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# FLIP FEATURE

## ***4 Stages of Personal Financial Journey – From Graduation to Retirement***

By Thomas M. Garr

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By Prof. Thomas M. Garr

As you focus on your Financial Well-Being, you will see that everyone is obviously trying to amass as much wealth as they can while both handling expenses and living their life in the near term and properly planning for the future. There are a lot of pitfalls and misconceptions along the way, and recognizing what these are can enable you to hopefully prepare to **‘outperform’ the average and get a better result.**

To demonstrate this, it is useful to describe the various stages of Financial Development as you move forward, so you can continually measure your own performance and manage your progress. To do this, we are going to use a variation of an essay written by Swiss Psychologist Carl Jung in his 1930/1931 essay, “The Stages of Life” (found in *Collected Works Vol 8: The Structure and Dynamics of the Psyche*).

The analysis below is based on my nearly 50 years of professional and life experience and is designed to show you not necessarily where you should be, but where the average person is and where they seem to end up. The objective here is that Knowledge is Power. **You want to be able to use this to identify how to do BETTER than the average at each stage** so you can achieve the maximum outcomes when you reach your ultimate retirement goal.

So, let’s go through the 4 stages starting right after College Graduation leading all the way up to Retirement using Jung’s initial format but modified by me to include my own experience to make it relevant:

### Stage 1 – The Athlete – Ages 22 to 30

- A) **Career** – You are just starting out after graduation and learning your first real job in a major that you just spent 4 years or more training for. It is most likely your first real exposure to making decent money and possibly your first exposure to being independent of your family. The whole thing can be a little intoxicating and overwhelming at first, but everyone goes through it.
- B) **Health** – Most likely your health at this point is very good and you probably think that you are invincible. You may not even go to the doctor for a checkup without someone pushing you to do it. You have very few medical expenses, and if your company offers a health plan with choices you likely select the one with the lowest premium and the smallest doctor network which is probably an HMO. One thought here, however, that I have learned the hard way. In my experience, your biggest insurance expense – or in this case your biggest health expense – is always a cheap premium. That means that a cheap premium for health insurance or auto insurance or anything else always looks good on the surface right up until you have to file a claim. Then the insurance company will have a lot of latitude to manage your claim based on what is most cost effective to them and least advantageous to you. In the real world, a higher premium on the front end generally leads to a better outcome when you file a claim, but in the **Athlete** stage most people do not want to hear it.
- C) **Wealth** – You have a real salary now with real raises. You have probably started a 401K retirement account with your company, possibly with some matching or, if not, probably an Individual Retirement Account (IRA) somewhere else. Away from retirement saving you might be doing some other after tax saving for a house one day or whatever, but not much because it is hard to visualize against all the things you now think you can afford. You are starting to take on some debt and that includes your first real exposure to credit cards where you most likely already have a balance that is probably too high that never seems to get paid off. You have car payments and you think about things like a car purchase not in terms of what the car costs but how much you pay per month, which means you tend to finance things like a car with more and

more years to pay it off to keep the payments down. That leads to more debt and pressure on your credit score.

- D) **Dreams** – You want to be financially independent, but you do not have a clue on how to get there. You see all these glitzy commercials on TV about vacations, travel, Disney, cruise ships, sporting events and you try to strategize on how to do some of these things. You frequently overspend when you do it and come home with high interest credit card debt that continues to linger long after the trip or event is over.

### Stage 2 – The Warrior – Ages 31 to 45

- A) **Career** – Your professional development, i.e. your career, is now starting to kick into gear. You may be on your second or third job out of school, which could either be with the same company with promotions and/or transfers or you may have changed employers a time or two. You may also at this point have gotten some additional certifications which have enhanced your professional standing and qualifications.
- B) **Health** – Your health is still generally good, but more than likely you have had at least one serious health scare or situation. You have some kind of insurance coverage either with your company plan or through the Affordable Care Act. You are more or less familiar with dealing with the insurance company, but your premiums are most likely higher than they were in the **Athlete** stage, because you are recognizing the need for better coverage and more flexibility, favoring your needs over the needs of the insurance company. But at the end of the day, you are still thinking more about premiums and co-pays than overall medical costs, and that is what is guiding your medical decisions.
- C) **Wealth** – You most likely now have a mortgage which might be a little higher than you like, and if you could refinance at a lower rate, you would most likely do it. You are still too far away from paying it off in full and getting out of mortgage debt, but you dream about it. You still most likely have some car payments. You go on better family vacations, but you still come home with credit card bills, and you rationalize and justify to yourself that this is OK. You end up taking longer than you originally planned to pay off the high interest credit cards because other things ‘come up’ that you need to spend money on. You are starting to save for college for your kids, but it is tough for you to visualize the total cost, and you probably do not end up saving enough. You may have some life insurance, but it is most likely the cheapest term policy you can find and not whole life, so there is an expiration on your coverage.
- D) **Dreams** – You should be thinking more about retirement. In fact, the **Warrior** stage is exactly the sweet spot as to when you should be thinking heavily about it, but you are probably not. You tell yourself that you feel great and are doing great and ‘*Retirement will take care of itself,*’ which means you miss important inflection points along the way, where you SHOULD be saving and planning more. You are starting to wonder why you are not richer than you are, but you have no idea as to how you will get there. You start pushing the spending envelope to buy things that you think you are entitled to thinking/hoping that you will pay it all back later.

### Stage 3 – The Statesman – Ages 46 to 63

- A) **Career** – You are probably at the peak of your career professionally. You have either been working at one place for a long time or have changed jobs a lot doing similar work. But either way, you definitely take the call when a recruiter calls you about another job because you are always hoping and looking for more money.
- B) **Health** – You and and/or your spouse have now probably had one or more expensive health situations (e.g., surgeries or other procedures). You, most likely, have insurance coverage, but you also most likely have a lot of co-payments and high deductibles, so the expense is not

insignificant. For three months after every surgery, you cringe going to the mailbox bracing for that deductible or co-pay bill from a surgery center or a hospital or a surgeon or an anesthesiologist or radiologist or pathologist or specialist. You are now starting to recognize that you may have some health situations that you will have to deal with for the rest of your life.

- C) **Wealth** – During this stage, you will most likely see the PEAK in your earnings power. You may have some investment income but probably not much or at least not enough to quit work and live off your investments. You are finally looking more at life insurance, but it is a lot more expensive when you are older and you finally realize that the life insurance policies that would really help you that you should have put in place when you were younger and healthier, are too expensive for you now. You should be looking at setting up something for long term care coverage (*I will describe this in a future article*), but you rationalize and tell yourself that you will never need it even though more than half the country sooner or later does. You are now getting BOMBARDED by salesmen and sales pitches for all kinds of financial products which all have some kind of subliminal message of ‘Get Rich Quick’ or ‘Solve your Financial Problems Today’ or some other such nonsense, and you can’t figure out what to do. Desperation and worry are starting to set in. You start buying lottery tickets.
- D) **Dreams** – You are now starting to think about retirement, but you are still pushing it off and procrastinating but you do think about it. You want to travel more and work less, but you keep getting sticker shock when you see what it costs and you can’t quite figure out how to pay for it. Hope is starting to become a key strategy for you as opposed to an action plan.

#### Stage 4 – The Senior Citizen – Ages 64...

- A) **Career** – You are retired or close to it if you have planned well. If you still need career income, you will find that it will be a lot harder to get hired at your age than you thought. You might be able to get some paid retirement work, like consulting or teaching, but at your age you find that that is a lot harder to get too. **This can be a very sobering BIG SURPRISE that you probably did not see coming.** You are willing to give back to the community and do some pro-bono non-profit work, but you are always trying to figure out how to get ‘them’ to pay you something.
- B) **Health** – At this point, you recognize that every day, your health is the best that it will ever be for the rest of your life and the best you can do is not get worse. Every day is a ticking time bomb for any health scare or car accident, and you are now really paying attention. You have probably had a number of medical procedures, and you probably have a number of drug prescriptions that you will need for the rest of your life. Starting at age 65, or later if you are still working, you sign up for Medicare Parts A and B and you see what it costs with premiums and deductibles. You hopefully conduct your research into Medicare Advantage, Medicare Supplement, Medicare Part D prescription drug coverage, and so on and you get some ‘sticker shock.’ But you have no choice, because you have to protect yourself and your spouse. Managing medical costs is now a priority and going into medical debt is a big concern. You feel the urge to go with cheap premiums and coverage, but if you get it wrong (and many people do) it can make your medical expense exposure much worse down the road.
- C) **Wealth** – This is where the ‘Rubber meets the Road.’ You either got it right through saving, investing and financial literacy throughout your life or you didn’t. You need to find a way to annuitize your income so that you always have enough coming in to cover your expenses (including inflation adjustments) and live well for the rest of your life regardless of how long you live. Your senses start to become razor sharp aware of every expense that comes up – from calling a plumber, to medical procedures, to hiring a lawyer, to automotive expenses, to the price of food, etc. You start looking for tax breaks for seniors and reverse mortgage schemes. You are paying close attention to any pension plan you have, although your company may have switched

to only offering a 401k (so you may or may not have enough money when the time comes). You are also paying attention to Social Security and what it might pay you and when to start taking it. If you are lucky to have enough assets, you might also be thinking about leaving something to your heirs through proper estate planning, having a will, and so on.

- D) Dreams** - The key is **Financial Freedom** to sail off into the sunset doing what you want whenever you want. You want to try to anticipate every contingency and have a plan to get out in front of it, but most people don't and they sometimes get very nasty surprises. You do not want to be a burden to your family. You only want to work if you need to. But you wake up and figure out that you did not get there, and you wonder why. You rationalize your current situation and make the best of it. You realize too late that your biggest nightmare is you get to this stage and you do NOT have enough to retire the way you wanted to, and this can be a very scary realization.

So, what is the point of all of this? What you see above is what the average person in this country who does NOT have proper financial literacy goes through by only managing their affairs in the present and then seeing for them what the future ends up looking like. This is not provided to lower you into the depths of despair and make you feel that it is all hopeless. It is to demonstrate to you what can happen, if you do NOT plan properly and what, unfortunately, this realistically looks like for most people. It is never too early to put things in motion to prepare you for the future stages. I am 71 years old now and I personally put a lot of things in place 25 and 30 years ago when everyone around me told me I was crazy. I now have the financial freedom that I wanted because of this and now they all wish they had done it and for them it is too late.

**Use the steps outlined above as a baseline against which you WANT TO DO BETTER. Visualize what your life looks like now and can look like at every future stage. Put the proper things in place early regardless of the grumblings of those 'experts' all around you. Follow these steps and things can work out very well for you.**