

# 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".

## The Elephant and the Wise Man

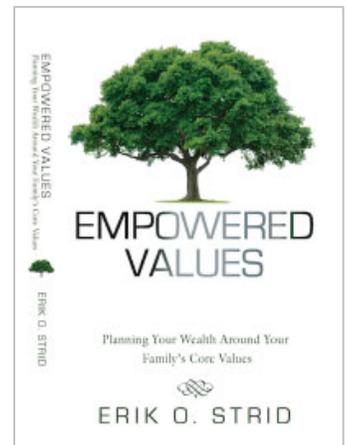
By Erik Strid

*"The moral of this story is that, when solving a problem or assessing a situation, being smart is not enough. Even the wisest men in India could not complete the simple task of identifying an elephant because they could not see the entire animal. 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."*

### Empowered Values

This month, I am proud to announce that I have published my first book: **Empowered Values - Planning Your Wealth Around Your Family's Core Values**. The book is based on the specific insights about the habits and values which we have observed among families who have been successful in their quest to become financially wealthy, and to use their wealth as a tool to live a life of great Significance.

We hope that you will read and enjoy the following edited excerpt from the book. If you like it, please feel free to contact our offices and we will be delighted to send you a complimentary copy.



## Chapter 1

### A Myopic Picture

In a fable from ancient India<sup>1</sup>, a raja set up an experiment to study human nature. He gathered six of the wisest men in the land together, blindfolded them, then asked them to describe an animal that was placed in front of them. Because they could not see the elephant, they had to rely only on touch.

One wise 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 esteemed men had ego and pride -- as most of us do -- the argument became quite

heated. At this point, the raja 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, being smart is not enough. Even the wisest men in India could not complete the simple task of identifying an elephant because they could not see the entire animal. The skill that is required is **Vision**, and the ability to see beyond our immediate circumstances, to gain an understanding of the entirety of the truth. Unfortunately, most people also don't see the entire picture when they attempt to comprehend and manage their wealth. They focus only on the things that they can feel – the tangible assets such as money, real estate and material possessions. Like the Indian wise men, they are missing most of the picture.

This is the reason why many wealthy families are so miserable: their focus is only on money and tangible assets, not on using their wealth as a tool to help them live a meaningful life. Yet successful living, and human growth and progress, comes only when we expand our vision, our wisdom and our understanding. When it comes to wealth management, most people's mistakes, failures, and dysfunctions spring from a lack of this kind of Vision.

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." That requires stepping back, expanding our focus and appreciating all the angles. Most wealthy people can't do that themselves because they are too close to their personal finances and too emotional about money. And the legions of financial advisors eager to help them manage their wealth are often similarly myopic -- focusing only on investments, real estate and financial net worth and not on the bigger picture.

### Where Financial Planning Falls Short

On a practical level, many wealthy families lack vision when executing the technical details of their personal wealth planning. Like the blindfolded men who could comprehend the elephant through only one of its component parts, they end up adopting the wrong financial strategies or purchasing the wrong financial products because their decisions and planning are based on an incomplete picture of their true planning goals.

Often the family's financial, tax, and legal advisors can perpetuate this narrow focus. While they may be well meaning and competent, these specialists concentrate only on one aspect of

*"In my career, I have worked with families dedicated to building businesses, raising families, shaping communities and creating lasting, meaningful legacies. This book is designed with the mission to help these families manage the complexity and responsibility of their wealth."*

your wealth – whether it's investing it, protecting it from taxes or preserving it for your heirs. Making matters worse, advisors may also have their own fiefdoms and "turf" to protect, and may even become adversarial with one another to curry favor with you.

Some wealthy people and their advisors suffer from a compartmentalized view when they plan how to invest and manage their wealth. They focus only on money and financial products and how they can solve a problem or capture an opportunity. As a result, they make rash or expedient decisions that undermine their long-term financial success and personal goals. Only "seeing the whole elephant" can help them make decisions in a more insightful and effective way.

### Why Money is Only One Quarter of the Picture

Most people have many blind spots in their thinking about how they define and understand their "wealth" in the first place. They focus solely on their financial wealth without considering its proper context – how it can be used in harmony with their core values and what is most important to them. They see only one thing -- the number on their balance sheet -- and fail to understand how this wealth can help them to live a more meaningful and fulfilling life. They don't realize that financial capital is only one quarter of their family's *Genuine Wealth*.

Indeed, a family's financial capital -- material possessions such as homes, cash, businesses, stocks, bonds, and real estate – are often not their most valuable possessions. Once we begin to explore what families truly value, and what they hope to accomplish in life, we get a more complete picture of their genuine wealth. Financial wealth is only one quarter of this picture.

*Human Capital*

Ask anyone what is most valuable to them, and most will immediately think of their family and friends, and the health and happiness of the people they love and care about. Most people would be willing to sacrifice all of their money in the name of these loving relationships. In addition to family and friends, they also value their 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 their 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 financial capital.

*Intellectual Capital*

You may also identify a category of possessions which has great importance, and which can be labeled intellectual capital. This category includes your family’s aggregated education, wisdom, experience, traditions and heritage, contacts and knowledge. For many families, this category of possessions is also far more important than their financial wealth. Many wealth creators understand the truth that it was their intellectual capital that helped them acquire their financial wealth in the first place.

*Social Capital*

The final category of possessions very important to most families is their social capital, which represents their commitment to philanthropy, charity and giving back to the community around them. 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 its blessings by giving back.

When we consider these four types 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 combines all of your important possessions: your

financial, human, intellectual and social capital. Most families intuitively understand the importance of all of these categories, even though they may not think of them as part of their “wealth.”

Unfortunately, many families and their advisors fail to cultivate their family’s wealth in these terms. Like the blind men and the elephant, they have a blind spot when thinking about the meaning of their genuine wealth and what it really means. As a result, traditional “wealth management” and estate planning is focused strictly on the least important category on the family’s balance sheet: the financial capital. Most people spend an inordinate amount of time and energy to cultivate, plan and transfer their money to future generations. In the process, they lose sight of the most important assets they own. As a result, the human and intellectual capital of the family may suffer and decay over time and generations.

The sad result: the money and material assets are left to unprepared heirs who lack the human and intellectual skills and values they need to cultivate and perpetuate it. They may have inherited the original wealth creator’s financial wealth, but not his or her experience, relationships and character. Ironically, we have seen that this lack of vision often leads to a loss of the financial capital as well – as the tragic tale of the Vanderbilt family illustrates in Chapter 3.

Through this book, we hope to show you how to avoid those pitfalls by sharing our experience and observations about families who have been successful in “seeing the elephant,” and using their wealth as a tool to live a more satisfied and meaningful life.

<sup>1</sup> - The story of the Raja and the wise men as used by Bruce Wright in his book: [The Wright Exit Strategy – Wealth: How to Create it, Keep it and Use it](#)

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