

Wealth Reflections

Insights on building, preserving and passing wealth
Gwen K. Harvey, B. COMM., CFP, CLU, CH.F.C., TEP

Feeling the Soft Carpet Underfoot

By Gwen K. Harvey, B. Comm., CFP, CLU, TEP

“I know it seems like a lot but it’s not that we live an extravagant lifestyle!” Why is it that this exact phrase graces close to eighty percent of the first meetings we hold? As clients review their financial position and in particular their patterns of spending, the conversation moves from what they think they spend to calculating their actual burn rate. Inevitably there is an uncomfortable realization that life is costing more than they thought. As they stare at the facts, naturally a rationalization emerges - yes, they are spending, but not at a perceived level of extravagance.

What is interesting is that whether these words are spoken by those building towards financial independence or by those whose wealth is large enough to survive generations, there is a common perception that their spending, while significant, is not extraordinary, with the enlightened adding “of course I guess it’s all relative”.

I, like my clients, would perceive that our family’s lifestyle is not extravagant, because I too would look towards the extraordinary luxuries I see in movies, magazines and all around me in our affluent city. When I can point at consumption or experiential items that I have not purchased, I am confirming that I am still somewhere firmly in the middle of it all. But where is the top and where is the bottom? What is “over the top” and what is main stream?

A few years ago when I travelled to Malawi to observe and learn from a Toronto based non-profit that is helping the Malawian Ministry of Health strengthen their health system, I came in contact with a country where only 4% of the population has electricity and 80% live in the countryside with subsistence farming as their primary occupation.

Over a period of a week my definition of extravagance changed. I missed fabulous food, flavoured with interesting spices, a full bodied glass of wine, and a square of excellent dark chocolate. I also missed the freedom to walk at night, the cleanliness of a good hotel room, and turning on a TV and finding a great movie. When you have less (even temporarily) what is perceived as more takes on a different shape.

As I transferred through South Africa from Malawi, I could sense “extravagance” in the form of walking barefoot in my hotel room with soft broadloom underfoot and having access to more than one towel as I left a warm shower. Maybe it is only when we personally experience contrast that we are able to truly sense the wide range of luxuries we enjoy on a daily basis?

Within my practice I am fortunate to work with a wide range of individuals and families. I do not pass judgment on what is the right level of spending, as long as you are safe within it, understand the math behind how capital creates a sustainable income and you can achieve your goals. However, from working with many families it does seem that those who are the happiest have found a balance between having and giving. It is as if the action of stepping outside one’s day-to-day life and being involved in the great needs of others exposes us to contrast and a greater awareness of the “plenty” in our lives. The rewards of giving become the meaning we discover in helping others, a fuller enjoyment of all we have and an awareness that less can be more. Perhaps it is that giving helps us to better feel the soft carpet underfoot.

If you have any questions or comments about this, please give us a call.