EPISODE 1077

> *"**BP:** The current pandemic, it's an unfortunate way to get people off auto-pilot. A lot of people get good at their jobs in order to become successful and that becomes a habit. That habit keeps them on auto-pilot, getting better and better in doing that thing, where we don't pay attention to the reasons why we're doing that thing."*

[INTRODUCTION]

[00:00:51]

FT: In what ways has the pandemic had you rethinking your financial life? Welcome to So Money, everybody. I'm your host, Farnoosh Torabi. You just heard from our guest today, Bill Perkins, who is a long time investor and entrepreneur and now the author of a book called *Die with Zero,* which re-examines how many of us have been approaching our financial lives; get a job, work, work, work, save for retirement, die and then hopefully, leave family independence some sort of an inheritance, a financial legacy, so to speak.

To be honest, it's something that I aspired to. Now, that thinking has changed. In Bill's book *Die with Zero: Getting All You Can from Your Money and Your Life,* he strongly opposes this long-held notion and argues that we should give money to our kids when they're young. Since you can't predict when you die and don't know how much you will have to leave, giving financial gifts to your children today allows you to control exactly what and when you give, and you'll be there to see the support being put to good use. What do you think about this? It's definitely a different way of thinking.

After training on Wall Street, Bill made his fortune in Houston as an energy trader. These days, he's recognized for his glamorous lifestyle, high-stakes poker games and he's been featured all over the map on Reuters, Financial Times, Time Magazine, CNBC and so many other places. Bill shares his inspiration for this philosophy, how we can arrive at the idea of enough in our financial lives, and the best ways to give to your children while you're alive, so that you don't spoil them. Here's Bill Perkins.

[INTERVIEW]

[00:02:33]

FT: Bill Perkins, welcome to So Money. How are you doing?

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BP: I'm doing great. Thanks for having me.

[00:02:39]

FT: Congrats on your book, *Die with Zero.* It's not often that we talk about not saving your money on this show, but your book really emphasizes the importance of enjoying your money, having experiences while you're alive. You start off in the book, talking about the moment when this idea gelled for you and inspired the book, which is that you were in with your doctor getting a health screening and money's a big cause of stress, so he naturally asked you about financial stress. He said, "Do you have fears of running out of money?" You said, "I hope I run out of money." Something the doctor had never heard before. Tell us what you mean by that.

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BP: Yeah. I'm more about saving your life than saving your money. There's this idea that we go to work for money to have experiences. The first experiences that we're going to work for is survival, right? Food, health, shelter. Then after that, it's whatever experiences we want to have, whether that's putting a kid through college, going on vacation, raving in the club with glow sticks, whatever it may be. Each person has different experiences that they'd like to have before they die.

The way to get the maximum amount of experiences and experiences is correlated with fulfillment and happiness, to get the maximum out of it is to use all your resources before you die. Exactly, you want to time it exactly when you die. I was hoping, when I said that like, I hope

I run out of money, is I was basically saying that I hope I have the fullest life possible that I'm able to with the resources that I have.

[00:04:23]

FT: Yeah. There's back and forth between surviving, versus thriving. You see in the introduction of your book, which you wrote in the summer of 2019, a much different time than when where we are today, that this book is not about making your money grow. It's about making your life grow, which you just discussed.

Fast forward to now, a year later, how is your book finding relevance in the context of today when many people who've been hard hit financially, they don't really think in terms of thriving. It's really just about survival.

[00:04:56] BP: Well, I think these times put an exclamation point in my book. I think the current pandemic, it's an unfortunate way to get people off autopilot. A lot of people get good at their jobs in order to become successful and that becomes a habit and that habit keeps them on autopilot, getting better and better in doing that thing, where we don't pay attention to the reasons why we're doing that thing. The reasons why we're going to work, why are we going to work? What is the thing that we're hoping to accomplish?

Now, a lot of people are focused on survival, but then sometimes they just get focused on the number getting bigger and bigger and bigger and not what they're going to convert that money, that number into, what experiences they want to have. We wind up being like hamsters on a wheel, where at first, the cheese was the reward and then we just keep running, because we're running and we never get the reward.

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FT: You reference this term called optimal utility of money in your book. You talk about a friend who's now a billionaire, but you knew him prior to even becoming a millionaire. His goal at the offset was not to be a billionaire. His goal was to have 15 million in the bank and then retire, but then that never – that happened and then he kept going and going and going. When I hear optimal utility of money, in layman's terms that's like, enough. What is your enough number? What's the calculus for that?

[00:06:18]

BP: I think that calculus is different for every person. It depends on what they want out of life. At the time and we're talking about John Arnold. He basically identified a plane he wanted to buy, a house and these things and he felt that was enough. As he was good at his job and he's one of the greatest commodity traders that ever lived, he just kept getting bigger and bigger and bigger.

The problem is is that he kept working past the point of his ability to convert that money into experiences. He will not die with zero. As a matter of fact, he retired and went into philanthropy, and his philanthropy won't even be able to give away the money efficiently as a single individual, or even with the team he's hired. John was working for free and he didn't know it. Hey, I don't know exactly when that point was, but it happened in the past and he gave me the job of punching him in the face if he kept on working. Obviously, I didn't punch him in the face, but I did warn him that I was about to punch him in his face, until he finally retired and I didn't have to punch him in his face. It was definitely a little too late for him. There was a period of his life that he basically just fitted away.

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FT: What about the kids? This is a question that you even dedicated a whole chapter to in your book. It's a common follow-up to this die with zero philosophy. What are you actually saying, as far as taking care of your children? Because a lot of people, they aspire to passing down their wealth. What is your response to that?

[00:07:48]

BP: A lot of people when I say, you should die with zero, I usually get the return, “Well, that sounds nice for somebody who doesn't have kids.” My first response is I’m not talking about your kids’ money. The money for your kids is theirs. It's not yours. If you really care about your kids and we're really thinking about our kids, we should be separating that money out and putting it into protected account for them, such that God forbid, you get into an accident, or some legal battle, you get sued and you lose, you don't vaporize the kids' money along with your money. That's one.

Two, this idea that you're meant to have certain experiences at certain times of your life. There's many, many different seasons. I won't be heliskiing when I'm 90. I won't even be in wave running when I'm 65, due to injuries. The money for wave running and heliskiing, that's now or never. My glowstick days have passed me, not because of health, just because my attitude has changed. I just don't get as much enjoyment, because my mental facility – I don't know what it is. There's some magic going on in the brain, but it's just not as exciting to rave all night in a club with glow sticks.

What experience you have is and you choose to have also when you choose to have them. This is true for you and this is true for your kids. I can tell you that the optimal time to give to your kids is not when you die. It's not 60-year-olds. That's not going to have the maximum impact, because just like you, their health will decline. Most people reach a physical maturity, I believe at 33 and mental maturity at 28. Then we plateau and then we're in decline.

Each year that passes, even each day, our ability to convert dollars into positive life experiences declines over time. If we're trying to have the maximum impact on our kids' lives, we want to basically deliberately choose to give them money in a certain time frame. Now certain kids may be more mature, or less mature at a different age, or have different physical characteristics, but we want to be deliberate about this. We don't want it to be a tip at some random date in the future when we die semi-random, and to be a random amount. Who knows what we expect, or whatever?

Also, quite morbidly, but factually, we have to confront the honest, the hard card hole facts is that some of your kids may die before you. We don't ever want that to happen, but it may happen. That means you'll be giving it to a random amount of money at a random date to random people. That's not what about the kids. That's not caring. That's just chance. The die with zero way is a very deliberate way. I want to get people off autopilot and think about maximizing their lives and their kids' lives.

[00:10:43]

FT: There is that challenge of balancing out spending and having enough, so that your money lasts you. We have as humans, this tendency to overspend. We don't like to delay gratification, as it turns out. The advice, spend while you're living, I totally get it and I so appreciate that. For some people, that has to be a measured approach. How do you measure this, so that you don't run out of money before you die?

[00:11:17]

BP: Yeah. I talk about in the book, there's really almost infinite resources on being frugal, building wealth, building savings, etc. The main thing I talk about is the number one experience people want to have and that's survival and making sure that you save and put enough money away that you have enough income for your health, your shelter and your food when you no longer have any income. This is not fancy on a yacht, or a big house, or whatever. This is just basic survival.

Then after that, we're saving for comfort, or other experiences. Once we've got survival nailed down and my book is all about making sure you have that nailed down, because I don't want you to die early and I don't want you to live in misery. I want you to live optimized. Once we have that nailed down, we start to think about what experiences we want to have when. If you just think about your life as a timeline and you put out these time buckets and you say okay, here's the universe of experiences I can have and I can have them in any frequency I want and you start dropping them into buckets, you'll naturally find out that you're putting more and more experiences closer to now 30s, 40s, 50s and they start to gradually taper off.

[00:12:44]

FT: Bill, we're living we're living to a 120. They're coming out with the magic pill soon, I think.
[00:12:53]

BP: A lot of people are concerned about longevity risk. I talk about that. People have various fears, some of them rational and some of them irrational. If you're if you're concerned about longevity risk, there's products out there called annuities that deal with that. Most of us are familiar with life insurance. If you die early, you get your – there's a big lump sum of money dropped on your survivors, right? There's the converse of that, which is longevity risk and annuities basically, pay you a fix – you purchase it and they pay you a fixed sum of money, no matter how long you live on a monthly or annual basis.

I'm not here to sell people annuities. I'm here to basically say, look, we have people out there trying to act as insurance agents with a customer of one. That's very, very inefficient. If you came to me and be like, "Hey, Bill. I'm going to start an insurance company." I'm like, "Great. How many customers you have?" One, me. I'm like, "That's a shitty insurance company." It's going to be very inefficient and it's going to have massive, massive premiums. People are over-saving okay in order to act as insurance agent for themselves for all these risks, rational or not, and it's costing them hours and years of their life of working and time that they can use being doing things and having wonderful experiences that they want to have.

I'm about optimization and I'm not telling you you can't be afraid of this, or can't do this. I'm here to tell you that let's unpack all these things, look at them rationally, weigh them out, see what they're costing us and optimize our life according to our choosing.

[00:14:30]

FT: I would say though, if you do unfortunately die early and you have dependents, insurance is helpful. Or if not insurance, some money to take care of your dependents for whatever needs there remains.

[00:14:44]

BP: Either way. If you're a young parent and you're like, "Okay, I'm going to –" You're very deliberate and you're like, "I'm going to put 5% of my money into the kids' trust fund to build it up. I could die early and I'm going to buy this insurance product that's in their trust as well." That's deliberate thinking and deliberate planning to plan for the things that risks you don't want to take, or you don't want your family to take. All of us have different risk tolerances and things that we're willing to accept and we're not willing to accept.

My point is that you are not a good insurance agent. You're not the best insurance company. For every risk that is out there, there are financial products or experts out there to mitigate that risk better than you can. By doing that, you get hours and years of your life back.

[00:15:38]

FT: I want to dive more into your background, Bill, and what drew you to finance. First, I wanted to ask you about this great ideology you have in the book, which is manage your money like experiences and how to create experiences that pay back with dividends. Can you talk about that? Because I think right now, a lot of us feel limited in terms of the experiences that we can create, but there's no limit to the richness of whatever experience you do have and how it creates this fabric of – these memories for you that are priceless.

[00:16:17]

BP: Yeah. I call it the memory dividend. When you have an experience, not only do you get the enjoyment of having an experience, but you get the enjoyment of the memory of that experience and I call it the memory dividend. Every time you recall your first kiss or the homerun you hit, or that job you nailed down, or whatever it is, you get enjoyment. A portion of the – sometimes even more enjoyment, but a portion of what I call experience points of the original experience.

Ask anybody who's succeeded in some accomplishment, or had a romance, or whatever. When we sit down and we talk with our friends, we generally talk about experiences that we've had. Those experiences can compound, because you're creating a new experience talking about your trip to Rome that year and then you tell the funny story and then they laugh and then milk comes out of their nose and that creates another experience and so on.

I want people to think about like, when you invest in an experience, you get these memory dividends and they pay out over time and you can withdraw from that memory bank and get that memory dividend ad infinitum. This is the narrative of who we are. How I define myself – when you ask me who I am. "Well, I went to school and I was an engineer and I was a trader and I was married and I have kids." All these experience constitute how I think of myself.

Not only these experiences, the constitution of my health, but it is also a significant portion of my enjoyment. I often tell people, you don't retire on money, you retire in your memories. True retirement is when you sit in a house and you watch jeopardy and you invite the grandkids over, or your friends over and you talk about the old days. That's what you retire on. When I'm on a vacation, or when I'm on a trip and then people are like, "What are you doing?" I'm like, "I'm investing in my retirement."

[00:18:18]

FT: This idea that you have, dying with zero, it's not entirely new, right? I've heard about Steve Jobs' widow Laurene Powell Jobs, who said that she wants to basically spend all her money in her lifetime. She's worth 24 billion, so I hope she's got a team – I'm sure she's got a team working on how to spend that money. If she needs help, I'm available. The giving pledge of course, which is Warren Buffett and Bill and Melinda Gates pledge, where they get other signees to give away the majority of their wealth to philanthropy.

Yet, it is still a novel idea. It's making headlines for a reason. There's a book now like yours for a reason, because this is requiring us to rethink the way that we have been living our lives. Why are we so attached to the other way, which is to be a hamster on a wheel? Work, work, work, work, work, save for retirement, die and hopefully give your kids a small, or a nice-sized inheritance. Why is that where we're gravitating all the time?

[00:19:19]

BP: It's a mystery to me. I think it has to do with history prior generations, the great depression, baby boomers. Old habits and culture, sometimes they're slow to change and they die hard. There are people who don't have enough, or not frugal and there's this huge ego attachment to being poor and not having any money. There's a lot of fear associated with that. I think that fear is – I think the ranking of that fear is misplaced. I think we should fear squandering our lives.

People have been so focused on getting rich and having this number and this number is enough, then that number is enough and etc. I'm like, no, no, no, no, no. We should be working on net fulfillment over net worth. For each person, that's going to be different. I'm not here to put out a number and a math formula. I'm coming out with a mental model for you to think about hey, is it worth it for me to invest in this experience now, or delay gratification 10 years from now and maybe have one and a half ,two experiences later and maybe I should consider the memory dividend now, maybe I'll get more enjoyment than having two experiences later by having experience now. That type of thing.

Old habits die hard. Those who save, save too much and that's clear in the data. Also, it's clear in the data as people get older, they keep saving and saving. As I say in the book, or I say to my friends who are 65 or 70, I'm like, "Well, please tell me. When does the party start?"

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FT: Now here's a question about the system. There's a whole industry called retirement planning, that makes more money the more we save. Is that part of the problem too? Is that we're being fed a message that is incentivized?

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BP: Yeah. I think when people get paid for assets under management, obviously they want you to just keep building assets under management. They're not there to maximize net fulfillment. I think there's a inherent conflict of interest. I'm not saying that they're evil, or whatever, but there's a natural bias. I think people also like, "Oh, I want to have this big number." There's some false hedonic value from having a big number in a bank, instead of having a big fulfilling life.

I would like financial advisors to start having candid conversations with their clients and say, okay, what are the experiences you want to have? When do you want to have them? Let's solve for that, because that's a different thought process. We got to think about the accumulating assets at a certain time, and spending down so we get this wonderful, most fulfilling ride you possibly could with the resources you have.

[00:22:22]

FT: Okay. Now let's shift gears and talk about young Bill. What was young Bill Perkins like as a kid? Were you always interested in numbers, money, finance? Tell me everything.

[00:22:34]

BP: No, no, no. As a young kid, I was more interested in breaking open speakers and seeing how they work and becoming an astronaut and reading the right stuff and stuff like that. I went to school for engineering and I knew that I wanted to learn it. The things I wanted to learn and the things I wanted to do were two different things. The reason why is is that an engineering career path was quite boring, in terms of what it afforded you to do, in my mind, because I was in college around when Wall Street was coming out, etc., and I saw these cartoonist characters, but they were having these great and adventurous lives and etc. I was very impressionable about that and I was like, "That's what I want to do. I want to do whatever I want. I want to get rich."

I was very interested in science and numbers and etc., but I was also very delusional that I could get rich, that I could get fantastically rich and then I could then go do what I want. Because I was that delusional, I actually tried and succeeded. I told somebody earlier. It's like, the salmon have to be pretty delusional to have salmon. Swimming upstream is this – and the lane is it's crazy. There's bears, they're going to eat you, you got to hop, it's exhausting, you got to jump out of the water and flop up. It's a crazy idea, but they do it. I was one of the crazy people that believe that can do it and did it with a little luck and some hard work and great timing.

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FT: I think Alan Greenspan calls it a rational exuberance in economic terms. Maybe not delusional, but yeah. It is human nature.

[00:24:14]

BP: Yeah. It is human nature to try. That's one of the great things about being human is that we dream and we attempt our dreams.

[00:24:21]

FT: You made your fortune ultimately as a trader, which is a culture that is predominantly white. I'm curious to hear how, if and how your experience as an African-American was working your way up in that within that culture. How would you characterize it?

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BP: I mean, I was on a New York mercantile exchange, where it was very tough. People were very blunt. It was very racist and very sexist. For me, I was very much determined to get to the promised land. Learn as much as I could. My idea is that if I knew more than the next guy and I kept making myself invaluable, they would have to pay me more and teach me more. I made the conscious choice to not get involved, or to avoid battles associated with racism and sexism.

I feel really bad, especially for women back in the days, because they would just be like, "We don't hire girls." They cry. I think they actually got worse. I mean, there were few African-Americans who got a choice due to racism and we had to deal with racial slurs and whatever and all this other stuff. For me, it was just a price that I had to pay to get to the promised land.

I felt like instead of battling then and becoming some martyr, when I'm a young arrogant kid trying to make a zillion dollars, I figured that much like the my original goal that hey, if I made enough money, then I can convert that money into the experiences I wanted to have. I can almost do anything. If I made enough money, I can help and turn around more people's lives than raising a stink and dealing with the racism and sexism on the floor then. Luckily, I was right.

[00:26:06]

FT: Yeah. That's a great way to look at it. I mean, look, I get it. It's a different generation. You didn't want to mess it up for yourself.

[00:26:13] BP: Yeah. I mean, I had to put my life mask on first, in that situation. I give back their scholarships and I'm very much into charities. I used to be very um private about it, but I think it's important as an African-American, for other African-Americans, other people to see that hey, I'm not an entertainer. I'm not an athlete. I made it and I'm giving back in these ways. Not necessarily to toot my horn, but to inspire others to do the same.

[00:26:45]

FT: Back to our conversation. We were talking about giving to your kids while you are alive. How do you avoid not spoiling them? Then there's also the gift tax too. There's only so much you can give every year. How do you combat some of those things? Like, "I also don't want to give to my kids and not have them work for their money."

[00:27:07]

BP: Within what about the kids, in the book *Die with Zero*, there's optimizations upon optimizations. I think the estate tax exemption is 14 million dollars now, which is a significant sum that you can leave to um the lifetime gift taxes exemption. Once you get over 14 million dollars, you're starting to pay estate taxes. Ten there's other things like grant and GRAT, which Is short for grant or annuity trust. there's lots of ways to increase the effect of tax-free giving.

that is another question that each person has to answer individually is if you're deliberately thinking and you're off autopilot and you're thinking about your kid's life, you're thinking okay, what is the amount of money, or help that I can give them that helps them, but doesn't hurt them? I think that's going to be a different discussion for each family. I have friends that are like, "No. No more than this and that, because then, I've seen money destroy people." I have other people on the other end of the spectrum.

My take is that I want my kids to be able to provide value to the world and to themselves. I don't want to rob them of that challenge. I don't want to rob them of that obstacles, but I do want to have them safe and remove some of the stress, so that they can actually have a degree of freedom. I go back and forth on what that number is and what it should be, but I'm not going back and forth on what that date is. That's for sure.

Hopefully, I'll come to a conclusion between now and I would say, 30 for my kids right and it's done. I think there are a lot of books that go into details about that on what the numbers should be and what you should do, etc. My main point is be deliberate. The same optimization that applies to you about having experiences at the right time, like we have different seasons of our life and when they pass they're gone, it applies to your kids. We want to maximize our gifts to them, just as much as we want to maximize our life as long. As long as you're deliberate, I don't think you're doing the wrong thing.

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FT: The book is called *Die with Zero*. Bill, you said if you're comfortable living on the edge, you probably don't need this book, because you're probably already on track to die with zero. But everybody else, many of us, check out this book. You've definitely impacted my perspective.

[00:29:41]

BP: Thank you. Thank you. I think um people out there will get value, or we'll be able to pass on that information to other people who need this message.

[END]