



The Price of Time

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One of physicists' favorite crossover topics, between in-depth research and cocktail-party discussion, is time, and specifically, why it only goes forward. It seems like an absurd thing to devote serious intellectual energy to, but nothing in the fundamental laws of physics actually requires time to flow forward. The equations of quantum mechanics work just as well backwards as forwards. And yet, here we are, aging instead of de-aging, remembering the past instead of the future, unable to un-pop a balloon or un-spend a dollar. Physicists call this the "arrow of time," and its ultimate cause remains one of the deepest curiosities in science.

What does this have to do with your retirement plan? More than you might think.

The irreversibility of time is not just a physical curiosity. It is a philosophical foundation beneath an important concept in finance: the time value of money. The reason a dollar

today is worth more than a dollar tomorrow is not primarily because of inflation, though inflation matters. It is because time itself flows in one direction, and the opportunities available to you right now cannot be preserved and used later. A dollar today can be spent, saved or invested. A future dollar cannot do any of those things until it arrives, at which time, who knows if those same opportunities will be available.

This is one of the reasons interest exists at all. When you lend money, you are surrendering present opportunity in exchange for future repayment. Interest is the compensation you demand for that surrender, the price the borrower pays for pulling purchasing power forward through time. When you borrow, you are doing the opposite. You are enjoying resources today while committing future income to cover the cost. In both cases, the transaction is fundamentally about time, and interest rates are simply the mechanism by which we assign time a price.

Finance formalizes this through a concept called Net Present Value, or NPV. Since future dollars are worth less than present dollars, we need a way to compare cash flows that arrive at different points in time on equal footing. We do this by applying a discount rate, a percentage that reflects how much value a dollar loses for each year it is delayed. A higher discount rate means future dollars are worth considerably less today. A lower discount rate means they retain more of their value.

Setting the Discount Rate: Corporations vs. Individuals

For a corporation evaluating a new investment, the discount rate is not a matter of personal feeling. It is typically set based on the company's weighted average cost of capital, or WACC, which blends the cost of debt financing with the expected return demanded by equity investors. In other words, a corporation's discount rate is anchored to something observable and specific: what it actually costs the business to raise money. A project that returns less than the WACC destroys value; one that returns more creates it. The math is rigorous, and the inputs are grounded in real market data. In a [previous letter](#), we explored how the discount rate affects the economy as a whole.

Our individual discount rates, aggregated across millions of households, can shape the broader economy. When COVID lockdowns prevented people from spending on travel, restaurants and experiences, the national savings rate spiked dramatically. When the economy reopened, and that pent-up demand was released all at once, supply chains that had been wound down during the quiet period could not keep up. That mismatch between

surging collective demand and constrained supply was one meaningful contributor to the inflation that followed.

For an individual, the situation is fundamentally different. No formula spits out your personal discount rate. It is shaped by your health, your obligations and your sense of what your future self will need and enjoy. Two people with the same financial situations can have different personal discount rates, and both can be making entirely rational decisions.

Places Your Personal Discount Rate Shows Up

A grandparent who has the opportunity to purchase a condominium near a grandchild may find that the financial logic of waiting for a better house or market may be technically correct. Still, the child won't stop growing while they wait. Or consider someone in their early sixties deciding whether to semi-retire now at a reduced income or work five more years at full salary. Your future wealth almost always favors waiting, but if those five years coincide with a period of good health and energy that may not extend another decade, stepping back sooner is not reckless, it is simply pricing your time honestly.

But the opposite is equally true, and equally rational. Someone who has watched a parent struggle financially as they age may weigh their future self more heavily than most financial models would suggest. For that person, working longer, saving more aggressively or delaying a large discretionary purchase is not excessive caution. It is a response to a very specific and personal vision of what future suffering looks like, and a genuine desire to avoid it.

Some people find that financial security itself is a source of enjoyment. The knowledge of a well-funded retirement, a paid-off home or a fully stocked emergency fund improves their daily quality of life. For those people, saving is not deferred gratification at all. Security is the reward, and it is being enjoyed right now.

A Real-World Consequence: Social Security

The decision of when to claim Social Security benefits is a particularly clear example of the personal discount rate at work. This decision is often framed as a pure breakeven calculation, and most financial planning software treats it exactly that way.

Here is the basic structure of the decision. Social Security benefits can be claimed as early as age 62 or delayed as late as age 70. For someone whose full retirement benefit at age 67 is \$2,000 per month, the approximate options look like this:

Claiming Age	Monthly Benefit	Annual Benefit
62	\$1,400	\$16,800
67	\$2,000	\$24,000
70	\$2,480	\$29,760

The standard breakeven analysis asks at what age does the cumulative benefit from waiting surpass the cumulative benefit from claiming early? Claiming at 67 versus 62, the breakeven falls around age 78. If you live past 78, waiting looks better in total dollars. If you don't, claiming early wins. For 62 vs 70, breakeven is around 83.

That is the simple math. But it is not the whole question.

The years between 62 and 70 are not interchangeable with the years between 75 and 83. In early retirement years, when health is typically better, the ability to travel and pursue hobbies is higher. Early retirement can have a kind of intangible value that later years may not. For someone with a higher personal discount rate, the additional income gained by waiting may matter far less than the financial flexibility they gain during the years they are most able to enjoy it.

Conversely, someone with a lower personal discount rate, who places a high value on guaranteed income later in life or who is concerned about longevity risk, may find that the larger, inflation-adjusted benefit available at 70 is precisely what gives them peace of mind. The delayed payment is worth waiting for because their future self figures prominently in how they think about their financial life.

The breakeven calculation tells you when the math tips. It says nothing about how much you value the years on either side of that tipping point.

It is also worth noting that this example describes a single person, and the calculus changes considerably for married couples. When two spouses have meaningfully different earnings histories, the higher earner's benefit has an additional benefit. When one spouse passes, the surviving spouse takes the higher of the two benefits. That means the higher earner's decision about when to claim is not just about their own retirement income. It is also about how much income their spouse will potentially have. In that context, a higher-earning spouse delaying until 70 can be one of the most powerful forms of longevity insurance a couple has available, even if the higher earner themselves might prefer to claim earlier.

Closing Thought and a Request

A final thought, and a genuine request. We manage portfolios, not lives, and we have little interest in weighing in on how you choose to spend your money or your time beyond painting a thoughtful and mathematically informed picture of the sustainability (through time) of those decisions. The personal discount rate is not just an interesting concept. It is directly relevant to how your portfolio should be structured, how much risk is appropriate and how much liquidity you may need at different stages of life. We can never know too much about you, your lives and your future. If something in this letter resonated or prompted a thought about your own circumstances, please reach out. That kind of conversation is exactly how we do our best work.

Best,



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