Seven Secrets of Family Financial Success For Managers

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For more than a decade, this author has worked with city and county managers as they have made decisions regarding their retirement years. Retirement should be a time to look forward to: years of leisure, free from stressful work or financial worry. Most make it, some do not.

What makes the difference? Not salary. Just making money does not necessarily mean achieving financial security. The things that make for financial success involve what people do with the money they earn. There are seven practices, or "secrets," that I consistently find to be shared by families who are financially successful. Those who have not followed these principles may find their golden years diminished by financial worry.

The choice to become a local government manager requires an acceptance of the financial uncertainties that help unify the profession. A city or county manager's career advancement does not follow the predictable ascent of an established corporate career ladder. Professional advancement may mean a new employer, perhaps far away, compelling a family to move from friends and schools and all that is familiar. At some inopportune time, most managers' families can expect to find themselves financially inconvenienced by the caprices of local politics.

Listen to veteran managers at an ICMA conference. Their stories tell of careers that inevitably entail the financial risks that managers and their families accept, manage, live with, and talk about:

- One or more periods of unplanned transition; perhaps an extended time without a paycheck.
- Pressure to accept a less-than-ideal position as a way out of unemployment, resulting in lower pay and compromised security.
- A succession of moves to new employers, with possible loss of retirement benefits.
- At best, only partial reimbursement for the true costs of family moves.
- An extended period of paying two mortgages.
- In two-career families, compromises in one partner's career.
- Poorly timed moves that may result in the need to pay nonresident tuition at state universities.
- Possible periods with no employer-paid health insurance premiums or, in the worst case, no health insurance at all.

- Salary lower than for private sector positions of comparable responsibility.
- The possibility of “unplanned retirement” occurring before finances are ready.

Risks of scenarios like these require families to follow sound financial practices. Fortunately, for the public they serve, and to the great credit of ICMA members and their families, they continue to be outstanding professionals who, accepting these financial risks, serve their communities exceptionally well. Most city and county managers and their families have learned to live with the “creative insecurity” that defines the profession.

Despite daunting financial uncertainties, managers’ families continue to pay their bills, retire with good incomes, help their children pay for college, travel, and possibly even enjoy an occasional round of golf. Financially successful city and county manager families (who are not necessarily families with the highest incomes) have learned to heed financial planning and management secrets.

Here are the seven secret traits and practices that I have consistently found among successful managers and their partners:

1. They generate financial plans. Successful managers and their families actively do financial planning. Although their plans are not necessarily comprehensive or formal, they know their financial objectives and how well they are doing toward achieving them. Can you answer these questions:

- What are your financial objectives (specifically, with dates and dollars)?
- What are your strategies for achieving these objectives?

2. They work as members of financial teams. Partners plan together. Each partner understands the family’s finances and participates in major financial decisions. Most important, they share the same dreams and are willing to make sacrifices, today, to achieve them. Parents help their children learn sound practices, especially the value of saving. Ask yourself:

- Would both you and your partner give the same answers to the questions above, concerning objectives and strategies?
- Do you both understand the basics of the family’s finances and participate in making major financial decisions?

3. They spend less than they earn. *Ninety percent of financial success is saving.* Successful families know that they must spend less than they earn. In a high-profile position, it may be tempting to feel the need to spend to create an appearance of financial success. Because of their positions, managers may be included in a community’s “incrowd,” socializing with highly paid professionals and business executives.

Successful managers, however, know not even to try to keep up. Instead, they systematically put money aside for important long-term goals like retirement and children's education. They take full advantage of their tax-deferred savings plans. They are consistent savers, paying themselves first, not just relying on saving the "extra money" that is never left over at month's end.

- Are you a committed, regular, goal-oriented saver?
- Do you borrow appropriately, not allowing debts to compromise the achievement of your financial goals?

4. They manage their debt. Financially successful families are cautious about borrowing and debt. For far too many of us, debt management is a major stumbling block to achieving financial success. It is far too easy to borrow far too much.

Happily, though, responsible borrowing is achievable. It would be impossible for many of us to buy a house, or even a car or refrigerator, without borrowing. But stretching out payments too long (seven years for a car, for example) greatly increases the cost of what we buy. Borrowing against your retirement savings for short-term spending makes reaching your long-term goals that much harder.

- Is your debt under control? If not, what is your plan to manage it?
- How would you manage your various debts if you had a time of unemployment?
- Will you have too much debt when you reach retirement?

5. They are competent investors. Today, achieving financial security means becoming a competent investor. Money that will not be needed for a few years can be put to work in an investment program.

These days, it is easy to be confused by investing news. But successful families invest their long-term savings in long-term investments, avoiding gimmickry and fads. They need not be investment experts, but they understand their own investments and are not afraid to ask questions or to admit the limits of their knowledge.

- Is your long-term money invested for the long run?
- Do you understand your investments, the basic concepts of risk and return, and the time value of money?
- Do you avoid "market timing" and investment fads?

6. They maintain adequate emergency protection. Families who have reached the time of retirement have inevitably had one or more financial surprises: a period of unemployment, uninsured storm damage to a home, emergency repairs to the car. With uncertain careers, managers need more than the emergency fund of three to six months' living expenses suggested by financial planners. Insurance can help with the big emergencies of life, like disability or fire.

- Are you financially prepared for those "little $2,000 emergencies" without running up debt?
- What would you do about the larger emergencies, like several months without a paycheck?
- Do you have a thoughtful insurance program, adequately protecting your family from some of life's larger risks but not paying for coverage you do not need?

7. They actively manage their careers. Successful managers are serious about continually developing their skills. They network. Some do part-time consulting or teaching. They evaluate moves and career opportunities carefully, with an eye toward future career paths. In two-career families, they support each other's careers.

- Is your career planned? Where do you want to be in five or 10 years, and what are you doing to get there?
- Do you evaluate career opportunities with an eye toward achieving your long-term financial goals?
- Are you investing in yourself to enhance your career opportunities?

These seven simple practices are the genuine secrets of family financial success. They separate families who achieve their financial dreams from those who do not. While these guidelines are beneficial in any effort to achieve lifetime security, they are vital for a family challenged by the financial uncertainties that are part of the city or county manager's career. Financially successful families follow these sound financial principles for many years. But even if you are getting a late start, the secret is to be a *doer,* not a procrastinator. Putting off acting is the worst mistake you can make.

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