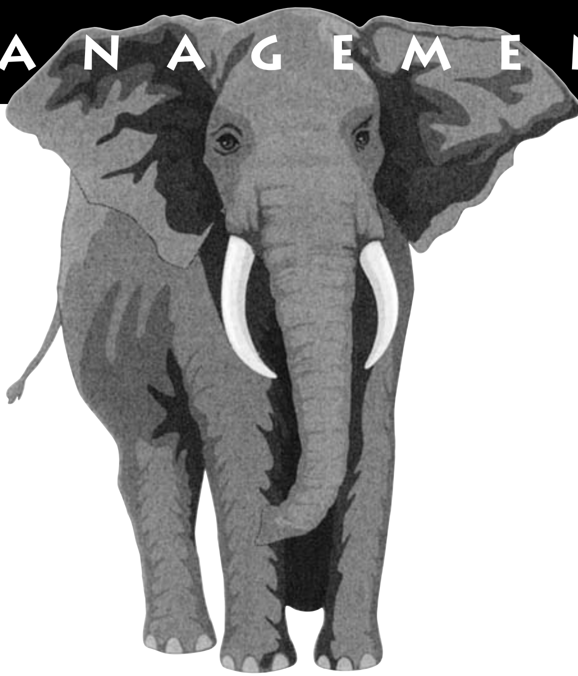
ADVANCED MACRO

Wealth

MANAGEMENT



"SEEING THE ELEPHANT"

by Bruce R. Wright

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PREFACE

The best future you dare to imagine is waiting for you. All you have to do is align yourself with the sort of thinking, behaviors, courage and resources that will allow you to manifest what you truly want. This publication contains insights intended to help you improve the quality of your life, relationships, career and finances.

This booklet will help any open-minded yet discerning person to gain a better understanding of universal principles that when properly applied lead to optimum outcomes.

My intention is for this booklet and my other writings to serve you as a series of guides that allow me to mentor you along your journey. Viewing your journey as a great adventure will put you in the type of mindset most likely to produce optimum results. Every great adventure has its share of twists, turns and obstacles to avoid or overcome. This is why guidebooks and mentors can be so valuable to adventurers seeking a more majestic and significant life.

Rest assured that I am not a salesperson promoting investments, insurance, annuities or any sort of financial products or service. What you now have in your possession is a sampling of a perspective on life and wealth that many people do not want you to have, let alone to act upon. As you read further, you will be able to see why!

If you believe in synchronicity as I do, then you will realize that you have come into possession of this booklet at the right time and place in your life. This information can be a stepping-stone towards greater effectiveness and "earned peace of mind". By appropriately contemplating the questions contained within this publication, you will gain better clarity about what actions you must take to optimize your life, relationships and the management of your resources.

I look forward to your feedback as to how this publication affects you, your life and the way you view your role in the world!

Best Regards,
Bruce R. Wright
October 2009

"Wealth—a blessing for many, a curse for some; but always a challenge for those who care enough to keep it."

So begins my book *The Wright Exit Strategy; Wealth: How to Create It, Keep It, and Use It*. In writing this booklet I have used parts from that book and combined them with additional experiences in the advanced macro wealth management arena. For many years my colleagues and I have been helping wealthy individuals and families make the most of their hard-earned wealth through the implementation of advanced macro wealth management strategies. We do this without any involvement in the sale or promotion of investments or insurance so that we can truly fulfill our role as an objective consultant, looking out for the best interest of the client.

As you might imagine, we have encountered many different personalities, perceptions and paradigms. We have seen our clients utilize a variety of methods and mechanisms to build their estates and accumulate wealth. We have come to understand that it takes a certain focus and mindset to accumulate wealth and build an estate. However, it requires a much different focus and approach to preserve, protect, and make the most of your wealth once you've earned it. You can be extremely effective at earning large sums of money and increasing your net worth only to find yourself empty-handed because you failed to manage your wealth and avoid various pitfalls.

What pitfalls am I talking about? Capital gains taxes, income and excise taxes, estate taxes, litigation, changing laws, inaccurate or incompetent advice, failure to act upon good advice, and many other financial pitfalls can rob you of your wealth. How many times have you seen celebrities in the news who have lost significant fortunes because they put their trust in dishonest or incompetent people or failed to manage or truly diversify their wealth effectively? Hopefully in these few pages I can help you avoid such mistakes and make the most of your wealth.

A HOT AIR BALLOON

An associate of mine likened the typical wealth situation to a hot air balloon. As the balloon fills with air, the yellow, red and blue silks tighten as the balloon expands. The balloon begins to rise above the ground, heading for beautiful skies. Just as the balloon is about to escape gravity's hold, it is yanked to a stop. Tethered to the ground by ropes, the balloon is unable to free itself.

That hot air balloon is you and everyone who wants to make the most of their wealth. Your wealth is the hot air which should enable you to rise and reach your goals; however, there are ropes attached which may prevent you from reaching your true goal – freedom. These ropes are different for everyone. See if any of these common restraints are pulling on you and holding you down: conflicting advice or information from different sources; too much or too little information; waiting for tax laws to change; rental property headaches; decline in real estate values; interest rate fluctuations; rising costs; heirs worried about their inheritance and that you might jeopardize it; life insurance salespeople trying to get you to buy more life insurance; retirement options and decisions; procrastinating making necessary changes; fear of making any changes; and the list goes on and on. Then there is that huge rope attached to your balloon called Congress. Congress wants a big piece of your estate now while you are alive and again after you die. Income taxes, capital gains taxes, excise and estate taxes and many other tax issues are pulling on you. Some of the things I have mentioned, and perhaps others, may be holding you down, preventing you from reaching new heights and going where you want to go.

How can you avoid the pitfalls I have mentioned? How can you sever the restraints that are holding you down? You have to be smarter than the average millionaire and engage in the process we call *"Advanced Macro Wealth Management"*.

ADVANCED MACRO WEALTH MANAGEMENT
Vs.
PIECEMEAL ESTATE PLANNING

The most common definition of estate planning in America today is: "When you are dead, how are we going to divide up all of your stuff?" This may be a very simplistic definition, but it illustrates the attitude and approach taken by many advisors and heirs.

PIECEMEAL ESTATE PLANNING

Most of the clients that we meet with have some type of "estate planning" already in place. However, with rare exception, they have engaged in what we call "piecemeal estate planning". Perhaps they have a living trust because they attended a seminar and were sold on the idea, or their friends have one and recommended it. Clients may have life insurance in place because a salesperson convinced them it was the right thing to do. Others may have a will, a qualified plan of some type, an education trust for the children or grandchildren, etc.

Many people are not entirely sure exactly why they selected the various components of their existing wealth and estate management plans. In some cases, they do not fully understand all of the details, features and nuances of what they already have in place. When asked for the written set of goals and the "master plan" that their existing wealth management plan is based upon, most people cannot produce these items. In essence, they have implemented a "piece" of their plan here and later another "piece" there and over the years their so-called wealth management plan is put together. It is hoped that when everything is said and done, these puzzle pieces will all fit neatly together. Of course, this is rarely possible and more often than not, the mismatched "piecemeal plan" results in some kind of mishap or disaster.

Every year in this country billions of dollars are lost needlessly to capital gains taxes, excise fees, estate and income taxes, legal fees and court costs, market fluctuations, etc., because of "piecemeal planning". Many experts agree that this piecemeal planning is not really a form of conscious planning at all, but rather people engaging in a series of transactions, purchases and sales with little rhyme, reason or regard to the long term or big picture.

ADVANCED MACRO WEALTH MANAGEMENT

With the typical "piecemeal planning" approach, the focus is on a particular investment, insurance product or a specific legal strategy to solve an immediate need, concern or problem. When engaging in "Advanced Macro Wealth Management", the first and primary focus is on goals and objectives. This is what makes this approach so effective and dynamic. The most important question to be answered in this approach is, "If I/we could have the perfect situation, what would it look like?" In order to begin this process you must create your "perfect situation" *in writing* with an emphasis on your true goals and desires without limiting yourself to what you think is possible or practical. This process is illustrated very effectively in the following story.

THE BLIND GURUS

There is an old tale from India which tells of a wise Rajah who wanted to study an important aspect of human nature. The Rajah gathered six blind gurus together and asked them to define a creature by touch. Since each of the gurus had been blind since birth, they had never seen such a creature. To make certain the gurus would not be prejudiced by previous descriptions they may have heard, they were not told what kind of animal it was.

Each blind guru was assigned to a different part of the creature and allowed to touch only that portion of the animal to which he was assigned. The first guru touched the tusk and said, "This animal is like a spear". The second guru felt the trunk and declared, "This animal is like a snake". Feeling the ear, the third guru exclaimed, "This animal is like a fan." The fourth guru stroked the creature's front leg and announced, "This animal is like a tree". The fifth guru after patting the creature's side declared, "This animal is like a wall". Finally the sixth guru grasped the tail and proclaimed, "This animal is like a rope".

The six blind gurus began arguing over who was right and who was wrong. Because each of these gurus had an ego and pride as most of us do, the argument became quite heated. At this point, the wise Rajah who had set up the exercise stepped in and said, "The elephant is a large animal, made up of different parts. Each of you has knowledge of only one part. To find out the whole truth, you must gain knowledge of all the parts and put them all together. In order to do this, you must set aside your ego and pride to realize you may not have all the knowledge necessary to comprehend the whole elephant." This story exemplifies the essence of macro or big picture thinking.

In some ways, we can all be like the blind gurus. Trying to get an accurate perspective of or find the truth in life, finances, etc., can be very difficult, especially if we are too close to the situation. The most accurate and helpful knowledge is often gained when we step back from a situation and try to look at it from more angles. In order to do this effectively, we often need help for several reasons. First if it is about <u>us</u> or <u>our</u> situation, the closer we are to an issue, the more emotional we tend to be. The more emotional we become, the less objective we are. Secondly, we cannot be experts in everything important to our success. We don't know what all the angles are or everything to look for. Thus we often need third-party help to accurately perceive and overcome obstacles or to take advantage of opportunities.

When introduced to new clients, the conversation usually begins with a very particular problem to solve. People tend to focus on one specific issue, not their whole picture. They want to know how to fix that prominent problem now, yet rarely is it in someone's best interest to proceed with solutions at that point in time. Many people don't realize that every action they take concerning their assets may very well impact their entire net worth. Therefore, it is crucial that we have a clear understanding of the "whole elephant", the complete financial and personal long-term goals, before we undertake any critical changes. It is even safer to say, before we undertake *any* changes. Most people do not know enough about financial issues, tax law, etc., to discern between what is critical and what is not; and what all of the ramifications might be.

For example, we often meet people who, after obtaining more knowledge and perspective, wish they had not financed a certain property or other asset. They discover too late that financing can greatly reduce options and flexibility or increase tax liability upon certain transfers or liquidation. Suppose a person who lacks knowledge and/or perspective decides to finance an asset and pursues a loan through a bank or other lender. It is very unlikely that the lender will adequately question the applicant to see if financing is really the best thing for the person to do. It is also unlikely that the lender will fully and properly inform the applicant of all options available, rather than just those which directly apply to financing. The lender is not concerned with the applicant's big picture goals and long-term future interests over multiple generations. In fact, I've never met anyone in the lending business who was adequately trained to identify and explore the macro-picture. They are not trained nor compensated to look at the whole elephant. The lender just wants to make good, repayable loans. The applicant thinks he or she wants a loan. That's a good enough match for everyone, at least for now. It's only later that the person may discover that such financing may have been the worst thing he or she could have done, based upon his or her big picture needs.

So, how do we gain perspective? How do we begin to see the big picture and focus on long-term goals and objectives? How do we break out of the short-sighted, short-term mold with its focus on products and strategies? The most effective way to do this is through the establishment of a 100-year plan.

THE 100-YEAR PLAN

As I have already mentioned, the most common definition of estate planning in this country is, "When you're dead, how are we going to divide up your stuff?" That's Level 1 estate planning. Level 2 is, "How do you generate maximum living benefits from your estate during your lifetime, and then how do you most effectively distribute your estate to your heirs and/or charitable causes after you pass away?" This is a better approach than Level 1, but there is a higher level, Level 3. Level 3 is where true macro "big picture" wealth management takes place.

Level 3 asks, "What is your 100-year plan? What are you going to do while you are alive to fulfill your 100-year plan, and how is it going to be carried out after you are gone?" For example, if your life expectancy were another 25 years, your plan would break down as follows:

- 25-year lifetime legacy (what you want to do while you're alive)
- 75-year family and community legacy (what you want your wealth to accomplish after you have passed away)

This macro approach requires much more than just taking care of yourself now and then distributing money later to your heirs. With a 100-year plan, you are creating a legacy while you are alive and furthering that legacy after you are gone. If you are over 60 years of age, you may think that a 100-year plan doesn't make sense for you, but it really does. If you and your heirs can adopt and live this 100-year philosophy of life, how much more effective will you be than those who live a day-to-day, moment-to-moment rudimentary existence? We had one client who was in his late 70s say to us, "I don't even buy green bananas anymore, that's how long-term my thinking is. How on earth can I get motivated to set up a 100-year plan?" Establishing a 100-year plan is not an easy task, but then almost nothing worthwhile or of real value is perceived as easy. However, if you will follow five basic steps, your own 100-year plan can become a reality.

1. *Gather and Internalize Information on True Goal Setting*

Establishing your goals goes far beyond a New Year's resolution or calendaring activities for the future. In order to have any real power, your goals must be based on your deepest values, passions, dreams, and desires. What are the really meaningful things you have or would like to have more of in your life?

Several years ago a colleague discovered one of his real "core values" through a very traumatic experience. While at a lake with his family on a holiday weekend, the youngest of his five children, Jacob, suddenly turned up missing. I cannot describe the terror that raced through his veins as he and his wife spent the next hour and a half searching for their 2-year old son. During those 90 minutes, which seemed like eternity, nothing else mattered except finding that little child. The expensive cars, the houses, the fame, the career, and the wealth – none of that mattered. That day he learned firsthand about what really mattered in his life. He discovered a "core value", a "passion" that could empower him to establish his own 100-year plan.

What are the things in your life that carry this kind of power or passion? Imagine that you were given only one year to live. What would you do differently than you are doing now? Imagine yourself attending your own funeral. What would you want family and friends to say about you, your life, your contributions to family and community, the mark or legacy you left behind, the difference you made in the world? This is the type of thought process that must go into establishing true goals and a 100-year plan. As you begin to set goals, you should realize that goals fall into two very important categories – left-brain and right-brain.

Left-Brain vs. Right-Brain

The human brain has a right hemisphere and a left hemisphere. Research has shown that the two hemispheres of our brain are very different from one another. The left side of the brain is analytical and logical while the right side is the source of our creativity and emotions. Some people tend to be more left-brain dominant. These people often pursue careers in accounting, engineering, mathematics, science, etc. Right-brain dominant people tend to be involved in art, music, dance, etc. One type of person is not necessarily superior to the other, they are simply different. The key when planning is to achieve a balance. If we are too left-brained in our approach, we can focus on strategies and numbers so much that we lose sight of our true goals. We can also develop "analysis paralysis" and become so bogged down in numbers and minute details that we can't make a decision. On the other hand, if we are too right-brain dominant, our emotions can blind us as to what makes good logical and mathematical sense.

To complicate matters further, research has shown that about 80% of the time, men tend to be more left-brain dominant while women tend to be more right-brain dominant. As a result, a married couple might find that they are two "half-brained" people trying to meet in the middle while creating their 100-year plan. For example, a man with left-brain tendencies is out to conquer 400 miles of road on a family vacation. He's got to achieve that left-brain end result. His wife and children are begging him to stop as he looks at his watch and says, "We've got a schedule to keep!" Finally when they do stop and they're in a restaurant eating, he looks out the window at the highway and exclaims, "I passed all those cars two hours ago! We've got to get back on the road so I can catch up to them!" His wife wants to stop and smell the roses and see the sights – he's on a mission to conquer the road!

Let's take a look at some of the right-brain or "emotional, philosophical and spiritual" issues versus the left-brain or "technical" issues and how to define each for your 100-year plan.

EMOTIONAL, PHILOSOPHICAL AND SPIRITUAL/RIGHT-BRAIN ISSUES

When establishing goals for your own lifetime, there are various right-brain issues that you should consider. Several years ago we consulted with a client in his early 80s. He had a large rental property that was giving him fits. The management headaches, maintenance problems, vacancies, etc., were adding a lot of stress to his life. But he just couldn't bring himself to sell a property that he was so emotionally attached to. Before leaving for a long vacation, we talked about his goals, his passion and what he really wanted to do with the rest of his life. We left him with this question, "Is the rental property really in harmony with your 'perfect situation'?"

He returned from a long and restful vacation to find his answering machine and desk filled with problems from this rental property. He called us and said, "I want to sell the building." Curious about why he had finally decided to sell, we asked him what motivated the decision. He said, "I thought a lot about our discussion regarding my real goals, my passions, and my perfect situation. I realized that the rental was keeping me from my true passion in life." Asked what that passion was, he said, "You'll laugh, but since my family made me give up sailing, my real passion has become rollerblading and that darn building is not giving me the freedom to do it!"

Now that's an example of how emotional or right-brain your lifetime planning can be. Here are the kinds of questions you should be asking yourself:

- Do I spend my time doing what I really want to do?
- Am I spending my time and talents on the most important things possible?
- If I could spend my time doing anything in the world, what would it be?
- Do I live exactly where I want to be?
- Do I travel whenever and wherever I want?
- Is there a cause I would like to be involved in?
- Do I give intelligently to those in need?
- Do I have any dreams I have not yet accomplished?
- If I could change anything in this world, what would it be?

In order to establish the balance of your 100-year plan, the family and community legacy part which will be in effect after you are gone, you should also consider various "right-brain" issues. This part of your planning can be very emotional. Here are some questions you should ask yourself:

- How much of my estate do I want to pass on and to whom?
- Do I want my heirs to receive a lump sum or benefits over a period of time? When and how much?
- Am I afraid that a large inheritance will "ruin" my heirs?
- Do I want my heirs to receive any benefits while I am alive?
- Am I concerned about my heirs receiving my estate and then going through a divorce or lawsuit?
- Would I like to direct would-be tax dollars away from the government and direct them instead to worthy causes?
- Would I like to have some kind of control over my wealth after I have passed on?
- Is there some philosophy, belief system, set of values, or cause that I would like my posterity to carry on after me?
- Is there something in the world that I want to continue to change, benefit or fight beyond my lifetime?

Strategies and Technical/Left-Brain Issues

Once you have thoroughly explored the "right-brain" issues in your planning, you should also address the technical issues. Think of the right-brain planning as the "why" and "what" of your 100-year plan and the left-brain technical planning as the "how". Here are <u>some</u> examples of technical and strategy-based questions that you should ask yourself when setting up the lifetime legacy side of your 100-year plan:

- Do I have more after-tax income than I can possibly spend each month?
- Am I still working for money or income when I don't need to be?
- Am I spending my time and talents on the most important things possible?
- Is my net worth balanced to protect me from inflation, deflation, and depression?

- If I become physically or mentally disabled, will I be more than adequately provided for?
- Will my current estate structure protect me, my family if applicable, and/or our wealth from lawsuits or other potential hazards?
- How will future tax law changes affect my plan and, most importantly, my goals?
- Is it better for me to personally hold title to my assets?
- What are the various forms of ownership to consider?
- What are the potential advantages/disadvantages of each structure?
- Will some assets perform better in the short/mid/long term if they are "owned" by some sort of a trust, corporation, family partnership, or other entity?
- Will my current structure of ownership achieve my goals? (In some cases, it is better to *control* assets rather than to own them.)
- Do I have an up-to-date tax management plan to reduce income, capital gains and other taxes?
- If married, what would happen if my spouse and I split up?
- Are my investments protecting me from rising or falling interest rates?
- With regard to my assets, do I have too many eggs in one basket?
- Is there anything else I can do to move closer to my goals?

A sampling of the technical strategies to consider as part of your lifetime planning would be:

- Living Will
- Living Trust, A/B Credit Shelter Trust, Q-Tip Trust
- Family Limited Partnership
- Tax-Exempt Trust (various types)
- Asset Protection Trust
- Tax Deferred Trusts and Strategies
- Off-Shore Trusts
- C-Corp, S-Corp and LLC
- Charitable Gifts

Some of the technical issues to consider as part of the family and community legacy portion of your planning are as follows:

- If married, will my spouse/family be provided for in any eventuality?
- If married, what would happen if my spouse and I die at separate times?
- What is the actual "net inheritance" that I would like my heirs to receive?
- Do I want any of my estate to extend beyond my living heirs? How far into the future?
- Are there any trusts or techniques that I should put in place now?
- Does my estate plan consist of the necessary, cohesive trust(s), tactical entities, and a will?
- Do I know what my estate taxes would be if death occurred today?
- Should I use my lifetime exclusion now rather than waiting until my death?
- Have I arranged for testamentary gifts so I receive tax benefits now?
- Should I limit distributions of principal over time?
- How will future tax law changes affect my plan and, most importantly, my goals?
- Am I satisfied that after my death, my estate will be settled quickly and according to my desires?
- What role do I want charity or a family foundation to play in my estate distribution plan?
- How much life insurance, if any, do I really need or want?
- How can I proactively and preemptively mitigate taxes and other losses?
- Am I taking advantage of every helpful point of law?
- Is there anything else I can do to move closer to my goals?

A few of the technical strategies to consider as part of the family and community legacy portion of your planning would be:

- Gifting & Freezing Strategies
- GRUTs, GRATs, QPRTs, SCINs, QSSTs, and Private Annuities
- Family Limited Partnerships and Super Freeze Trusts

- Education Trusts and Special Needs Trusts
- Wealth or Dynasty Trusts with GST and Sprinkling Provisions
- Testamentary and Multi-Generational Tax-Exempt Trusts
- Private Family Foundation or Supporting Organization
- Charitable Lead Trust
- Charitable Remainder Trust

Most people have not considered or even heard of many of the above tactics or strategies, let alone taken advantage of them. That's where expert advisors can help. After all, if we don't know something exists, how can we use it?

2. *Establish Written Goals*

It is easy to feel overwhelmed as you go through the process of determining your true goals and objectives. There are many questions and issues that you must deal with. But, as we tell all of our clients, "Just focus on what you really and truly want to do." Ask yourself, "If I/we could wave a magic wand and create the perfect situation during our lifetimes and beyond, what would it look like?" Keep this focus at the forefront of the goal process and you will be able to make the necessary progress.

Once you have determined your goals and painted a picture of your perfect situation, you will need to put it all in writing. A goal not written is merely a wish. If you are married, as you go through the process of determining and writing down your goals, it is a good idea for you and your spouse to make your own lists and then compare them. This can be a very enlightening exercise and help move your wealth management planning in a direction where more of your goals can be accomplished.

3. *Create and Draft a Plan*

Once you have a written outline of your goals and perfect situation, you should then begin exploring the viable options that can bring you as close to your perfect situation as possible. This list of options should then be narrowed down to a final "action plan" which you and your advisors agree is the most appropriate and effective for your situation. This final plan will in effect become your 100-year plan which you will systematically begin implementing over time. Obviously, the selection of advisors to assist you in this process is of critical importance. Later we will discuss some guidelines for selecting advisors.

4. ***Implement the Plan***

This may sound very basic, but once you have established your goals and created a written plan, you must actually begin implementing the plan. If you go to all the trouble to create your 100-year plan and then fail to implement it, it almost becomes nothing more than a stack of paper to be used as bird cage liner or fireplace starter.

5. ***Review and Revise***

They say there are only two things that are certain in this life; death and taxes. Well there is a third certainty – change. Once you have created and begun implementing your 100-year plan, it is very unlikely that your plan will remain fixed or static. Over time, the tax laws will change, financial markets will fluctuate, your personal and family situation will evolve and change, etc. Your goals, desires, philosophies, interests, and priorities may also be adjusted over time as well.

It is very important that you establish a practice of reviewing and revising your 100-year plan on a regular basis and on an "as needed" basis. Again, the selection of advisors to assist you in this process is of paramount importance.

WEALTH *Vs.* GOALS: IS THERE HARMONY?

Many people have goals, passions and dreams that they want to pursue in their lives. However, in many cases, the current structure of their net worth and/or their daily activities and habits are taking them in a different direction. They want to go in one direction, but they are being pulled in another direction.

It's like the widow in her 60s who was still working full-time and couldn't even afford to buy a new pair of eyeglasses although she had a net worth of over $5 million. However, it was all tied up in raw land and stocks that didn't pay any cash flow. The land and stocks had been in the family for years and she just couldn't bring herself to sell them. The structure of her net worth was not in harmony with her needs or her goals and objectives. Imagine the impact when the $5 million of raw land and stocks were sold on a tax-free basis and the proceeds repositioned to pay her an income. Her entire lifestyle was completely changed. She was no longer a slave to her assets but began making her assets serve her wishes and desires.

Are your assets and estate structure in harmony with your goals and desires? Or are you imprisoned by your wealth because your business or your real estate, etc., holds you captive? What is your purpose in life? Why are you still working? Why do you have the assets that you do? If you could go back 25 years and see yourself today, would you ask, "Why am I still doing this, or holding this asset, or putting up with this madness?" The whole purpose of engaging in macro wealth management and establishing a 100-year plan is to bring your assets, your estate structure, and your daily activities into complete harmony with your goals, dreams, passions, and desires in life. You must get them all going in the same direction.

Roadblocks to Reaching Your Goals

It has been said, "Sometimes we can be our own worst enemy." As we reflect on our own life and the lives of our family, friends, clients, and associates, we can find this statement to be true. Sometimes we throw up roadblocks in our own path that can prevent or hinder us from reaching our true goals and objectives. These roadblocks can take various forms.

Perception vs. Reality

A number of years ago, I enjoyed a rather interesting conversation with a family member. The family member's contention was "perception is reality, whatever you perceive to be true is reality." Unable to convince her otherwise, I finally pointed to a tall building and said, "Imagine that we go to the roof of that building and stand on the edge. As we look down at the tiny people and cars below, you 'perceive' that there is no gravity. If perception is reality, then jump!"

Obviously our perceptions are not always reality. A person perceiving that the law of gravity doesn't exist would have a very sudden and abrupt "reality check" after leaping off a building. Sometimes our perceptions can be inaccurate and create roadblocks in our path to success, freedom and happiness. Some perception versus reality issues include:

Common Financial Myths. These are financial perceptions that many people have that are not reality.

- "California real estate never goes down." This was a common perception that caused many people to put too many eggs in one basket or to hold on to their real estate too long. For many, the "reality" of crashing property values was a shock.

- "My money is safe." Sometimes we perceive that certain investments are immune to market fluctuations, various risk factors or hidden agendas. Many people in Orange County, California received a rather rude awakening when the county declared bankruptcy.

- "I'll wait until they reduce capital gains taxes." How many people in this country have been waiting for the promised reduction in capital gains taxes? We know many who have been waiting since 1986 when the concept was first being touted. Unfortunately some waited while the real estate values continued to drop. They were waiting to save 10% to 15% in capital gains taxes while their appreciated assets declined in value by 30% to 40% or more! That's what we call "letting the tax-tail wag the dog."

- "I have a living trust so I'm all taken care of." Unfortunately many people perceive that a living trust is essentially all the written planning that they need. Living trusts are one of the most over-sold and exaggerated strategies in America today. It's as if the living trust is the "Ginsu Knife" of estate planning – people think, "It slices, it dices, it does it all." The reality is that if you are married with an estate value over $2 million**, or single with an estate value over $1 million**, a living trust will do little or nothing to protect that portion of your net worth above those values. A living trust will not protect your wealth from lawsuits or creditors. It will not eliminate capital gains or income taxes. Is a living trust a bad strategy? No. It is simply overrated and overstated. It is a basic foundation upon which you can build your 100-year plan, but it is only a start.

[** These numbers are not current. This article is a re-release of a publication from 1994. Please see your advisor for correct up-to-date tax and financial information.]

EMOTIONAL WARNING SIGNS

Other roadblocks that we can place in our paths have to do with emotional or right-brain issues. Some examples are as follows:

- "I already know all about that." Sometimes we dismiss certain ideas or recommendations because we "perceive" that we know all about them. Remember the six blind gurus who thought they had all the information but failed to "see the <u>whole</u> elephant."

- "It won't happen to us." This is similar to statements like, "I don't burn, I tan." Or, "I guess just one dessert won't ruin my diet." These are called "famous last words." Sometimes facing our own mortality or vulnerability can be very uncomfortable or difficult. Closing our eyes and hoping that, "It won't happen to us," will do nothing to develop our 100-year plan and achieve our goals, dreams and desires.

- "We're not wealthy." When we discuss advanced wealth management strategies with clients, the point often comes up that many of these strategies have been utilized by families like the Fords, Gettys, Rockefellers, and Mellons. Many times the first reaction is, "But we're not wealthy like those families." If your estate is above $2 million** and you are married, or $1 million** and you are single, Uncle Sam will begin taxing your estate at the same rates as the wealthy families I have mentioned. So even though you may not consider yourself as "wealthy", the government says that you are and will tax you as such. This being the case, doesn't it make sense to start utilizing the same advanced wealth management strategies that the Fords, Gettys, Mellons and others have been using for generations?

[** These numbers are not current. This article is a re-release of a publication from 1994. Please see your advisor for correct up-to-date tax and financial information.]

- "It's too complicated." As you begin exploring a 100-year plan and various advanced strategies, you may be tempted to simply throw your hands in the air and say, "It's too complicated." After reviewing various advanced wealth management strategies, one client of ours declared, "Forget it. It's too complicated. I'm not doing it!" I responded, "I know what you mean. We recommend that a client set up a section 408 trust. This trust has fiduciary restriction, prudent man guidelines, PS 58 costs, potential excise tax penalties, anti-discrimination laws, MDIB rules, TEFRA elections, and a mountain of accounting, tax filing and compliance requirements." The client exclaimed, "That's exactly what I'm talking about. I would never set up a trust like that!" I asked, "Do you have an IRA?" "Well yes, but what does that have to do with anything?" the client asked. "A section 408 trust is an IRA," I explained. Complexity is a matter of perception and experience. If you have a team of qualified advisors who deal with highly advanced wealth management strategies on a daily basis, complexity becomes a moot point.

- "I'll just do it myself." This issue is really a matter of how well one understands "price versus cost." Awhile back a friend decided to replace a broken window in one of his upstairs bedrooms. He prides himself as being a fairly skilled "do-it-yourselfer" around the house. Well after three hours and tearing the front of his house off, he discovered that all he had to do was remove some special molding in a certain way and the window could be easily removed. To an expert, the job would have been simple and quick. He may have saved the "price" of having the expert do the work, but at what "cost"? He paid in wasted time, the additional price to fix a damaged house, and a big cut on his right hand. He also asked himself, "Who in their right mind would pay me to do the same thing to their house?"

  I see people trying to implement complicated (they may think they are simple when they really are not) strategies on their own to save the "price" of hiring an expert. But what "cost" are they suffering in the long run? What happens when the IRS does an audit and declares the trust, document or tax strategy invalid? When the time comes to enforce the document or strategy and it fails to comply with nuance points of the law, what then? In order to save the price of a few thousand dollars, or maybe tens of thousands of dollars, some people will cost themselves and their estates hundreds of thousands or millions of dollars. There is also an aggravation factor to consider. What is the "total cost" they will pay in order to save a relatively small price up front?

- "Our current planning is all we need. There are no problems with it." Are you sure? Are you seeing the whole elephant? Do you have the skills, experience and knowledge to even know what to look for? Obtaining a second opinion or review from a highly qualified expert can result in tremendous savings to you and your estate. Even if the second opinion shows that what you already have is adequate, you can enjoy the peace of mind that comes as a result of getting the second opinion.

ENOUGH IS ENOUGH

There is another roadblock that is all too common. It can be created from both emotional or right-brain issues and technical or left-brain issues. Picture yourself as someone who has spent years building a net worth and a substantial estate. In fact, through ingenuity, discipline and hard work, you have acquired a net worth of, let's say, $10 million. And yet you still keep working. You continue to build, accumulate and increase your estate. Finally, after the third heart attack, you ask yourself, "Why? Why am I doing this? When am I going to stop building my estate and start enjoying it?" Does this sound familiar? Perhaps you know someone like this or maybe you're a little like this person. You may have to change the net worth figure or the circumstances a little bit, but the general scenario may be the same. You have to ask yourself some important questions, including the following:

LEFT-BRAIN QUESTIONS

- How much is enough?
- What amount of assets do you need to accumulate before it is <u>enough</u>?
- How do you define enough?
- How do you convert ineffective assets into an efficient strategy?

Right-Brain Questions

- When is it enough?
- Once you have reached the net worth level you desire, how long do you wait before you make the transition from increasing your estate to enjoying your estate?
- How long do you keep working?
- How long do you hold onto that rental property or that growth stock?
- Is your estate structured so that it is in harmony with your highest goals and objectives at this time in your life?
- Remember the story of the client in his 80s who wanted to roller blade? How much is enough and when is enough truly enough?

Selecting Advisors

The advisors you select can either be tremendous allies in helping you achieve your goals, or they can be serious roadblocks. As you go through the process of selecting advisors to assist you in establishing your 100-year plan, consider the following:

Your All-Star Team

We should be able to recognize that the strategies involved in achieving our goals are complicated and require the expertise of advisors. Unfortunately, we are not each blessed with an all-knowing guru who sits on a rock, waiting to dispense the key which will unlock the door to our success. We need multiple resources with a variety of backgrounds, experiences, training, knowledge, and very importantly, long-standing records of success. In our complex society, no one professional can keep abreast of the rapidly changing and growing body of information. It takes a team of advisors to help us.

Think of yourself as the manager of a basketball team. Of the millions of people who can dribble a basketball, only a few qualify as all-stars. The all-stars are the top producers, the best basketball players. You get to pick your very own all-star team out of the numerous advisors available. Unfortunately there's no guarantee that the advisors we pick are going to do the best job for us. But, there are ways we can definitely weed out those who won't and give us a better chance at picking those who will. This section will discuss some guidelines for choosing advisors.

Incongruent Agendas

Recognize your advisors' agendas by asking yourself, "What's in it for them? What do they want to accomplish? What is their self-interest?" Make sure their agendas are in alignment with yours. There is nothing wrong with advisors wanting to provide for themselves and their families, or make a good living, but make sure their self-interest doesn't override the benefit to you. After all, they work for you.

We worked on a case for Mr. B who wanted to sell a medium-sized business. However, his controller, John, sabotaged the sale by telling Mrs. B that the business was worth more than the offer, which it was not. Mr. and Mrs. B wanted to retire and enjoy life. John didn't want the business to be sold because he was 61 years old and was afraid of being out of a job. As long as the B's owned the business, John would have a job. If the B's would have recognized John's agenda, perhaps a deal could have been structured, through the creativity and experience of expert advisors, that would have been good for everyone. In any case, the B's could have avoided being manipulated if they would have asked themselves, "What's in it for John?" It didn't help that Mr. and Mrs. B thought John could truly be trusted to look out for their interests. Their naiveté and misplaced trust combined with John's self-serving behavior proved financially devastating.

Billy Bob, the One Stop Shop

Don't deal with dabblers. No individual person or company (no matter how large) can expertly handle all aspects of this complicated and comprehensive subject matter. When something as important as your personal or family wealth is involved, get the best help available. Would you rather have a general practitioner or a brain surgeon performing your brain surgery?

Egomaniacs on the Loose

Beware of the advisor whose ego is too large for his or her britches and prevents him or her from working with other advisors. If the advisor doesn't seem to want to work with other advisors, be careful. There's usually a reason why. If the advisor is good, he or she will be happy to show their work to others as a way of gaining referrals from the other advisors involved.

There was an attorney in Southern California who would not send copies of a client's documents for us to review. The client decided to work with a law firm who would be cooperative. As it turned out, the original attorney was later indicted on charges of fraud. He had made himself the trustee of a number of estates and had basically stolen millions of dollars from many people and fled the country. Ask yourself why the advisor doesn't want to work with other quality advisors.

Also, beware of egomaniacs who think they know it all or, just as bad, think they can research the solutions for you. Would you trust a brain surgeon who had never performed the necessary procedure before but said, "Don't worry. I'll have some research books and a few journal articles available in the operating room."? If you think some professionals aren't this egotistical and arrogant, think again. They are all too common.

Good 'Ol Boys and Girls

Be wary of the "Good Ol' Boys and Girls" network, advisors who block outside opinion or immediately reject outside recommendations. It could be that the advisors are not knowledgeable enough about the advanced strategies or have other self-interests that cause them not to want to consider all of the options. The "good ol' boys and girls" networks are especially strong in smaller communities because professionals tend to become "general practitioners." In a smaller community, it's often hard to make a living if they are too specialized because the demand for their services is not there.

However, it's often more a matter of mental geography rather than actual physical location. For example, both Camarillo and Westlake Village have a population of approximately 50,000 people. An attorney in Camarillo has limited himself to just the local market. An attorney in Westlake Village considers the state of California, or at least Southern California, to be his market. The attorney in Westlake Village is far more competent and superior to the attorney in Camarillo. Why? By restricting his focus to just Camarillo, the Camarillo lawyer sees far fewer situations than the Westlake Village attorney. Because he sees fewer situations, the Camarillo lawyer gets less experience. If you're having brain surgery, you want your surgeon to have successfully completed many such operations instead of using you as the guinea pig.

Watch out for advisors who claim to have the experience and knowledge, or in other words, the expertise, to help you implement advanced strategies and then proceed to charge you for research time. They either have a command of the subject matter and hands on experience implementing advanced strategies or they do not. For example, you might ask how many specific cases the advisor has defended in audits with the IRS. How many lawsuits have been successfully defended? It is probably not a good idea to be the advisor's first test case with the IRS.

Let Sleeping Dogs Lie

"Let sleeping dogs lie." This is a phrase I will never forget. I found myself sitting in a real estate agent's office getting ready for a meeting with one of the real estate agent's clients. The agent and I were going over the facts of the case when I suggested an option to benefit her client. She didn't want to pursue or even discuss that option with the client because it might delay the sale of his industrial building. "Let sleeping dogs lie," she said. The option I was suggesting could save her client $300,000 in unnecessary taxes. She wanted to not disclose the $300,000-saving option to the client in order to not delay her receipt of a $75,000 commission from the sale of the building. It could have taken only three extra days for her to receive her commission had the client chosen the option to save $300,000. Her self-interest was greater than her sense of loyalty to the client. It took a lot of convincing for me to get her to put the client's $300,000 savings ahead of her quicker payday.

Are your advisors letting sleeping dogs lie? Are your advisors only telling you what they want you to know so that you fulfill their agendas but not yours? The best defense against this selective disclosure is to get a second opinion and work with a truly qualified <u>team</u> of advisors.

Why Didn't You Tell Me About This When...?

A law firm wanted to engage our firm for some consulting efforts with their clients until they realized that they could have a liability problem. They had not told clients involved in previous transactions about some of the strategies we would be discussing. If those clients could have saved money had they known about and chosen to implement some of the strategies we would be discussing, the law firm could have a liability problem because they did not disclose all of the options to the client.

Not too long ago, I was in a meeting when just this type of situation occurred. After I had presented some strategies and options to a client, the client looked at his attorney and accountant and said, "Why didn't you guys tell me about this before? If you would have told me about this before I sold my building last year, I would have saved $1 million in capital gains taxes, and I would have saved another $115,000 in income taxes."

You have to give some credit to the advisors because they were telling the client about the strategies now. It has been our experience that many advisors would have tried to hide the information and never tell the client about the strategies so that such a conversation as I had witnessed would never occur. Again, this story exemplifies the need to get a second opinion.

NOT INVENTED HERE

There's a stamp that you are unlikely to see unless you are acutely aware of it. But it definitely exists and it could adversely affect you unless you become wiser about it. It's the "Not Invented Here" stamp, and far too many advisors are quick to use it. When some advisors review proposals they didn't create, they may be inclined to put a mental "Not Invented Here" stamp on the proposals. They automatically reject those proposals. Why?

There are several reasons the "Not Invented Here" stamp exists. One reason is fear. Advisors may feel that if they don't personally answer your questions, they will seem less knowledgeable and as a result, they may lose you as a client. Another reason is greed. If you turn to someone else for advice, the new advisor will receive the revenue. A third reason is ego. Many advisors' egos won't allow them to acknowledge that they don't know everything.

IF THEY COULD HAVE, WHY DIDN'T THEY?

Our firm was referred to a possible client who wanted to retire, relax, travel, and simultaneously benefit several charitable organizations in his area. He had been working with an attorney and accountant for 15 years who had been unable to help him reach those goals even though he was worth approximately $20 million. We constructed a plan which would enable this client to structure his estate in such a way that he would be able to accomplish his goals. During the course of an unrelated conversation with his lawyer, the client mentioned the plan that we were working on. The attorney's ears pricked up and he asked the client to send him a copy of the plan so that he could "simply review it." The client sent him the plan, and he did review it. Then he told the client that although our plan looked good, the client should consider all of the options before moving ahead.

We told the client that he needed to ask the advisors what other options existed that were not being considered. The attorney and accountant could not answer that question. They could not help the client achieve his goals. If they could have, why didn't they? Why, for 15 years, had they not resolved his situation? Because they couldn't. If your advisors shoot down proposals from other advisors, ask them to create a *written* alternative that will help accomplish your goals. And remember, if they could have fixed your situation beforehand, why didn't they?

SHOW ME THE MATH

Seek advisors whose mathematical analyses make sense. Ask questions centered around your personal goals and ask how a proposal, a strategy, or the recommended action will mathematically impact the rest of your net worth. Make certain your advisors support their recommendations <u>for</u> or <u>against</u> a proposal with all of the facts and the math. After all, if we demand a written proposal including supporting documents, calculations, projections, etc., before we implement any substantive change, why wouldn't we demand such material to support a "no change" proposal? Too many good deals have been "killed" with a simple, "I've known you for a long time, and that won't work for you." We should not tolerate laziness or any other excuse which gets in the way of what is truly best for us.

THE BOTTOM LINE

It is so easy to get caught up in all of the "busy-ness" of life. Like the blind gurus described earlier, we can become so restricted in our personal perspective that we only comprehend a small part of the "elephant" or our true goals and desires in life. We can work so hard to get on the elevator of success only to find that when the doors finally open, we're not only on the wrong floor, but in the wrong building! You can struggle so hard to achieve success in your career, increase your income, build your net worth, secure your retirement, etc., that you become blinded to the things that really matter most in your life. How different our lives are when we have a clear vision of our goals and desires, and with that vision foremost in our minds, we begin to plan for and do the things that are really important to us.

As you begin to pursue advanced wealth management and create your own 100-year plan, be sure that you are seeing the "whole elephant." Begin your planning with a clear understanding of who you really are, why you are here and what it is that you want most out of life, for yourself and for your family. What is the "legacy" that you want to create during your lifetime and continue after you are gone? What are your deepest passions, desires, goals, and dreams? As you keep all of these things clearly in your mind (and written on paper), you can make certain that the structure of your assets, your estate, and your wealth management plan are in harmony with what you really want most.

Oliver Wendell Holmes said, "A mind stretched to a new dimension never returns to its original state." It is my hope that in the limited space of this booklet, I have provided some information, some ideas and concepts that will assist and empower you in the pursuit of your highest goals and aspirations.

Notes pertaining to the 2009 Edit and Re-Release

This booklet was originally released in 1994. It contains stories and experiences which occurred over the prior seven years of the author's life. In August 2009 a very slight edit was performed in order to update contact information and correct a few typographical errors, etc. This document contains timeless principles and perspectives designed to help readers optimize effectiveness, happiness and that often all too elusive state of being known as peace of mind.

AN UPDATE FROM BRUCE

Thank you for investing some of your time reading and contemplating my writing. When I was originally approached with the idea of a re-release of this booklet (originally published in 1994), I was resistant. I believed it had been transcended by my more current writings. Eventually some supporters helped me to understand that because the teachings contained herein are timeless, it would continue to be valuable to its readers.

Additionally, I remain convinced that too many people have been misled and or under represented by "advisors" who profess to deliver comprehensive holistic "whole brain" planning, counsel and meaningful results. The world is full of people who over promise and under deliver. I want to help change that – at least in your world.

If your intellect and beliefs are like mine, you will agree that tangible written documents provide clarity and accountability for everyone who agrees to play a role in the desired outcomes. Unfortunately, we live in a litigious world where few advisors want the potential liability associated with written documents, clarity and therefore accountability. In fact, insisting upon such "deliverables" is too often outside the comfort zone of most consumers. Even then, those tough enough to insist upon such deliverables often do not know what questions to ask, what the process ought to be, how much the results should cost, or what business and billing models the advisors should be using.

All of these factors are as true today as they were in 1985, when I undertook my first effort to mentor a client through the transformation of his life, business and career into the next and better phase of his life. In 2009, we are still besieged by transactional advisors or salespeople who continue to proliferate piecemeal solutions that have little or no chance of being synergistic with our "best interests". What is even more insidious to me is the proliferation of "advisors" and all of the salespeople now pretending to be "life planners". The best way I know of to ferret out the pretenders from legitimate providers is to track their revenue. Those who derive a substantial percentage of their income from product sales or money management rarely if ever have an unbiased "life planning" model. The old adage "follow the money" is sound advice whenever one wants to discover any hidden agendas, confidence schemes or "bait and switch" business models.

Notwithstanding my efforts to communicate the need for written documents, when I ask professionals today to define what it is they do for their clients, many claim that their role is to "protect and further the best interest of their clients". However, when I ask them to show me the documents that articulate that "best interest" with the accompanying *written* strategic plan, action steps, points of accountability, benchmarks, time lines, personnel chart and capitalization requirements, very few can produce this combination of documents. After introducing this booklet in 1994, many of my ideas have become mainstream as concepts. Some companies or individuals have developed comprehensive marketing campaigns around these concepts. However, not much has changed in the areas of financial advisor behavior or their deliverables and results. Succinctly put, there are more "bait and switch" schemes around today than ever before.

Pursuing a plan or path without articulating it in writing is highly unlikely to lead to the desired optimum results. The most consistently proven path to optimizing our lives, business interests, careers, relationships and wealth requires a higher than average attention to our own thoughts and behaviors. The likelihood for optimum outcomes increases when we are wise and tough enough to choose synergy and balance over piecemeal transactional thinking. Then we need to be tough enough to follow sound advice especially when we perceive difficulty in doing so. Obtaining the best counsel requires that our advisors truly understand who we are, who we are striving to become, and what we really want to accomplish within our timeline. These advisors must fervently and proactively attend to the dynamic execution of the plan's associated details great and small.

Our likelihood of success also increases when we understand not only our own definition of win, but also how to help our advisors win. Since we are all in this game of life together, and teams tend to fare better than individuals do, clarity of purpose combined with effective communication and accountability are key ingredients in the recipe for success. Having a synergistic written strategic plan helps us stay focused, eases the communication of our plan to other members of our team, and helps us clarify the available 'wins" for all those involved with the plan's execution. Making certain that our advisors possess the appropriate mindset (think and behave synergistically), skills, wisdom, business and billing systems is also very helpful. One might even say these are essential keys to our success and well earned peace of mind.

For information about upcoming speeches, private mentoring, or to share your thoughts and feelings about this or any of my other writings, please visit my website at www.balancedsuccessinternational.com. I wish for you the happiest and most majestic life you dare to imagine!