

# Financial Loss Syndrome, Or: Why Losing Money Feels So Bad



It happened in January 2009 and it shocked the world. The financial stress of both he and his wife losing their jobs seemed more than the distraught father could bear. He killed his entire family and himself. Relentless bad news on the economy and the markets was beginning to take its toll.

Many in Orange County viewed as financially secure are troubled more than they care to admit. The Bernard Madoff list includes 33 accounts in Orange County that are now worthless. Others, with reasonably solid investments, lost without Mr. Madoff's assistance. A decline in net worth from \$100 million to \$50 million may be emotionally devastating, but will have little effect on the ability to live in one's home, feed and educate family, enjoy vacations, and live comfortably in retirement. We expect a deeper kind of crisis for the individual whose financial future is bleak – whose retirement is cut short or delayed indefinitely, or who must now depend on the support of children to live comfortably. We didn't expect the crisis among the affluent and ultra affluent who, even today, remain affluent, yet we are now seeing individuals across all levels of income and net worth suffering from what we term "Financial Loss Syndrome" (FLS). The

sudden loss of wealth, status and stature can result in anxiety, embarrassment, shame, guilt, vulnerability, distorted thinking, insomnia, and depression. Marriages collapse. Suicides grow.

Whether wealthy or not, young or old, married or single, employed, unemployed or retired, individuals generally experience two or more of the stages of FLS:

1. **Denial – disconnected, numb**
2. **Realization – fear, pain, embarrassment**
3. **Blaming – anger**
4. **Bargaining – unrealistic promises for the future**
5. **Depression – lack of motivation, loss of interest**
6. **Acceptance**

Those experiencing FLS do not all go through all six of the stages, nor do they necessarily go through them in the same order. They may in fact get "stuck" at one stage. However, most individuals go through at least two stages and the stages most often occur in the order detailed above.

If we look closely at the emotions and responses of FLS, it's clear that two important themes account for most of the pain, anguish and distorted reasoning: loss of identity and loss of control. Ultra-high net worth individuals are more likely to have their identities deeply tied with financial success. Net worth often equals self worth for them.

Feeling that you have little or no control over your circumstances leads to a sense of vulnerability, numbness, helplessness, and depression, and may have tragic consequences. For someone conscientiously paying their mortgage on time, it seems unfair that others less diligent and disciplined are getting "bailed out." Individuals who have worked hard and saved all their lives believe they have done everything right, yet their 401(k)s have dwindled beyond their control.

The current financial situation challenges all of us not only from a personal economics perspective but from an emotional one as well. Taking action based on fear and panic is not a plan. A plan starts with two important pieces of information: your balance sheet and your cash flow statement. Update them, think about how you could change your priorities given the current situation, take action on what you can control, and try to accept what you can't.

---

Victoria Collins, Ph.D., of The Keller Group Investment Management Inc., [Douglas K. Freeman, J.D., LL.M.](#), and [Lee S. Hausner, Ph.D.](#) of First Foundation Advisors can be contacted at (949) 476-0300. Their affiliated firms provide wealth management, family consulting and fiduciary training programs.