

Wealth Consilium

Wealth stewardship advice for your family

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Resolutions and the Fine Art of Giving Up

As a successful family, you have undoubtedly known the excitement and satisfaction of achieving great things over your lifetime. If asked how would you describe the feeling? Would it sound something like the following?

Super Bowl Winning Quarterback Eli Manning said on winning a Super Bowl, "It truly is a great feeling ... it's not just you that wins; it's your whole family ... It's more than just you."

Olympic Gold Medal winning wrestler Kurt Angle, "To win it was something I can't explain ... you train your whole life to do that, that's all you've focused on. You've trained every day, you've worked hard every day, you put your mind, soul and body into it. When you finally accomplish it, sure you're overwhelmed with happiness, but I think that more than anything, a true champion when they win feels a sense of relief."

Achieving a thrilling victory or great success rarely just occurs, and is often the result of much planning and effort. But what kind of victories do most people

strive to obtain? One good place to look is the most common New Year's resolutions. Courtesy of *Parade Magazine* the top resolutions for 2014 are:

1. Lose weight
2. Improve your finances
3. Exercise
4. Get a new job
5. Eat healthier
6. Manage stress better
7. Stop smoking
8. Improve a relationship
9. Stop procrastinating
10. Set aside time for yourself

The Agony of Defeat

How successful will people be in achieving their 2014 resolutions? Jonah Lehrer tells us in a 2009 *Wall Street Journal* article, "Human routines are stubborn things, which helps explain why 88% of all resolutions end in failure, according to a 2007 survey of over 3,000 people conducted by the British psychologist Richard Wiseman. "

So not very many, but that doesn't have to be the case for you and your family. We will help you experience the thrill of victory and avoid the agony of defeat.

The Magnificent 7

We want to help you overcome the poor success rate most people experience with their new year's resolutions—albeit in a different arena, our area of expertise: wealth management. It's a subject that always seems to be near the top of the list each year—to “improve your finances”—the saying usually goes. So how can you do that?

As wealth managers to families for many years we have selected seven aspirational wealth management resolutions we think you should strive to achieve in 2014. We'll borrow from the western movie classic of the same name and call them the “Magnificent 7.”

Our list has been carefully crafted around the one issue that we think is paramount: wealth stewardship. Everyone wants high returns, low taxes, and the right investment strategy so they focus on those, just those, issues nearly exclusively. But they are missing something: the creation and maintenance of a strong wealth stewardship foundation.

Wealth stewardship means a family is constantly reviewing, bolstering, and proactively ensuring that all areas of their wealth foundation are strong and solid. The end is great returns and family success, the beginning comes from your resolving to do the following (See The Magnificent 7 side bar).

Are You Bound to Fail?

The Magnificent 7 are aspirational in nature and are not achieved by many. They are a showcase of the best stewardship practices of the largest institutional and family offices stewarding the wealth of the world's wealthiest families. So what are the chances you can achieve them? As we saw earlier, the vast majority fail to achieve their New Year Resolutions.



The Magnificent 7

- 1** I resolve to help my family build their personal wealth management knowledge so they may be good wealth stewards prepared to work with professional investment advisors
- 2** I will obtain an independent professional second opinion of my investment program to vet the strength and merit of my existing plans—and receive a broad view of investment opinions.
- 3** I will review my personal risk and reward profile and how that matches my expected portfolio risk and reward profile over the coming six months.
- 4** I will obtain a regular appraisal of all my fees (portfolio level, mandate level, transactional), and evaluate how my portfolio is performing after these fees and taxes, compared to my personal goals, my own personal investment policy benchmark and similar peers.
- 5** I will obtain an independent, professional second opinion of my estate plan.
- 6** I will develop a list of wealth advisory best-practices that I will require my advisory firm(s) to employ.
- 7** I will develop an advisor succession plan in case any of my wealth advisors leave their firms, retire, or die.

Researchers note that people fail for many reasons including: a failure to establish measurable goals, and to get help and support to accomplish them.

How can your family achieve more in the year ahead? If you were to decide to embark on these best practices of wealth stewardship by yourself, we suggest

you select just 2 or 3 of the Magnificent 7 resolutions to achieve, because the evidence shows that setting a few goals is more likely to lead to success. But as you'll see shortly that may not be the best route to success.

Johan Leher's article also cited research at Stanford by Professor Baba Shiv that reveals that humans (and by default families) tend to show weak willpower in the face of complexity. Complexity can increase the odds of failure.

Wealthy families face a great deal of complexity. A sampling of issues they face include:

- Will I have enough money in my retirement years, and how can I be sure?
- What happens if the stock or bond markets plunge?
- How should I structure my estate?
- How do I know if my wealth advisory firm is doing a good job? Should I change my wealth advisory firm?
- Should I be gifting to my children and what about philanthropy? How much should I give?

Counter Intuitive Solution for Success—Give Up

All of this talk of failed resolutions reminds of what a friend of mine said to me years ago. He had hustled down to the edge of the infield near the final turn of the 400 meter race I was running and yelled out to me, "Give up, you're making a fool of yourself."

Believe it or not, that is my advice to wealthy families. Give up. At least when it comes to taking on the Magnificent 7 resolutions by yourself. Not because they aren't good ideas or worth doing. It's just you probably won't do them.

So let me clarify. I highly recommend you let a professional, objective trusted advisor do them for you. You set the list, you set the tone, you set the marching orders—then let someone with experience put your program in place and execute it with

the involvement of your whole family and all your advisors—one, big team.

So find a trusted objective advisor. You should also share these resolutions with your family members to get their support. Then start achieving your goals for 2014.

Again sharing goals or resolutions is a critical element in success, Frank Ra, author of the New Year's resolution book *A Course in Happiness*, writes:

"Resolutions are more sustainable when shared, both in terms of with whom you share the benefits of your resolution, and with whom you share the path of maintaining your resolution. Peer-support makes a difference in success rate with new year's resolutions."

Conclusion

As much as you have accomplished in life, there surely are more achievements yet to enjoy. You can ensure your family avoids the agony of defeat by establishing a wealth stewardship plan that involves everyone working together. But don't be complacent because you have a CPA, an Estate Attorney and a money manager or two. Great wealth stewardship rarely occurs even with all these folks. So take a hard look at the aspirational resolutions in our Magnificent 7, and then give up. Well, mostly give up. Find, and work with, an objective wealth stewardship advisor to ensure your family continues to enjoy the thrill of victory!



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