

CAREER

REINVENTION

BOOTCAMP

Module 5:
Managing the Financial
Aspects of Reinvention

Audio + Transcript

Pamela: This evening we're going to be talking about how you find your money meaning and fund your new life.

Money is one of the big questions of reinvention. As a matter of fact, it's the first question a lot of people come in with. They say, "What am I going to do around the money?" It's one that triggers a lot of fears, anxieties, pressure or just confusion about what to do. This is a big topic around how you're going to handle your reinvention.

I always like to begin the topic of money by saying it's not about the money which is kind of a radical statement. Everybody says, "What do you mean it's not about the money? It's all about the money."

We did a study back in 2006 here at the Reinvention Institute. We surveyed about 300 successful professionals. Maybe close to 70% of them had actually reinvented their careers. The other 30% hadn't.

What we found is that out of those people who had successfully reinvented their careers, not one of them put money as the number-one goal to their reinvention.

That in and of itself is interesting. What was more interesting was that those people who had not successfully reinvented their careers actually had put money at the top of their reinvention goal meaning what they wanted out of their reinvention was additional money.

What we found from that study is that if you put money as the first goal that you want to accomplish from your reinvention, meaning getting more money, it can actually act as a barrier to success in achieving what you want.

The people who successfully reinvented themselves were looking for other things. They were looking for more passion and fulfillment and a better lifestyle. Money was certainly on the list but it wasn't the driving factor.

What was even more telling about that data was that, in fact, 25% of those successful reinventors actually earned more money in their reinvention. Then another 50% basically were at parity.

That blew another myth out of the water which is that if you reinvent yourself that necessarily you're going to take a cut in salary. We saw that 75% of successful reinventors did not take any kind of cut in salary. In fact, 25% actually earned more money.

Again, this gives you a whole new perspective to think about money in context of reinvention meaning that you want to assign money what belongs to money. We're going to delve in just a moment about how you do that.

Again, if you're just saying, "I want to have money. That's what I want: more money," then it's really not a reinvention. It's just about going and getting another job. If it's just all about the dollars, sell yourself to the highest bidder. Don't make it more complicated on yourself.

However, if it's about having more fulfillment, a better lifestyle or finding something you're interested in, then the reinvention process is for you. As I said, the money piece definitely can be handled.

It's a common belief that the more money we have, the happier we'll be. Numerous other studies, in fact, have shown that wealth and happiness don't necessarily go hand in hand. Once our survival needs are met, we have enough to eat and we keep a roof over our heads, having extra money actually doesn't buy happiness.

Why do we think that money's actually going to make us happier? That's because when we reach a certain level of earnings, money moves from being a means of survival to a signifier. A signifier is an idea or concept that stands for something else in your mind.

This is the single most important concept behind money and reinvention. It's to understand your signifier. For example, money may represent security to you, more freedom, power, time, status or something else entirely.

The key is to understand what you're really seeking when you say that you want money or more money in your career. You've got to understand your signifier. This helps you unravel what belongs to money versus what doesn't.

This is the first step of doing that. It's to understand your money signifiers. Are you looking for more security? Then once you have that, you can take it another level. Security, freedom, power and time are all signifiers as well.

Again, they are abstract concepts that have different meanings according to different people. For one person, security might mean just knowing they have a regular paycheck. For another person, security might mean having a certain amount of money in the bank. It doesn't really matter about paychecks as long as they've got X dollars in the bank.

You really have to start drilling down to see what you're looking for around your money and then below that, what you're looking for in those deeper concepts.

By understanding your money signifier, you can avoid the potential pitfalls and begin your career reinvention path around money understanding what you're really looking for.

What happens if you don't understand what your money signifier is, is that you'll accept a position but you'll be miserable because it causes you to work too many hours. Really what

you wanted was more time. You thought, “The money’s here so I’m going to do that.” It didn’t give you what you truly wanted.

Maybe you’ll take a job for a big bump in salary at a competitor known for layoff. Despite that pay raise, you’d feel constant anxiety because you wanted security. You didn’t have any security at that company.

Money signifier and knowing what that is means that you can check to ensure that whatever you select for your next reinvention delivers whatever you think that money will be.

This is the most important thing because, again, as the foundation of your reinvention as you’re pursuing it, you’ve got to know what you’re really seeking. Say, “I’m really looking for security. How can I give myself that security?” or, “What I’m really looking for is time. How can I give myself that time?”

“Do I want to work four days a week? Do I want to have the ability to take three weeks off at a time? Do I just want a flexible schedule so certain days I can work 10 hours and the other days I can work five?” Whatever it is, define that for you. This is how you get to where you really want.

You start with your money signifier. Then you move to your secondary signifier which is that concept you think money represents. You begin to unravel that as well.

That’s the conceptual, emotional piece around money. Let’s talk about the practical costs of reinvention as well. Of course, there are hard costs to reinvention. When you look at what really truly belongs to money in all of this, it’s those costs.

There are three main costs or categories you need to look at when you’re assessing your cost of reinvention.

The first one is your lifestyle. That’s basically what it costs for you as an ongoing concern. What does it take to keep a roof over your head, yourself and your loved ones fed, the lights on, the phones working and the internet on so you can email out? These are the costs you want to know.

What I mean by lifestyle as well are some of the pleasurable things. Oftentimes, many people want to strip out all the pleasure of your lives because they feel like, “Oh my gosh! I’m going through this transition so I can’t have anything.” That’s not a route you really want to go. When you flood into deprivation, it becomes very difficult to be motivated.

You certainly want to be wise and spend wisely when you’re planning for a reinvention but you want to have some room for those pleasures, whatever they are, in your lifestyle budget.

I always recommend to my clients and the people who come in to the Reinvention Institute that they look at three levels. What's your minimum lifestyle number? This is just the one that you can sleep easily at night. This is the number that says everything essential is met. I have a little bit of breathing room so I'm not panicked about the next bill that comes in or if the car needs an emergency repair. That's that minimum number.

Then there's a medium number. That medium number is some of the more niceties of lifestyle. Maybe it's travel, a little bit of a trip, dinners out and those kinds of things on a more frequent basis. Of course, your minimum number should include some of the pleasures of life. The medium number, without too much tweaking, is maybe a little bit of shaving here and there. You can cut down and release some cash flow and throw that toward your reinvention.

Then there's the maximum number. That's the way you're living today. Nothing changes. We're just doing everything. We're not really thinking about it.

You create those three levels: your minimum, medium and maximum number. Then you know and have them in your mind so you can begin to work with them in terms of your reinvention financial planning.

The second aspect that you need to consider when coming up with your cost of reinvention is the investment that it's going to take in your actual reinvention. That's something a lot of people don't really think about when they go in. They say, "I want to reinvent my career," but they don't think about the hard costs associated with that.

Some of those hard costs could be as mundane as subscribing to a newsletter for an industry that you're interested in or perhaps there's a conference you'd like to attend and the cost to attend might be \$400 or \$500, a trip you need to make in order to do some investigation, or even a class you'd like to take to help sharpen some skills you want to do.

These are the things you're going to want to look at. They're the hard costs and the investment you need to make in moving yourself toward a new career.

You want to have a fund for that. It's actually kind of your reinvention investment fund. That's your money. It doesn't come out of your regular, ongoing minimum, medium or maximum lifestyle budget. This is something you have set aside so you know if an opportunity comes up for a particular job fair in Washington D.C., you've got the money for a train ticket, entry fee and to maybe stay in a hotel.

You want to build in your reinvention investment fund and have that separate from whatever it is you use for your lifestyle. Those are two different numbers that you start with.

The third number you want to take a look at is your incidentals that are associated. These are more variable costs. These are things like getting personal business cards printed if you're currently working and trying to explore something new. Often it's better just to give a personal card out rather than your current employer.

It could also be taking people to lunch. You're going to be networking with natives and reinvention board members, which we'll be talking about in a week or two. You need to have some money on hand to treat people to coffee, lunch or things like that. Maybe it's more taxi rides because you'll be going for more meetings.

You want to have a separate fund for that as well. Just know and watch. That's something that you can kind of gauge as you're going along.

Again, you don't want this to come out of your lifestyle budget. You want to plan for those incidentals whether you actually include it in your reinvention budget or it's just something you have on an ongoing basis.

Maybe there's \$30 or \$50 a week, depending upon wherever you live, just for those incidental expenses. If it's Manhattan and involving weekly lunches, it's going to be more than that. You've got your favorite restaurant and you know what you're going to do there.

These are the three components that you're going to be looking at for your cost of reinvention. They are your lifestyle cost, reinvention investment fund and then your incidentals. That actually equals your cost of reinvention. That's how you get to the number you know you need to hit.

Now the thing is that you have a number but that number doesn't have much meaning unless you actually can have a timeline. As you know, I'm not a big fan of setting deadlines in reinvention. I believe that setting deadlines creates an artificial pressure to accomplish something by a particular day.

Oftentimes those deadlines are not tied to when opportunity will show up. It's really more tied to either your own tolerance for ambiguity or usually a dollar time meaning that you have X amount of time until your funds run out. Therefore, you want your reinvention to happen within that time period. That is not the way you want to go about it.

You want to look at your timeline in terms of your cost of reinvention to say, "How much time do I have?" You don't then set a deadline for your reinvention. Again, you're going to cause stress and panic to yourself. It will be very difficult to move toward something new.

Instead, you have your estimated timeline. When you're looking at your estimated time of reinvention, that's actually your window for what you realistically think it's going to take not what you want it to take, meaning what's being driven by your dollar amount.

That accounts for how much of a switch you're making, if you're just moving from one part of your industry to another part, you're making a complete industry switch, you need to go back to school or volunteer to do more training or you need to build a new network. These are all things that take time.

You have to take a look and see, given all the changes you're looking to make, what your estimated time is for reinvention. It could be a year. I always say a year is a great window. Sometimes it can be 18 months to two years depending upon the depth and magnitude of the switch.

If it's a year, then you want to brainstorm ideas about how you're going to meet your cost of reinvention during that time. You may have just on hand six months. You need to plan for what's going to happen once the cash you immediately have on hand is no longer available. This is where you have your back-up plan.

I call this your reinvention peace of mind. That is your Plan B strategy. Your Plan B is that thing that you'll do if you see your reinvention and lifestyle funds and that cost of reinvention are starting to run low. You plan in advance what you'll do to bring in additional cash flow to meet that gap.

Say you're at Month 4. Your reinvention is still looking like it's going to take a year. Then you would activate your Plan B.

Your Plan B is actually something that is easy for you to do. It's a skill or talent that you have that you can easily sell on the open market and can just bring in some cash flow whether part time, full time or consulting. Whatever it is, you want to know.

It doesn't necessarily have to be a job. It can be another funding source of reinvention. It could be a particular deep savings that you have that maybe you'll tap at that point. Whatever it is, you want to know what your Plan B is. Again, you have your cost of reinvention on hand and then you figure out whatever your Plan B is.

There are several funding sources you can think about even when you're thinking about your cost of reinvention or your Plan B. One of those funding sources is your job if you're currently working.

I always say to people, "If you're already working, don't quit." That's hard because a lot of people come in because they really hate what they're doing. They say, "I just want to

leave.” I always say no because your current job is a funding source of reinvention. It’s how you invest in moving yourself forward.

Many times just shifting your attitude, looking at your current job as a funding source and as a source of other potential investment things of cutting your investment in reinvention can really help shift your attitude.

A lot of times your company will invest in training. If they’re investing in training, that means you don’t have to have your own out-of-pocket investment in training. Right there you’ve lowered your cost of reinvention.

If you’re already working, look not only at your salary but look at those other costs that you think are going to be part of your reinvention. See if there are ways you can have that company or parlay your current job into lowering some of your out-of-pocket investment expenses in other areas.

If you’re not working, there are other options. There are savings if you happen to have them. If you have a partner or spouse who’s already or continually working, that’s another funding source of reinvention.

Again, borrowing is another funding source although that one’s very stressful if it’s something that has a timeline or deadline associated with it. If you’re going that route, I really recommend that you take something that doesn’t have a timeline to pay it back. Otherwise, you’ll put yourself under undue stress.

Then as I said, there’s Plan B, those skills and talents that you have that you can just go out and sell from a consulting perspective, something that is not long term and just gives you that cash flow coming in while you lay out your plans on the other side.

Those are all the funding sources that you can research and evaluate to see how you’re going to best meet your cost of reinvention.