Don’t Treat Your Income Like the Goose that Laid the Golden Egg

As many of you know, Aesop’s “The Goose that Laid the Golden Egg” is an ancient fable with many versions throughout different cultures. In the story, a couple are in possession of a goose that lays one golden egg every day. But instead of maximizing their existing (and consistent) wealth, greed and impatience gets the better of the couple, and they kill the goose in the hopes of retrieving an even larger amount of gold. As we all know, there was no gold inside the poor goose, and the couple wind up without the goose and without any gold at all.

Although little sympathy is typically garnered for the couple, we often see traces of the ill-fated “goose” and its masters when we analyze countries, companies, and yes, even our own personal finances.

Although it may be difficult at times to see just how much our “goose” does for us, and very easy to take it for granted, we would certainly notice its benefits if they were to disappear.

The same holds true for our personal finances, and most importantly for our personal “goose,” our income. Just as the farmers grew wealth with the size and stability of the golden eggs, our income allows us to pay the mortgage, invest in the future, maintain our health and well-being, and even take rejuvenating vacations with family. But our income also serves another, intrinsic purpose. Whether good or bad, our ability to earn an income often provides us with a sense of self-worth that comes when we can see the value, and it’s reward, that our hard work creates.

When people don’t take care of their income and protect it, they often suffer a similar fate as the couple with the goose. Almost everything in our life stems from our ability to earn an income, and when this golden goose is sick and not producing, life is scary and worrisome. When the goose is healthy and producing, life is green and full.

If this "goose" is so important, shouldn't we protect it?

Of course, we want to protect what we’ve got. It’s natural, right? But a universal truth of life is that sometimes, things happen that are unexpected and beyond our control. There’s nothing we can do about that.

But we can put cautionary measures into place that will help alleviate the damages when those unexpected setbacks occur. In most situations, there are three common instances in which people find themselves without an income: the loss of a job, the loss of health, or the loss of life.

Fortunately, there are also three powerful methods that you can put into place today to prepare for each risk.

Saving and Investing Three-Sixth Months of Income:

No matter who we are and in which geographic region or in what industry we work, all our careers are continuously at risk. Whether it is political risk, economic risk, legal risk, relationship risk, or individual market risk, your job could potentially come under scrutiny at some point in the future. Although unemployment is at a 17-year low, this stat doesn’t always tell the full story as companies are always searching for ways to shrink expenses and increase profits. Because of this risk, it may be important to consider saving 3-6 months of living expenses in an emergency fund for this rainy season of your life.

The CFP board recommends emergency funds that can fund three months of living expenses for a dual income household and six months for a single income household. The great thing about emergency funds is that they are very liquid and are beautiful to look at. The problem with them is that a standard bank account may be an inefficient place to store money from a rate-of-return and tax stand point.

According to the FDIC, the average interest rate of a savings account is .06%, while an investment account can potentially offer you much more for your dollar. Therefore, it is imperative that you talk with your financial advisor about your realistic budget, because even $1 more than necessary in a standard checking or savings account is $1 that may not be working as efficiently as it could be.

Finding the Right Disability Income Insurance to Supplement Your Income:

Unfortunately, good people with presumably perfect health get sick and hurt all the time. Even missing just one year of work can greatly affect a retirement plan as increased expenses and lower revenue make it tough to save and often require a withdrawal from hard earned retirement savings.

According to LifeHappens.org, 50% of Americans couldn't make it a single month without an income before seeing financial difficulties, and although 61% of Americans say people need disability income insurance, only 26% actually have it. Although most people think of injuries when they think of disabilities, around 90% of all disabilities are due to illnesses, and illness doesn't discriminate. Whereas injuries increase for people in more laborious occupations, illnesses equally affect doctors and attorneys just as much as they do blue collar workers. Because of this, it is pivotal to evaluate if your work's long-term disability policy covers enough of your income, particularly considering that the benefit is usually taxable.

Luckily, supplemental disability policies are often very affordable and are transferable between companies as you move up and around. Ask your financial advisor to evaluate your employee benefits disability package, and to also see how much a supplemental disability policy would cost and if it makes sense to you.

Finding the Right Amount of Life Insurance for your Family

Unless you are Elvis, it is typically very difficult to earn an income from below ground. Although you might not be here anymore, your bills are, and this can leave the ones you love most in a very scary predicament.

Typically, most people want enough capital to cover any outstanding debt, take care of future education expenses, and provide years of income so that their dreams can live on–even if they don't. Rarely does the amount of life insurance through work cover all that you want for your loved ones, which may indicate a need for individually-owned life insurance.

Luckily, there are several options from which you can choose. Term insurance, which lasts for a specific amount of time and usually has lower premiums, can be an excellent supplement to your work policy while not breaking the bank. Permanent, or Whole life insurance, primarily offers a permanent death benefit, but the cash value can also provide living benefits as well[1]. Although prices range on age, sex, and health, you might be pleasantly surprised at the options you have, and how you can mix and match the two to find the combination best for you.

A licensed agent can help you better understand how much, which type, and what company is best for your unique situation. He or she can also navigate you through what some would describe as a long process.

In Conclusion…

Your income is your goose that lays the golden egg, and it either directly or indirectly affects everything tangible and intangible in your life. When the goose is healthy and producing, life is grand. When it is sick and not producing, stress rises and trouble ensues. Reach out to a licensed professional today to discuss allocating portion of your overall income to help protect your most valuable asset.

Schedule your complimentary 30 minute introductory phone call here!

[1] Distributions under your policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (your cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty. Access to cash values through borrowing or partial surrenders can reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

CRN201807-231065