

## **STEP BY STEP WITH MONE – THE ECONOMY AND THE BABY BOOMER**

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Last week we started our four-week series on our economy and how Baby Boomers, Gen Xers and Millennials can take advantage of it with the use of Network Marketing (NM). This week we will talk about its impact on Baby Boomers and how NM can assist Baby Boomers. This also applies to Gen Xers and Millennials because we will be there in a flash.

If you recall, New Zealanders are moving from savers to spending more income than is being earned. This is contributing to an increase in inflation, although inflation is still low. The effect is that the NZ Reserve Bank will eventually have to raise interest rates to try and curb inflation. We also realised that the wealth of many NZers is lock into their home. This means that any increase in interest rates will result in an increase in mortgage payments and how NZers spend their money.

Inflation, among other things, causes the value of our dollar to decrease. **This is monumental.** As Baby Boomers, we expect to live a pre-retirement lifestyle with a post-retirement government pension when we turn 65 years old. Some Baby Boomers would have saved for retirement. Whether we saved for retirement or rely on the government pension, there is one fact that impacts all of us, the value of the dollar is not what it used to be, it is worth less. Many of us may have heard this before but what does it really mean. In simple terms:

**we go to the ATM and it shows that the balance of our cheque account is \$100. We may see \$100 but that \$100 cannot buy the same value of goods or services that it bought before. The purchasing power of that \$100 is considerably less. This is reflected by the goods in our shopping basket and the time we may use to purchase the cheaper product.**

My friend Scott puts it well when he says Baby Boomers are wondering, do we have what it takes to survive another 20 to 30 years without being stressed over money. Remember that life expectancy is increasing. There is also a perception of ageism in the workplace where older workers are replaced by younger workers.

Many Baby Boomers have followed the advice of obtaining a formal education followed by a good job and the government will take care of us with the pension. This was sound government policy when the government had money to pay for the policy, i.e., there were enough people working to support the people retiring. However, over the decades technology increased and lifespans increased but the government pension policy remained the same. This resulted in less and less people being available to pay taxes to support pensioners. There is always that possibility that pensions may be cut, if they have not already been cut (I have not researched the matter). It is easy to blame the government for the situation and I am not for or against any government but we should remember if any government decided to really fix the problem and remove or significantly reduce the pension then we would probably vote them out of office. As Baby Boomers, we have to accept that our children and grandchildren will also face this problem. Since we are responsible Baby Boomers we may also try to find a solution for them.

During my research, I came across an interesting stress factor among Baby Boomers. These days many Baby Boomers support their children financially, e.g., with the purchase of their home or through education. The stress factor within Baby Boomers that interested me is their concern that their children will not get along with one another. This is because they felt that their children became financially entitled to be supported by their parents and if one child is perceived as getting more financial support than the other then their children may not live in harmony with one another (see, Stanley T J and Danko W D, *The Millionaire Next Door*).

Factors such as going to school, getting a good job, relying on a government pension in retirement, increasing debt and the reduced purchasing value of the dollar have contributed to statistics which

shows that for everyone 100 people at retirement, 5 will continue working, 62 will be dead broke (in which case they are working to pay debts) and 28 will be dead.

In my view, an effective way of overcoming financial distress and limiting the purchasing power of our money is through Network Marketing.

As a Baby Boomer, we have the following alternatives:

- buy or start a business;
- buy a franchise;
- invest any savings;
- get a second job;
- go back to school;
- play the lottery.

Other than the lottery, these alternatives should be thoroughly researched. Briefly and in my experience, I have advised a client on the purchase of a business. We reviewed many potential purchases before the client finally decided on a business. It took a tremendous amount of time and costs researching many businesses. Baby Boomers looking at this prospect should be prepared to pay advisors to assist in researching and understanding the business and industry. Baby Boomers will incur costs and may end up not purchasing any business. Baby Boomers should be prepared for this as they may feel that they have paid advisors but not got anything. Once we purchased the business there was still no guarantee that it would be a success. In relation to buying a franchise, a client recently closed their franchise business because it was not successful. Another client only received two weeks training from the franchisor.

Baby Boomers may also consider investing any savings with the aid of an investment advisor (**I am not saying that Baby Boomers should or should not use investment advisors, these are personal decisions**). Please see earlier articles on items to consider when choosing an investment advisor. A factor to remember is that we are taking all the risks with an investment advisor. For example, if an advisor provides that we will receive a return of 8%, it means that that adviser has to make more than 8% on our money. This is because the adviser will have overheads to pay, which includes their profit margin that they will have to make from our money. We may think that the advisor is risking our money for an 8% return (as that may be our risk tolerance), however, they may be risking our money for a higher return to cover their costs and profit margin. I do not think that there is anything wrong with this, we should just be aware of it.

Getting a second job or going back to school, do we really want to do that at 65 years. Increases in technology is making many professions redundant. The lottery, this is a tax on ignorance.

### **What is Network Marketing**

Network Marketing is a system whereby Baby Boomers can develop part-time/flexible income through sharing a business, product and/or service opportunities with their network.

The best way to explain how NM works is through an example. John has recently retired and his wife Pat suggested that he joins the local lawn bowls club. Pat has decided that she married John for life but she does not need him home 24/7. While bowling John aggravated an old rugby injury. Years ago, John had been told of a product that would support his bones and joints. John starts to use the product and shortly thereafter becomes the talk of the bowling club with his ability. John continues to use these products and decides to become a member of the NM company which sold him the product.

John is surprised when he discovers that his joining fee to the NM company is only a couple of hundred dollars. John is further surprised when he discovers that he receives various products and a fully automated business system for his joining fee.

One day at the bowling club, John notices Dave having similar bone problems. Over coffee John suggests that Dave uses the same bone and joint products. Dave calls the NM company to order the products. The NM company asks Dave who told him about the products and the company. Dave tells them that after he had again injured himself at the bowling club, John told him about the products and the company. The NM company links Dave with John, takes Dave's order, payment and posts the products directly to Dave. John does not deal with Dave's money or the delivery of the products. After all, John is on the bowling green and the company has a fully automated system in place to take orders, payments and deliver products. The NM company then sends John a thank you cheque for the referral.

Dave's bowling game improves and he continues to use the products. John, in-turn continues to receive thank you cheques for Dave's continuous orders. Dave loves the products and he also joins the NM company. Mary sees how John and Dave are performing and asks them what they are doing. Dave shares his story with Mary. Mary also orders the bone and joint products direct from the company. The NM company links Mary to Dave. The company then sends Dave a thank you cheque for referring Mary to the business. John, in addition to receiving a thank you cheque from Dave's order, also receives a thank you cheque for Mary's order. This in effect is how NM works.

If we think of the Parthenon, it has many pillars holding it up. There may be a couple of pillars that have fallen, however, the Parthenon remains. Think of your NM business as the Parthenon. Each person we have helped that continues to use the products are our income streams. Should any person stop ordering for any reason, our other income streams will continue. Thus, our income streams should continue. This is totally different to a job or a second job. For example, if our employer goes bankrupt or gets a tax audit which results in the closure of the business, we lose our job, our income stream.

NM is Baby Boomers marketing to their network. Baby Boomers have life skills and many are in similar financial and health positions, which makes them well placed to share NM. Baby Boomers are developing a part-time income which is flexible with their needs, while doing things that they are already doing. Baby Boomers are playing lawn bowls so why not play and earn money at the same time. This can be applied to any activities undertaken by Baby Boomers.

Below are key issues to consider when selecting a good network marketing company:

1. do they have a proven track record, i.e., has the company being successful with its distribution system;
2. does the company offer a mentoring program to teach and guide us through the industry? Will we be working with the leaders? Are they interested in seeing us grow;
3. do we respect the people that we work with? Will we feel happy introducing our friends to the leaders;
4. does the company have a proven compensation plan? If the company has the first three points, it will likely have a proven compensation plan;
5. do we believe in the business and believe that we can succeed; and
6. does the company have products that are consumed regularly by many people? For example, a product that is consumed monthly means that it will be order monthly.

An additional benefit of NM is who we become, while developing our finances. Who we become flow to our family and loved ones. Family members may join the NM company, which leads to close family ties. This is important because a Baby Boomer can include a NM income stream in their will for children, grandchildren etc.