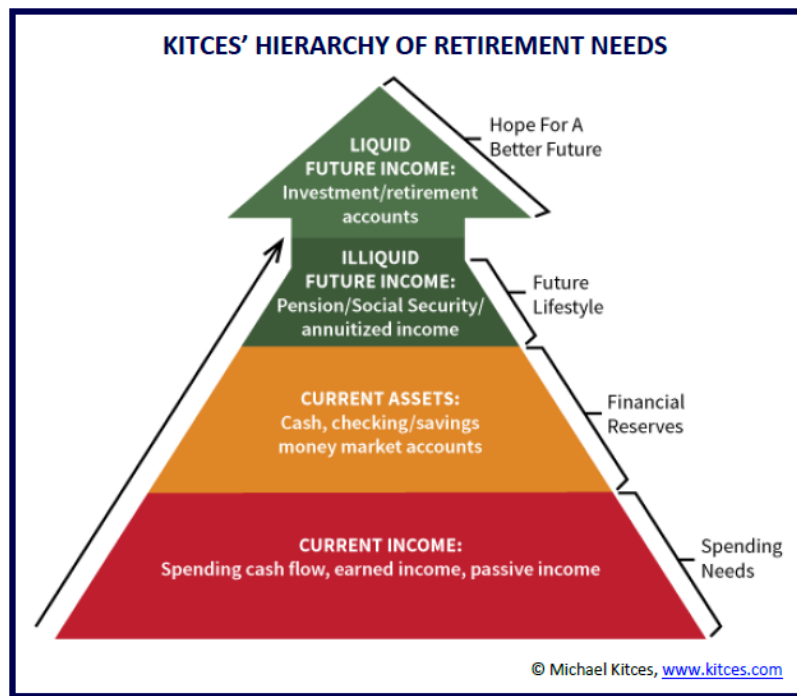


Abraham Maslow's Hierarchy of Needs has become a familiar concept in the popular culture. It depicts shared human motivators in a pyramid with the most basic needs like food and water at the bottom, family and belonging in the middle, and realizing one's potential or self-actualization at the top.<sup>1</sup> People often seek to fulfill these needs in order, meeting essential survival needs first. In a similar approach, investors tend to categorize and prioritize assets and income in distinct buckets.

In financial planning, Kitces' Hierarchy of Retirement Needs illustrates how investors naturally prioritize assets and income in terms of short, intermediate and long-term goals.<sup>2</sup> Current income and spending is the first priority at the bottom of the pyramid as people must get jobs to earn the income that they need to have money to buy groceries and pay their bills. Once they are established, they can then focus on the next level of intermediate goals and create financial reserves, such as funding checking and savings accounts. The highest level emphasizes long-term investment accounts and retirement goals .



Source: <https://www.kitces.com/blog/hierarchy-retirement-income-needs-and-mental-accounting/>

Running out of money in retirement is one of main long-term concerns that many investors express. Despite this, investors fear not having enough cash on hand for the short-term even more. It has been shown that having short-term cash on hand is directly correlated with life satisfaction, even if it is not actually needed.<sup>3</sup>

A well-defined financial plan will help you balance your desire for adequate current income and assets with your need for sufficient longer-term assets, which are designed to generate future income to meet your financial needs in the years ahead.

1. McLeod, S. A. (2017). Maslow's hierarchy of needs. Retrieved from [www.simplypsychology.org/maslow.html](http://www.simplypsychology.org/maslow.html)
2. Kitces, M. (2017). Behavioral biases and the hierarchy of retirement needs. Retrieved from [www.kitces.com/blog/hierarchy-retirement-income-needs-and-mental-accounting/](http://www.kitces.com/blog/hierarchy-retirement-income-needs-and-mental-accounting/)
3. Ibid.

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