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M A G A Z I N E

How Planning Can Make you Healthy and Wealthy

BY DANIEL COHEN

Life was simpler when Benjamin Franklin penned the proverb: Early to bed and early to rise makes a man healthy, wealthy, and wise. The intervening years have only made the relationship between health and wealth more important, though today it takes more than an early bedtime. It requires careful planning.

Health has a major effect on your wealth, and wealth affects your health. Not only do poor health decisions often lead to higher medical expenses later in life, but those same health decisions may undercut opportunities to achieve higher income. And lack of financial planning during your working years can lead to high levels of stress throughout life, which then affect health.

It's been discovered that a propensity to plan is a strong predictor of both health and wealth. A report in the *Journal of Financial Planning* found that there is a direct link between planning for a desired health or financial outcome and achieving those desired outcomes. The report also concluded that people with higher health behavior scores also had higher financial behavior scores.

For example, workers who improved their health after a health screening also increase their retirement plan contributions. Other studies have shown a positive correlation between workers who participate in regular exercise and their earnings. Researchers had workers receive health screenings and followed them for two years. Workers who contributed to their 401(k) at the time of the health screening were around 27 percent more likely to show improvements in health behavior at the end of the two year study period. In another study, those that work out at least three hours a week were found to have between six and 10 percent higher income. Additionally, working out more often had an even larger impact on income.

Smoking is a perfect example of this nexus between health and wealth. Buying a pack of cigarettes now costs about \$7. Combine that with the higher cost of medical expenses for smokers compared with non-smokers and you'll begin to grasp the direct correlation between health choices and wealth accumulation. The average amount spent annually on cigarettes per smoker is almost \$1,800 across the nation. On top of

that cost, smokers often pay surcharges on health care premiums. The Affordable Care Act allows insurers to charge premiums to smokers up to 50 percent higher than non-smokers. It has also been shown that the net worth of the typical nonsmoker is 50 percent higher than a light smoker and almost double that of a heavy smoker, according to 2004 study at Ohio State University.

For the smoker ready to quit, a smoking cessation plan may be the best step to take, followed perhaps by a nutrition and exercise plan. Similarly, a so-called "shopaholic" would be best served with a plan to cut spending, control the use of their credit cards and develop a workable financial plan.

But don't count on luck. There are anecdotes about the smoker who lived to 100 and kept on smoking, or the person who was on the verge of bankruptcy and then won the lottery. These are rare cases and it would be unreasonable for anyone to expect that good luck will catch up with them.

Mitigate Your Risk

Behaviors for maintaining good health are common sense: do not smoke, get



regular exercise, eat fruit and vegetables, avoid sweetened beverages and high-calorie dressings, get sufficient sleep, and so forth. Equally well known are the things we should do for a good financial position: start saving at a young age, live within your means, avoid excess debt or high interest loans, add to savings on a regular basis.

So why don't more people do these things if they are so simple? Human nature plays its part and we often act against our own best long-term interest due to bad habits, lack of information, and we don't seek professional help we need to get back on track.

Face it. You need a plan to stay healthy and a plan to accumulate funds for education, lifestyle, inheritance planning and retirement. Once you've decided to develop a plan, you may need the help of certified coaches and financial planners to strategize and implement your health and financial plans during your career and throughout retirement. Once people choose to take con-

trol of their lives, they need the right tools and supports to move forward.

Planning also mitigates fear. Many people trying to control their diet fear walking into a party not knowing what kind of food may be served and whether they can resist temptation. A nutritionist can develop a plan for the types of food and meals to eat to meet health goals and also develop plans for what to do when entering a "risky" social situation involving food.

Many people fear either volatility in the markets or losing money, so they keep their money in bank savings accounts. With proper planning and education, those same investors could understand that volatility in the markets may create opportunity to buy attractive investments at better prices and that may the long term outperform savings accounts. The current national average rate on savings accounts is 0.11 percent. At this rate, \$50,000 will be worth only \$50,553 in 10 years. If invested in a portfolio that is generating a 6 percent return, the funds would grow to \$89,542 in 10 years. The ad-

ditional \$39,000 can have a major impact on one's retirement.

Beyond planning basics, wealth accumulation involves topics like tax-efficient investing, estate planning to minimize tax on wealth transfers, long-term care planning, and more.

It is important to plan for a long life and a retirement that can last two, three, or four decades, which requires not only a suitable health and wellness plan but a disciplined long-term financial plan. When it comes to wealth and health, just about all of us need support to get on the right track and stay focused. ■



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