Erik O. Strid is the founder of *Concentus Wealth Advisors.* For over two decades, wealthy families have benefi ted from Erik's innovative "Empowered Values" system to build a wealth strategy consistent with their family's core values. As an independent advisor, his insight is highly valued for its objective and honest perspective about family wealth issues, challenges and opportunities.

Erik attended Amherst College, where he majored in Economics. He then went on to study and practice financial planning, earning CFP® and ChFC® designations.

Along with EMPOWERED VALUES, Erik has authored two other books about investing and retirement:

EXPLORING: *Replacing an Outdated Paradigm for the "Retirement Years" and Exploring a New Phase of Life*

CLARITY: *How Popular Culture is Misleading You About Successful Wealth Planning and What to do About it*

Empowering Your Values

On the surface, this is a book about Money. However, in the grand scheme, money is not that important. Financial wealth is not intrinsically valuable, but only has value to the extent that you use it to live a meaningful and significant life, and to enjoy what is most important to you. Read on to learn how.

Concentus Wealth Advisors is located in Newtown Square, PA. For more information please visit www.concentus.com

EMPOWERED VALUES

Planning Your Wealth Around Your Family's Core Values

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Disclaimer

The opinions expressed in this book are for general informational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific security. It is only intended to provide education about the financial industry. To determine which investments may be appropriate for you, consult your financial advisor prior to investing. Any indices referenced for comparison are unmanaged and cannot be invested into directly. As always please remember investing involves risk and possible loss of principal capital; please seek advice from a licensed professional.

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Preface

To leave the world a bit better, whether by a healthy child, a garden patch, or a redeemed social condition; to know that even one life has breathed easier because you have lived…This is to have succeeded.
*– **Ralph Waldo Emerson***

Dorothy Parker once quipped: "If you want to know what God thinks of money, just look at the people he gave it to." Wealthy people do have an image problem. The media is filled with tales of the financial shenanigans, bad behavior and rocky marriages of the rich and dissolute. Moreover, most of us personally know at least one wealthy family whose money has bought them nothing but misery.

Not surprisingly, thoughtful and caring people who have been fortunate to gain some degree of wealth – whether through hard work, smart investments, inheritance or a combination of these – often worry about its effect on their family's attitudes and values. Consider that the Baby Boomers, who stand to leave an estimated $7 trillion to their heirs, have been among the most hesitant to plan their estates because they are concerned that their children won't handle the wealth wisely. Many wealthy people also become obsessed with the number on the bottom line, and sacrifice their health and time with loved ones to pursue a better salary or micromanage their investments. At the same time, they also yearn to use their wealth to make a difference in the world.

The reasons for these worries and longings are rooted in human psychology. In 1943, a psychologist named Abraham Maslow published a groundbreaking theory about human motivation. Maslow proposed that all human beings are "wanting animals," with basic levels of need for security and human connection, which he depicts as the foundation of a pyramid. Only when these levels of need are fulfilled can humans move up the pyramid, become "self actualized," and make meaningful contributions to the world.

I wrote this book to help you reach that pinnacle, get past your security worries, develop habits and strategies that will help you avoid the bad outcomes of wealth, raise children with a healthy attitude towards money, and manage your wealth according to your values. We will look at how money was a curse for the Vanderbilt dynasty and a blessing for the Rockefellers, and help you understand what the Rockefellers did right so you can incorporate their habits into your own family.

On the surface, this is a book about Money, and I am writing this book to help you use your money as a tool to live a great life. However, in the grand scheme of things, money is not that important. Financial wealth is not intrinsically valuable, but only has value to the extent that you can use it to live a more meaningful and significant life, and to enjoy what is most important to you. When used properly, money can enable you to enjoy the blessings of freedom and autonomy, to raise and nurture successful children and grandchildren, and to create a legacy of significance, as a tremendous expression and fulfillment of your deepest Values.

Unfortunately, money can also have the exact opposite impact, and can become a source of dysfunction and unhappiness. Many people use money as a false benchmark for success, using the number on their balance sheet or performance of their investments as the only measure of their impact and worth as a human being. "Success" is often viewed only through the lens of material abundance, and money as the only barometer for happiness. This often manifests itself in an unhealthy focus on work, career and earnings, and investing and tax strategies. Many families invest tremendous amounts of time, energy and effort into the pursuit of financial wealth, and often end up sacrificing their time, energy and even friends, family and health in the pursuit of more money.

However, when we take a quiet moment to consider what is really most important, most people would benchmark their lives against the kind of success that is described by Ralph Waldo Emerson. We long for more than just ***Success***, our greatest aim is to live a life of ***Significance.*** In particular, many wealthy families find that their financial success can be meaningless unless it supports their ability to enhance their happiness, fulfillment, and sense of balance. Financial wealth is not valuable in its own right, it only has value in our ability to use it to live more meaningful and significant lives, as an expression of our deepest Values.

Money can cause us to lose the balance in our lives, and can become an obstacle to our true happiness. Money can also become an enormous impediment to the happiness of your children and grandchildren, as inherited wealth can be ruinous to their successful development and growth, if it is not handled properly. In my work as a wealth advisor, I have seen many client families who have a dysfunctional relationship with money, so that money has become a true obstacle to their happiness and fulfillment in life. I am writing this book in hopes that will not happen for you and your family.

Section 1: One Part of the Elephant

Chapter 1: A Myopic Picture

In a fable from ancient India, 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, and 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.[1]

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* on their part, as well as 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." 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 similarly myopic – focusing only on investments, real estate and financial net worth and not on the bigger picture.

Most families who excel in building wealth and using their wealth as a tool to live a great life generally get help from a team of very high quality advisors who can help them identify their other assets – beyond the tangible ones.

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 only perpetuate this narrow focus. While they may be well meaning and competent, these specialists concentrate only on one aspect of your wealth – whether it's investing it, protecting it from taxes or preserving it for your heirs. They don't see the big picture. 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.

The experience of one of our new clients illustrates what can happen when an advisor doesn't focus on the big picture. We recently developed a wealth plan for this client, and a small part of his overall plan included refinancing his home. When we first met this client, he had engaged with a high-end mortgage broker after a friend told him that 15-year mortgage rates were at generational lows. The mortgage broker helped him to secure top-level underwriting and a very attractive rate for the new loan. The only problem was that this broker – who was competent and professional and had the client's best interest at heart – did not understand the client's whole picture.

During our initial interview with this client, we discovered that he planned to be in this house for only two more years and then was going to sell it and build a new "dream home" in another state for his family. He never thought to tell this to his mortgage broker. We advised that a 15-year fixed mortgage was the worst thing this client could do, because he would be making higher monthly payments yet building almost no equity during the two years he planned to stay in his home. A fixed mortgage amortization demands much more interest up front; principal payments don't start until much later. Fortunately we were able to help him switch gears to a much more appropriate loan product before he pulled the trigger.

The mortgage broker truly did have the client's best interests at heart, and was providing a great product with a great rate, but he was pushing the wrong solution, because he couldn't "see the whole elephant." He was offering the client a financial product without first understanding the whole picture of the client's situation, and as a result recommended the wrong approach.

We have countless stories like this one, involving clients with even more at stake than two years of interest payments. Most 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 h*uman 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, and risk losing their balance. 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.

Appendix: Finding the Right Advisor

From decades of being entrusted with other people's money, we've learned that very few people can manage their wealth effectively and make the right decisions without help. The reason for this goes back to a key point made early in this book: we can't evolve in life, and gain wisdom and understanding, without stepping back and broadening our perspectives. However, it is nearly impossible to have any perspective when we are focused on our own money and assets; it quickly becomes all-consuming and worrisome, regardless of how much we think we understand the market. 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. For nearly everyone, an objective third-party viewpoint is the only way to gain this perspective. Moreover, having a trusted wealth advisor frees your energies for what really matters: your family life, health and important life goals.

So our advice to people fortunate to have some wealth is to find and hire someone whom they completely trust to handle it for them. Take the time to search out someone who is highly qualified, educated, and competent, and whom you trust will always put your best interests first. Then give them **ALL** of your money to manage; allow them to handle every detail of your wealth planning; and follow their advice always.

You are probably thinking that sounds risky and difficult, for good reason. For most people, finding an advisor who always puts them first is not easy. While the U.S. is now overpopulated with 66,000 financial advisors, it is not so easy to find one who is trustworthy. Our profession has developed a much-deserved reputation as being anything but trustworthy, and many advisors are worried more about their commissions than your interests.

Second, some people just simply don't trust anyone, and have a deep-seated belief that everyone they encounter in the business world is out to cheat them. Unfortunately, those are the same people who will never be truly free to live a great life, because unimportant details will consume all of their time.

Skeptical people with money to invest react to these challenges in two key ways: they decide to manage everything themselves, or they "spread out the risk" by hiring several financial advisors then sifting through their often-conflicting advice. But both of these strategies can backfire.

The Case Against DIY

Some wealthy people see investing as a fascinating hobby. We often hear from prospective clients that they are enjoy studying the market and like to tinker with their investments. But investing is not a "hobby" and playing with your own money is a mistake. A financial advisor spends years learning how markets work, why one insurance policy is better than another, or how global events affect certain kinds of investments. The brightest minds in the financial industry spend their entire lives studying economics and the impact of currency changes, oil prices and other trends on companies, investments and markets. Please, if you take no other advice from this book, please drop the idea that your wealth planning can be done in your spare time as a "hobby."

Besides, even though investing may be an enjoyable "hobby" for you, is it truly an activity that reflects what is most important to you? Do you enjoy it more than spending time with family, golfing, traveling, or reading a good book? Author Wayne Dyer is famous for writing about his work with people with terminal illnesses. Perhaps his most quotable remark has been that none of those people, confronted with their final days, said they wished they'd spent more time at the office. It's hard to imagine that they would have said they wished they'd spent more time watching their stock portfolios or meeting with their stockbroker either.

Whenever I come across a new prospective client who tells me that they enjoy investing, or treat their investment planning as a "hobby," I usually surmise that the real truth is that they care less about investing than they do about keeping their money away from people they don't trust. The truth is that many people feel that they have to take a "hands on" role with their investments, because they just can't find anyone they trust to do it for them.

Why it Doesn't Pay to Diversify

This is also true of another client scenario we see very often, in which investors insist on "diversifying their advisors," by parsing out their investments among several different money managers. Some of our potential clients feel it is in their best interest to "spread their money around," keeping some of their money with Merrill Lynch, some with Vanguard, and perhaps another chunk with the local independent money manager they play golf with on weekends. Usually, the logic behind this strategy is a belief that it is better to obtain a "diversity of investing ideas," and pick the ones we like the best.

This strategy of giving several advisors some of your wealth to manage can cause several problems. For one, it makes it almost impossible to analyze total portfolio performance and consequently to adopt a comprehensive investment strategy. Diversifying also tends to create a "horse race" mentality among your advisors. Each knows that he or she hasn't earned ***all*** of your money, and as a result is more *focused on grabbing more from the other advisors than on taking care of your investments.* This competitive mentality can lead to all sorts of opportunities for your portfolio to depart from your true risk/reward expectations, as advisors make decisions to compete with one another instead of achieving an appropriate result for you. Finally, by spreading your money around in this way, you make yourself the "B Client" or even "C Client" of several different advisors, instead of becoming the "A Client" of one advisor. Asset size means something, and the more money you have with one core trusted advisor, the more attention you will get.

Most importantly, diversifying with multiple advisors defeats the whole purpose of having an advisor in the first place: to have someone you can trust to take care of all of the details for you so that you can spend your time doing more important things. Increasing the number of advisors also increases the amount of complexity and detail that you must manage. Three different advisors means three different sets of brokerage statements, three sets of performance reports, three quarterly review meetings and three online passwords to remember. This complicates your life instead of simplifying it, which is the point of finding a financial advisor in the first place.

The truth is that people don't hire multiple advisors because they want to get the best ideas from several different minds. This is simply their excuse for such a senselessly complicated arrangement. The real truth is that people diversify advisors because they haven't found the *one advisor* whom they can totally trust, so they figure they can minimize the risk and impact of getting cheated if they have multiple advisors. Rather than finding one to trust, they employ several advisors so they can spread around their mistrust.

Instead of creating this elaborate and complex system of multiple advisors and custodians, put in the time and effort to find one advisor you can really trust with all of your money.

Finding the Right Advisor

So, how can you find that rare advisor who has both the competence and trustworthy character to guide your family's wealth planning? How can you find someone who will actually care as much as you do about your family's financial well-being and quality of life?

Here are some steps to help you find a trusted advisor you can hire for a lifetime:

Get a Referral
The most reliable way to find a great advisor is through a personal recommendation from someone you already know and trust. If you are lucky enough to know someone who has had a great experience with a financial advisor over a long period, this might be a great place to start. Ask anyone you know and trust for a referral. I would first ask your CPA and lawyer, then move on to friends and relatives whose judgment you trust. Eventually you will come up with a great referral, or perhaps even a list of candidates to interview.

Interview Several Candidates
Once you have made a list of a few possible candidates, schedule time with each to meet and discuss your situation, and whether you would be a good fit for their practice.
In this process, also be sure to evaluate their experience and competence. Make

note of how long they have been in practice, as well as any professional designations or other evidence that they take their profession seriously and are committed to a lifetime of learning and staying current. Also note the kinds of services they provide and how client centered they are. At a minimum, be sure that they offer quarterly review meetings and accessible client contact. Many advisors limit the number of clients they work with in order to provide top quality attention and care. This is a great sign as well.

Apply the "Elway Test":
My mentor Bill Bachrach recommends this test for choosing a new advisor in his book Values Based Financial Planning. It epitomizes the feeling you should get when you are around a great financial advisor:

Let's say John Elway – in the prime of his football career as quarterback of the Denver Broncos – stepped into a huddle and nobody knew who he was. Do you think the players would be able to spot his expertise anyway? Even though this would never happen, play along for a minute. The team would know right off, wouldn't they? He would not have to tell them "look guys, before I call the play, you probably want to know a little about who I am and what my background is. I know none of you have heard of me because there was some kind of NFL amnesia virus going around, but I've got two Super Bowl rings and I am the ultimate, last minute comeback guy. I can take us down the field in the 4th quarter with almost no time left and be better than anybody who ever played the game"

Instead, all he'd have to do is walk into the huddle, BE John Elway, - a truly great quarterback – take charge, and tell them what to do. They would get the idea, don't you think? That instinct would lead them to execute the play as instructed, and when Elway delivered, they'd still be in awe.

People who are great in any field don't have to brag about themselves. You can tell by a potential advisor's behavior and demeanor whether they are good at what they do. A trusted advisor would simply walk into the meeting, be himself – a true pro – ask the right questions and always operate at the highest standards. You would know if you were talking to a first stringer or a benchwarmer.[6]

Make Sure They Ask YOU Questions

The final test is most important: take note of the questions that your potential advisor asks. I always chuckle when a personal finance magazine or web site scares you into thinking that you need to have a whole list of technical questions for prospective advisors. The truth is that trustworthy professional advisors reveal more about themselves by the questions they ask you rather than how they answer the questions you ask them. The best advisor is someone who wants to know all about YOU – your values, your goals, what is important to YOU – and is not shy about asking you. Your final "screen" for a potential new advisor is that you must walk away with a feeling that your relationship with him or her is all about you, a feeling reinforced by the questions directed to you.

A trustworthy and competent advisor who passes these tests is worth entrusting with all of your money. Follow his or her financial advice completely. Be grateful that you have found a lifetime partner in your family's financial success, and then go out and use all that time you once spent worrying about your money to do the things that really matter.

Footnotes

1. 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

2. Taken from Fortune's Children: The Fall of the House of Vanderbilt, written by Arthur T. Vanderbilt in 1991

3. Delegation story taken from Values Based Financial Planning: The Art of Creating an Inspiring Financial Strategy by Bill Bachrach (Aim High Publishing – 2000)

4. Questions adapted from the "DOS Question", a thinking tool developed by Dan Sullivan and his company the Strategic Coach

5. Family Bank example taken from the book The Cycle of the Gift – Family Wealth and Wisdom, by James E. Hughes Jr., Susan Massenzio, and Keith Whitaker (Bloomberg Press – 2013)

6. John Elway story taken from Values Based Financial Planning: The Art of Creating an Inspiring Financial Strategy by Bill Bachrach (Aim High Publishing – 2000)