

# The Case for a Formal Financial Transitions Process

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## What do all of the following have in common?

Windfall	Major career change
Insurance settlement	Retirement
Sudden loss	Pro Sports contract
Change in health	Marriage
Inheritance	Loss of spouse
Divorce	Sale of a business

All of the above are *life transition events*, which means that by definition, none of them are permanent. Each begins with an ending of sorts (of a marriage, a financial state, a career, or even a life), ends with a new normal, and in between is what we call Passage: the transition from *what was* to *what will be*.

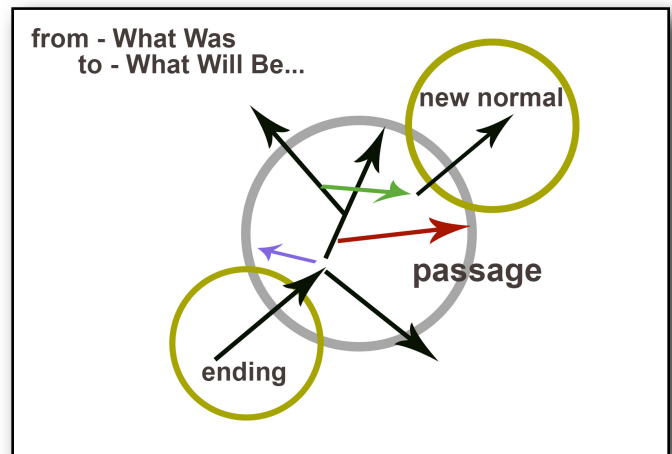
Though there's certainly nothing new about life transition events, what is new is our depth of understanding of what happens to us during these times. Obviously transition means change. When life changes, money changes, and when money changes life changes. But the most important part of managing change isn't the money. People in transition may gravitate toward the money—the numbers—because they are concrete and easily definable. But in most instances, the numbers are farther down the priority list than people think.

What's more difficult, is a higher priority, and *is what drives most decision making* is the human side. The human component—the physical, psychological and social realities of change—is the real challenge, even when you're attending to it. But when you aren't attending to it because you are unaware that you should be or you're unsure about how best to go about it, you're very likely to compromise your future. When

you land after your transition, your new normal can either be a financially and emotionally secure space, or one fraught with obstacles, anxiety and even chronic physical problems, in addition to financial problems.

## The Human Side

The primary difference between people in transition and people not in transition can be summed up in two words: *diminished capacity*. Let's look at what that means and then what can be done about it.



## Physical

Transition means change, change means stress, and stress means regress. Regress happens because secretion of the stress hormone cortisol negatively affects both the body and the brain. Small increases of cortisol have positive effects on the body and the brain during short-term pressure. They provide a quick burst of energy and a lower sensitivity to pain that might be necessary during a fight or flight response. As long as there is relaxation following the stress, body and brain function return to normal.

However, higher and more prolonged levels of cortisol in the bloodstream with little or no relaxation in between, which is what *chronic* stress is, are debilitating. Negative physical effects include: fatigue, sleep deprivation, blood sugar imbalance, higher blood pressure and a decrease in overall immunity.

Chronic stress affects the brain by interfering with neurotransmitters, which cause

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problems with memory; shutting down learning; damaging brain cells; and creating anxiety attacks. Functioning shifts to the ancient, or reptilian brain, which is concerned with basic survival rather than rational, creative, or long-term thinking.

#### Psychological

When the ancient brain is in charge, cognitive abilities, coping skills, attention span and memory are all compromised. It's simply not a good time to have to make critical decisions that influence your well being and impact the rest of your life.

People in transition may also experience irrational and exaggerated thoughts, and their sense of self and identity may have suffered as a result of the dramatic alteration of their circumstances. In addition, grief, exhilaration, paranoia, fear, and a distorted sense of empowerment can arise and have a long-lasting impact. When you have difficulty with your thinking, and you combine that with overwhelming emotions, you can easily miss signs of trouble. As a result, your transition will take longer than it should and perhaps also be less successful.

#### Social

During times of transition there is a loss of footing socially because the status quo is gone, yet it hasn't been replaced by a new normal. Comforting patterns disappear and the range of possibilities has changed and is unclear. This time is marked by a shift in boundaries, both on a personal level

and a financial level. Whether you're bigger and have less accountability than before or you're smaller and have fewer options, the experience of losing your norm is unsettling, at best. Social distortion, isolation and conflicts with friends and family due to changes in circumstance are all common and are rooted in questions such as: *What do people like me do? How do they live as a widow, a professional football player, someone who has stopped working a day job after 45 years?*

#### Transition Planning

When life is changing, many people seek professional advice. They go to attorneys, accountants, financial planners and therapists, all of whom have clear protocols for dealing with clients. But if you don't understand the experience you're having, and the professional you have enlisted already has a protocol, you can be mismatched. The change that is occurring in a person's life should drive a shift in how a professional guides that person. Unfortunately, both financial advisors and the people who hire them have historically underestimated what's going on in the case of people going through transition. They need different tools and protocols. They need their own planning model.

The Sudden Money Institute is the first organization of professionals to synthesize decades of experience in financial planning with cutting-edge research in neurology, sociology and psychology. We have developed a process that transcends those fields of study by integrating their technical aspects with the human experiences of the person in transition. And we have trained experts in the art and science of transition and the optimal way to guide their clients through turbulent and transformative times.

The best time to start financial transitions planning is when a life event first occurs or is first identified. Waiting until 'things calm down' may feel intuitive, but a wide range of regrettable decisions may be made and some may be impossible to unwind. This is a time to minimize and manage the confusion and challenges around change and transition. It's the time to create a safe space and make one good decision at a time.