits. According to this five-year survey, young workers, especially those with children would rather make sacrifices in their education, careers and jobs than in their personal and family lives.*

This competitive, "either-or" situation IS NOT NECESSARY! If we accept the primary conclusion from this and other studies that an organization's goals are best served when the

employee sees that their own short and long term personal goals have a chance to be satisfied by the organization, then all the employer needs to do is train their employees to develop the appropriate skills and knowledge to achieve the balance appropriate for their personal situation. This is where Personal Financial Planning can play a key role. Ultimately, the proper match between the job and the employee must reflect a balance between the value of the work to the organization, the abilities of the individual and the value of the compensation to that employee's needs. This is a very complicated equation. There are many factors that can be manipulated to improve the productivity of an employee: a) adjust wages, b) refine tasks/procedures or c) work on improving an employee's attitude. Although all three areas must be addressed, the one that can have the highest impact is attitude. Attitude is the "mechanism" that most directly effects the human aspects of the "Human Resource". Properly impacted, attitude is the one component that has the most meaningful effect in developing a higher level link in the employee's mind between their welfare and that of the organization. Only by properly balancing this equation can we achieve optimal utilization and productivity from your human resources. Personal Financial Planning is the one process that can help you achieve this.

## **LIFESTYLE QUALITY FINANCIAL MANAGEMENT© - THE GOAL**

Years ago it became clear that there was a need to devise a process to help address these issues. The mission of such a process would be to educate people so that they would be able to accurately identify and address their role in the relationship between their personal lifestyle goals and the goals of the organization for which they work.

We feel that successfully implementing this system will help people better enjoy their lifestyle by taking full advantage of the opportunities our free enterprise system provides. We believe that an accurately focused financial planning process will help increase quality of life by minimizing the greed that evolves from anxiety and uncertainty, while simultaneously reinforcing the link between the achievement of lifestyle goals, career development and productivity in the workplace.

Critical to the success of such a process is the need to eliminate the inaccurate and generalized opinions people typically have about their financial situation. Achieving this clears the air of misconceptions, and allows people to focus on the real issues by minimizing the emotional component of the financial decision making process. Such a process has been developed by Cygnet Institute, and designed into a training course called the Lifestyle Quality Financial Management©. It is based on the fundamentals utilized by Certified Financial Planners, but with a unique process-oriented philosophy that focuses on assisting employees with a "Do-It-Yourself" training program that helps them coordinate their overall lifestyle decisions with their career.

## **LIFESTYLE QUALITY FINANCIAL MANAGEMENT© - ATTEMPTS**

The financial planning industry has made some excellent contributions toward fulfilling this ideal. However, most previously designed systems and programs fall short for the simple reason that they have hidden agendas or inherent biases. This generally stems from the fact that their primary focus may be insurance, investment, accounting or consulting. This is not to say that their contributions are not beneficial. But they fall short in adequately addressing the issues.



An unfortunate consequence of this is that financial planning, within and outside of the corporate setting, is tainted by the fact that financial planning is widely used as an aggressive marketing vehicle by insurance companies, investment companies, consultants and banks to help them sell their financial products or services. A variation of this, is the way that some consulting firms occasionally team up with investment or insurance firms to do cross-marketing by offering low cost or free financial planning services in the hope of getting clients for both parties.

Another common use of financial planning is by self-styled investment advisers who, for a fee, will "save you" from the commission salesmen while they assist you in populating your portfolio with no-load funds for a fee. This approach is assisted by computer software companies who have developed dozens of different computerized financial planning programs which they market to these advisors. With some knowledge, anyone can buy a \$5,000 software package and begin to do financial planning. The bias in this process occurs because most planning software is aimed at helping the financial planner "demonstrate the need" for more insurance, better investments or fee-based consulting. An unbiased, though still questionable, use of computer technology is the artificial intelligence software programs used by some companies to provide low cost planning. Given the limitations of artificial intelligence and the generalized way in which these programs are applied, the output they produce does not carry the level of credibility required to produce the decisions needed to put a financial plan into effect.

One of the most common and questionable practices is the free or low cost educational seminar offered by some community colleges, adult education programs, banks and investment or insurance companies whose real purpose is to develop attendees into clients. Although the educational content of these programs is valid, the way in which the material is presented makes it clear that the educational element of these programs is designed for the sole purpose of recruiting students to become clients.

Variations of the above are programs that are stated to be solely informational, with no pretence at completing a plan or teaching a complete decision making process. Popular informational topics for seminars are retirement programs showing you how to handle your lump sum distribution, estate planning and use of living trusts, as well as portfolio allocation and tax planning. These are quite often made available by radio and TV personalities who develop a persona and do free (or low cost) seminars. While they are great sources of general reference material, these seminars are quite often done in conjunction with brokers, attorneys, accountants and/or large firms and they ultimately result in commissions or fees for someone.

While all of these programs do have positive effects -- any information is better than no information -- they miss the mark and are potentially dangerous if, as a result, people feel that they now have a financial plan. In response to this weakness, the simple solution would seem to be for the employer to bring this process in-house and under the corporate umbrella. While a step in the right direction, there is a different set of problems associated with this approach to financial planning. Some of the corporate attempts at providing this benefit are described below, along with their shortcomings.

- Educational programs which give surface treatment to Financial Planning issues and subsequently require follow-up by professionals to address the issues at the personal level.
- Educational programs offered in conjunction with 401k plans, section 125 cafeteria programs or health insurance options are valid for the job they are designed in assisting plan participants, but lack the necessary scope to make the subsequent decisions valid elements of an overall comprehensive Personal Financial Plan.
- When early retirement offers are made, educational workshops are put on by out-placement firms in concert with financial planning firms. The financial planning aspects of these programs, at least for the average person, are limited in their impact because they typically result in providing a lot of information to participants but no specific direction that leads to financial decisions at the workshop.

A common thread present in all corporate designed or administered programs is that confidentiality issues limit their effectiveness. No employee will feel comfortable providing their employer with the in-depth personal data and career goals necessary for a complete financial plan. Nor, in many cases, would the employer want to have knowledge of certain personal or career issues. A perfect solution to this dilemma would be for the organization to provide all individuals with access to Certified Financial Planners (CFP). Both the employee and the organization would benefit for the reasons described earlier in this paper, and complete confidentiality would be assured. But this approach would be prohibitively expensive and cumbersome to execute within a large organization. Also, with only 23,000 CFP's nationally, it is questionable whether there would be enough professionals to do the job.

## THE UNIQUENESS OF CYGNET INSTITUTE'S APPROACH

In response to this void in the marketplace, Marygrove College and Cygnet Institute of Personal Financial Planning, Ltd. have joined resources to offer a unique interactive workshop process which incorporates all the key critical aspects of successful plan development which a CFP would employ in a typical one-on-one consulting situation. The workshop called Lifestyle Quality Financial Management© follows a "Do-It-Yourself" pattern which results in participants actually developing their own professional quality financial plan. The unique group setting design provides for economies of scale while maintaining full confidentiality for all participants. Because the students in this workshop learn the mechanics and actually build their own financial plan, there is a high degree of credibility and future adaptability with the resulting plan. The design of the workshop is such that it allows for the same level of unlimited individualized inputs and customization a person would experience working individually with a CFP. Furthermore, the interactive aspect of the workshop allows for unconstrained scenario building for each person.

The intense pace of the course is designed to build a level of momentum which promotes the confrontation of complex issues and the necessity for making difficult decisions. This element of the workshop is enhanced by the fact that the students are in a group setting with their peers and are less likely to reject logic for emotion when discussing the issues with their spouse. In this manner, Lifestyle Quality Financial Management© can also serve as a tool for helping to resolve marital issues regarding career and lifestyle. By bringing together all of the factors present in the relationship between personal lifestyle and the employee's place in the organization, this course helps the spouses in...

- Reconciling their perspectives regarding household finances.
- Making adjustments about their expectations in a professional non-confrontational manner.
- Developing a clear understanding of the corporate benefits available to them and the impact they can have on their plan.

If it is true that the bulk of friction between spouses is traceable to financial issues, this course can also be seen as a helpful tool that helps both spouses reach the same level of understanding regarding their finances. It also teaches a way to process their differing points of view thereby resulting in minimal conflicts regarding financial matters.

Computer technology is aggressively utilized by Cygnet Institute to facilitate the computations required to create unlimited alternative scenarios of long term projections. All the computations in the planning process are very basic, and all resulting numbers are "transparent" and easy to reproduce with a simple calculator. This enhances the believability of the output for the students, and the heightened feeling of control regarding their finances.

A key factor which contributes to this "financial empowerment" is the layered process that is used in the course. Cygnet Institute utilizes this approach to force students to focus on each of the key aspects of their plan separately. All the many layers are presented in a sequenced way that helps the student develop the necessary knowledge so that when they finish the course, all the pieces fit in an easy to comprehend manner.

Quality control is taken seriously at Marygrove College and Cygnet Institute. All course material has been subjected to years of development and continual review by professionals in all related fields. This, combined with numerous reviews and revisions of the output by the student as well as authentication by Certified Financial Planners, assures that students build (and understand) a truly professional quality plan.

## **BENEFITS OF PERSONAL FINANCIAL MANAGEMENT TO THE ORGANIZATION**

While this program does achieve a great deal of good in all areas of an employee's life, the main reason employers are attracted to this idea is the opportunity for improved employee productivity. As was pointed out earlier, comprehensive personal financial planning is the mechanism that can help the employee translate their personal goals in a way that's quantified in both "dollar" and "time" components.

Developing one's own comprehensive personal financial plan allows for accurate linking of individual needs with productivity at work. Once this link is firmly established and understood by the employee, the importance of their career and their satisfaction with their employer and the benefits provided is enhanced. This link is dynamic. So as changes take place, the employee has a framework that can help them adjust by making well informed decisions. This level of financial awareness then creates the opportunity for the organization to maximize the impact of benefits available to the employee by allowing for their optimal usage.

The organization also is able to operate with a higher level of sophistication in their attempts to enhance productivity by having a more realistic chance to pursue alignment of the employees' goals with those of the organization. Once employees recognize that the development of their career is the key factor contributing to the achievement of personal goals, they are more likely to push their own buttons to increase productivity and reach their personal goals through a genuine level of concern regarding the pursuit of corporate goals.