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FRESH ADVICE

BRIDGING FINANCIAL PLANNING & THE SCIENCE OF ENGINEERING



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The Piton team loves finding fresh connections between the daily work around the office and the incredible work and discoveries that propel the careers and lives of clients and community members. Recently we ran across a connection that resonated especially with our office, so we are excited to share a common thread between financial planning today and early nuclear science. Read on to learn more!

IT'S NOT ROCKET SCIENCE BUT IT IS NUCLEAR SCIENCE

Among the helpful and powerful tools that financial advisors have is computer software that simulates complex financial scenarios. Advisors can test and refine financial plans (referred to as "Monte Carlo simulations") to assess and be prepared for a wide range of risks that an individual, group or business may confront. It is no surprise that this tool developed in the digital age, but the mathematics that drive it are older and have links to the region in Washington state, where, twenty-five years ago now, the practice began that is now Piton Wealth. Economist William Sharpe was a key figure in applying the mathematics of complex multi-factor analysis to retirement scenarios and was awarded the Nobel Prize in Economics in 1990. He began his professional career as faculty at the University of Washington in the 1960's. The more direct connection with financial planning today is the source of the mathematics that Sharpe applied, which was developed to calculate the neutron diffusion paths for the hydrogen bomb during the Manhattan Project (https://www.wsj.com/finance/investing/financial-planning-fortune-tellers-aee6eee1).



SCIENTISTS, ENGINEERS, AND PITON IN THE COMMUNITY

The Manhattan Project, of course, is rightly legendary, from the recent blockbuster movie about Robert Oppenheimer to ushering in the nuclear age, but it also spurred much of the development of the Tri-Cities, where Piton's main office serves a community that teems with scientists and engineers, ever since the Hanover site on the Columbia River formed one of three key sites for the project's work. In the financial planning industry, partnering with scientists and engineers has led to revelations about common challenges and lessons learned. Next let's explore some of those parallels!

MULTI-FACTOR ANALYSIS AND ONGOING PLANNING

Financial plans and engineering projects have more in common than appear on the surface, including the analytical principles and procedures that make them successful. A physical project like a bridge looks static and stationary, but, as any engineer knows, the structure is in fact undergoing constant shifts and reactions to stay functional and safe. Any number of factors could go awry and the structure fail, sometimes catastrophically. A financial plan can

also appear deceptively static. It is often shorthand, for example, to reckon retirement as depending on a certain amount of dollars saved. Savings is a key component in planning retirement, to be sure, but by itself such a total neither guarantees nor prevents retirement. Physical structures and structured physical plans are again analogous. Just because a bridge can support the weight of certain vehicles does not mean that it can withstand wind, or even every type of wind, and other weather elements in addition. No single one of these factors guarantees that a bridge will stand or collapse, just as no single number determines the financial viability of retirement. The success of a bridge, or a retirement plan, in fact depends not on a single factor, but on multi-factor analysis, and this brings us back to those "Monte Carlo simulations." This model takes multiple factors and runs thousands of scenarios to generate the probability of certain outcomes based on a client's current circumstances. And again, this is not a single do-or-die number, but a probability, to be measured against the risk tolerance of a client and other considerations. And again, bridges are analogous. No matter how well a bridge is designed and constructed, regular inspections and maintenance provide necessary updates to ensure its endurance and safety.

QUIZ ? **In financial planning, "Monte Carlo" simulations rely on**

a. only a client's total savings in 401K accounts
b. math derived from roulette wheels
c. multi-factor analysis
d. tax brackets

CAN YOU FIND the HIDDEN PITON?

A piton is a tool which mountain climbers use to secure a hold and climb higher than they could have otherwise. That is why we are Piton Wealth, to advise clients so they climb to ever higher goals. Comprehensive financial planning is the dedicated tool that the Piton team uses for clients to achieve those goals. The ultimate goal is a fulfilling and generous life. The Piton team hopes to see you as part of that life at one of Piton's community events, or any of the many life-affirming events in our communities, and we would love to talk to you about a plan, so please reach out to us when you want to find out about a potential Navigated Journey for you and your loved ones.

So, too, with a quality financial plan. Just creating it is not enough. Once a financial plan has been launched, maintenance and updates will ensure that the plan stays locked in toward the life goals of the client.

At Piton Wealth, this updating phase is the Achieve component of our Navigated Journey™ process. The Piton team loves this phase for being able to celebrate when clients are living out their life goals, but we take the work as seriously as any other, because we want the bridge, that legacy of our clients' lives, to endure.

Thank you!

The Piton team will be back with more Fresh Advice in March! This issue will have an all new specialized client focus. You won't want to miss it!



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We hope to hear from you!

ANSWERS: c. You can see the piton on page 2, 2nd column second paragraph.

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