

# VALUABLES

Ideas, Systems and Strategies for Managing Family Wealth to Fulfill Your Greatest Values.

## About VALUABLES

Many financial advisors focus on communicating with clients to provide complex analysis of the investment markets and economies. However, we have learned that most clients are not particularly interested in this complex analysis. Most clients hire an advisor for their knowledge of the markets, not for their ability to explain that knowledge. Most want to know what time it is, not how to build a watch.

Experience has taught us that wealthy families care most about using their wealth as a means to a desirable end, which is to achieve a more satisfying, fulfilled and impactful life, and to fulfill their most important Life Values.

**VALUABLES** is a periodic article series focused on the concepts, systems, and habits which we have observed among families who have been successful in this quest to use their wealth as a tool to live a life of significance. The most successful families share a set of habits, systems, and insights which enable them to use their wealth as a tool to fulfill their Values and what is most important to them.

We are naming this article series **VALUABLES**, because it will provide an exploration of those habits, systems, and insights. We hope it will help you to consider your assets and possessions which are most valuable to you, and how you can use your financial wealth to enhance and cultivate your true "Valuables".

## Seeing the Elephant

By Erik Strid

*"In the race for wealth, men often sacrifice time, energy, health, home, happiness and honor – everything that money cannot buy, the very things that money can never bring back."*

- William George Jordan, *The Majesty Calmness*

### The Elephant and the Blind Men

There are certain principles that are universal to human growth and progress, and which must be learned and practiced in order to be truly successful in life. One of the most important of these "Universal Principles" is that in order to grow and progress in life, it is necessary to expand our vision, our wisdom and our understanding. Most of our failures, dysfunctions and shortcomings in life usually spring from our inability to "See the Big Picture", and our incomplete or undeveloped understanding of a situation, a problem, or an opportunity. Our favorite story that captures this principle is the ancient fable of the *Elephant and the Blind Men*.

As the story goes, in ancient India there was a Rajah who set up an experiment to make a study of human nature. The Raja gathered six of the wisest men in the land and asked them to describe an animal which was placed in front of them. The only catch was that the men were all blindfolded, so that they were unable to see what was in front of them. Instead they had to guess the nature of the creature by the touch and feel of the object.

The first man touched the tusk and said "The animal is like a spear". The second man felt the trunk and declared "This animal is like a snake". Feeling the ear, the third man exclaimed, "This animal is like a fan". The fourth man stroked the elephant's front leg and announced "This animal is like a tree." The fifth man, after patting the elephant's side, decided "This animal is like a wall." Finally, the sixth man grasped the tail and proclaimed, "This animal is like a rope."

The six wise men began arguing over who was right and who was wrong. Because each of these men had ego and pride, as most of us do, the argument became quite heated. At this point, the Rajah 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."*

The moral of this story is that, when solving a problem or assessing a situation, wisdom alone is not enough. The Rajah chose the wisest men in the land for this exercise, but they could not complete the simple task of identifying an Elephant. The skill that is required is *Vision*, and the ability to see beyond our immediate circumstances, and gain an understanding of the entirety of the truth.

When it comes to wealth management, most people's mistakes, failures, and dysfunctions spring from a lack of this kind of Vision on their part, or on the part of their advisors. Any serious attempt at making effective financial decisions for a better quality of life must be rooted in a commitment to "See the Whole Elephant", and to step back and see all the angles, and the "big picture perspective".

This is also the reason that most families who excel in building wealth and using their wealth as a tool to live a great life generally are able to do so with the assistance of a team of very high quality advisors. The ability to achieve true Perspective and Vision can only be achieved when we step back from a situation and look at the whole picture in an objective way. Unfortunately, human nature makes it extremely difficult, if not impossible, to step back from your own situation to be objective about your own personal finances, because you are too close to it, and too emotional. It is often true that a 3<sup>rd</sup> party is the only possible objective view. While it may sound self serving coming from a Wealth Advisory team, we have learned that you can't gain this kind of perspective without one.

### **Myopic Financial Planning**

On a practical level, many wealthy families suffer from a lack of vision when executing the technical details of their personal wealth planning. Like the blind men who could only comprehend the elephant as one of its component parts, many families end up adopting financial strategies or purchasing financial products in a way that misses the "Full Picture" of their life situation and goals, because their decisions and planning are done in isolated "Silos", and often out of context of their true planning goals.

Sometimes this lack of vision can be perpetuated by the family's financial, tax, and legal advisors. Although your advisors may be well meaning, and quite competent in their own areas of expertise, many specialists become too focused on the technical details of the component parts of your planning, and cannot "See the Forest for the Trees" – they only see your situation through the lens of their own specialty, and cannot see the big picture of your situation.

Our team recently worked with a client whose planning can make a perfect example of this kind of "tunnel vision" financial planning. This is an example of an extremely simple planning decision, and a small detail of our client's financial plan, but one that was almost executed in a way that was inconsistent with the client's goals and actual planning situation.

We recently developed a wealth plan for a new client, one component of which was to develop a plan for refinancing his personal residence. Our client had heard from a friend that 15 year mortgage rates were at all time lows, so engaged with a local mortgage company and was able to secure attractive pricing on a great 15 year mortgage loan, locking in to a very low loan rate. The only problem was that this mortgage loan was obtained without an understanding of the whole picture.

During our initial interview, we discovered that our client planned to be in this house for only 2 more years and then was going to retire, sell his home, and relocate to a retirement home in another state, which the mortgage company never knew. In light of this information, we advised that a 15 year fixed mortgage was a poor choice for him, because in that mortgage arrangement he would be making a high monthly payment, but would be building almost no equity in the 2 years he would own the home. Fortunately we were able to help him switch gears to a much more appropriate loan product before it was too late.

Most wealthy people suffer from a compartmentalized view of their purchase of financial products, and engagement in planning services. Most only focus on money decisions and financial products when they have a very particular problem to solve or opportunity to capture, and they want to know how to quickly and easily solve that prominent and pressing issue. As a result, they end up making rash or expedient decisions, without understanding the true impact of their decisions and purchases on their long term financial success. There are countless stories like this one, in which "Seeing the Elephant" can enable clients to avoid "Myopic" planning decisions, and instead to make decisions in a more insightful and effective way.

### **A Myopic View of your Genuine Wealth**

More importantly, most people also suffer from blind spots in their thinking about how they define and understand their "Wealth" in the first place. Many families suffer from a lack of

vision when thinking about their *Financial Wealth* in the proper context of their values, and what is most important to them. Like the blind wise men who could only comprehend the elephant as one of its component parts, many families can only comprehend their wealth as the number on their balance sheet, and fail to understand their wealth for its power as a tool to enable them to live a more meaningful and fulfilling life, in support of their most important core values. Many are unable to see their *Financial Wealth* as only one component part of their family's *Genuine Wealth*, and as a result they miss the opportunity to lead meaningful, fulfilled, impactful and significant lives.

When most people think about their "Wealth", they only consider their physical and material possessions. Most people think about their wealth in terms of physical assets like their home, cash, businesses, stocks, bonds, and real estate. These assets are appropriate to be filed under a category called **Financial Capital**, because they deal with assets of material value and financial worth. However, if you begin to expand your perspective, and think about what is most important and valuable to you in life, you may begin to expand your definition of "Wealth".

In considering their most valuable possessions, most people will immediately think of their family and friends, and the health and happiness of the people who are closest to them and they love most. Most people would be willing to sacrifice all of their money for these loving emotional relationships. In addition to their loving connections with family and friends, most people also value their own health, their values, morals and character, their spirituality and faith, as well as their talents, habits and abilities. These important "possessions" must be considered as part of your Wealth, and might be labeled as part of our family's **Human Capital**, just as our tangible possessions are part of our *Financial Capital*. Most families would agree that this category of possessions is in fact far more important than their material, or *Financial Capital*.

You may also identify a different category of possessions which has great importance, and which can be labeled **Intellectual Capital**. This category includes the total aggregated education, wisdom, experience, rituals, contacts and knowledge of the family. For many families, this category of possessions may also carry a greater degree of importance than the financial, because many wealth creators understand the truth that it was their *Intellectual Capital* that enabled the family to create their financial wealth in the first place.

The final category of possessions which is important to most families is their **Social Capital**, which represents their

*Many families can only comprehend their wealth as the number on their balance sheet, and fail to understand their wealth for its power as a tool to enable them to live a more meaningful and fulfilling life, in support of their most important core values.*

commitment to philanthropy, charity, and community. Most wealthy families recognize the need to use their wealth as a tool to help make the world a better place, and they tend to place a high value on their charitable and philanthropic efforts and commitments. *Social Capital* represents the way in which the family is able to express its gratitude for the blessings it possesses, by giving back from those blessings.

As we consider all of these various sources of "Capital", it becomes possible to broaden the concept of what "Wealth" really means. While most people think of their "Wealth" as nothing more than their financial and material possessions, we may adopt a much more expansive concept known as **Genuine Wealth**, which is the aggregate combination of all of your important possessions: your *Financial, Human, Intellectual, and Social Capital*. Most families intuitively understand importance of all of these categories even though they do not think of them in terms of part of their "Wealth".

Many families may even rank their *Financial Capital* near the bottom of importance in comparison to the other categories. Specifically, most families place a much higher degree of importance on their *Human and Intellectual Capital* than they do upon their *Financial Capital*, because they recognize that it is in fact the family's *Human and Intellectual Capital* that enabled them to build their *Financial Capital* in the first place - with a strong set of relationships, habits, skills and experience, they could always rebuild their *Financial Capital* if necessary.

Unfortunately, many families fail to cultivate their wealth in these terms, as they have a "blind spot" when thinking about the meaning of their "Genuine Wealth". As a result, traditional

wealth management and estate planning is focused strictly on the category on the family's balance sheet: the *Financial Capital*, which is the one place most families would identify as least important, but which becomes the category that most people spend most of their time, energy, and money to cultivate, plan and transfer to future generations.

Like the blind men and the elephant, many families end up focused on one of the component parts of their wealth, as if it represents the entirety of their wealth. Many focus a great deal of time and attention on the *Financial Capital*, but risk losing sight of the most important assets they own, and eliminating the "Balance" on their Family's Balance Sheet. As a result, the *Human and Intellectual Capital* of the family may suffer and decay over time and generations, at the expense of this focus on the *Financial Capital*.

Ironically, this lack of vision often leads to a decay of the *Financial Capital* as well, as inherited wealth is dumped on

unprepared heirs, who have not inherited the necessary Human and Intellectual skills and Values to cultivate and perpetuate the family's Financial wealth. Because heirs do not possess the necessary skills, experience, relationships and character to perpetuate the family's Financial Wealth, it also erodes over time.

As a Wealth Management practice, we certainly spend our fair share of time on our client's *Financial Capital*. But more importantly, we believe our value lies in helping families realize their "Genuine Wealth". As we remind clients in our review meetings...

*"We do not measure success in terms of returns but rather in terms of sustainability, quality of life and peace of mind."*

We hope to help keep the "Balance" to their Family's Balance Sheet.

**Erik Strid – CFP®, ChFC**

**Principal**

**Concentus Wealth Advisors**

1000 Continental Drive, Suite 560 | King of Prussia, PA 19406

855-568-1500 | erik.strid@concentuswealth.com

www.concentuswealth.com | twitter: @concentuswealth

---

## Disclosures

This article was originally published by The Strid Wealth Management Group (SWMG). In February 2014, SWMG became Concentus Wealth Advisors, an Independent Registered Investment Advisor.

The material herein reflects the opinion of Concentus Wealth Advisors on the date of production and are subject to change at any time without notice. Due to various factors, including changing market conditions or tax laws, the content may no longer be reflective of current opinions or positions. The information provided herein is for information purposes only and does not constitute financial, investment, tax or legal advice. Investment advice can be provided only after the delivery of Concentus Wealth Advisors' Brochure and Brochure Supplement (Form ADV Part 2A&B) and once a properly executed investment advisory agreement has been entered into by the client and Concentus Wealth Advisors.

Concentus Wealth Advisors is not a legal or tax advisor.

This content is not to be reproduced, copied or made available to others without the expressed written consent of Concentus Wealth Advisors. September 2013