CREATIVE
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***"If you limit your choices only to what seems possible or reasonable, you disconnect yourself from what you truly want, and all that is left is a compromise."***
**– Robert Fritz**

# THE GIFT OF A FUTURE

You're right in the middle of that six-week stretch known as Thanksgiving – Hanukah – Winter Solstice – Christmas – Kwanzaa – New Year's - whole-lotta-football. You may not be much of a consumer the rest of the year, but you've probably gone on a bit of a spending spree, so saving money, or discussing your retirement, or rebalancing your portfolio isn't a high priority right now.

And you know what? That's okay.

When we were kids, the best part of the holidays was getting presents. But as we got older, we began to understand and appreciate the joys of giving. Even if some of the giving of the season is advertising-induced, there's still value in having a time when our financial focus isn't on accumulating for ourselves, but rather, distributing for the benefit and enjoyment of others. Giving is good for us, and good for those we give to. We are greatly impacted by the pleasure that comes from giving. And while it may seem at first counter-intuitive, the pleasure of giving can be the catalyst for great financial achievement.

## The Give-and-Take of Pain and Pleasure

As part of encouraging people to make positive changes in their lives, motivational speaker Anthony Robbins often asks his audience to imagine their future. First, he has them imagine a future in which they continue living and thinking the way they do right now. If nothing changes, what will their lives be like five years from now? In ten years? Twenty years?

Then, just to reinforce the projected impact, Robbins asks the audience to "feel" the painful consequences of not changing. They are told to imagine how not changing will make them feel, how not changing will possibly affect their health, their family relationships, their self-fulfillment.

Then, in contrast, Robbins asks the audience to imagine a successful future. How will things be different, better? Seeking to reinforce the positive feelings, Robbins extends the image of success, asking his audience how life is better five years from now; ten years; twenty years. Once again, he asks them to "feel" the satisfaction of change, to note how good it feels, how

much better one's health, relationships and contentment are as a result of making positive change.

Robbins says this exercise is helpful in provoking change because it plays strongly on two basic human responses: The avoidance of pain and the pursuit of pleasure. It is Robbins' assertion that the avoidance of pain is the stronger response, but he notes that the pursuit of pleasure is a necessary motivation to move life beyond simply doing enough to escape painful or uncomfortable situations.

## Financial Planning = Pain Avoidance?

It's not a stretch to make the observation that a lot of the motivation inherent in financial planning is about avoiding imagined future pain. Just like Anthony Robbins' audience, the financial planning industry confronts us, and asks us to imagine a painful future if we fail to prepare:

There's the possible pain
…of not being able to work,
…of not having money for your children's education,
…of not saving enough for retirement,
…of ending life in a nursing home,
…of dying unexpectedly, and leaving a family behind,
…of missing out on what everybody else has (hey, even greed is a form of pain)

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Depressing stuff, depressing enough to make you say, "Okay, I gotta do something. I don't want this kind of pain." Avoiding the projected pain of a bleak financial future moves many people to action.

In some ways, the decisions to save, insure and invest are acts of self-preservation. But the avoidance of pain and self-preservation may only take you so far.

### Getting back to giving…

If avoiding financial pain is the initial motivation that gets you to plan for the future, then the question that might follow is:

***What's the pleasure you can pursue that will motivate you to fully realize your financial potential?***

The pleasure in planning? It's giving the gift of a future.

Think about it. The reason you make future-oriented financial decisions today is to give yourself better tomorrows. And it is inevitable that if you give yourself a better future, everyone around you will benefit as well.

If you succeed financially, there will be infinite "giving" possibilities, such as

… giving a beloved spouse financial security,

… giving your children and grandchildren financial assistance for education, a first home, or as an inheritance,

… giving your family the opportunity to pursue their aspirations and opportunities instead of wondering/ worrying how much they are going to have to take care of you ,

… giving your church, synagogue, temple or favorite charity generous donations,

… giving more of your time, since you don't have to be a slave to a paycheck,

… giving yourself the chance to explore life, enjoy friends, and enrich your soul (much harder to do on a limited budget and the time and energy commitments that come with a "I have to work" job) and in the process, making you nice to be around,

… giving others inspiration ("if he can do it, I can too!"),

… giving others the financial capital (i.e., as loans, stock purchases) to achieve their dreams as well.

People often talk of saving and other financial strategies as delayed gratification. This is true in that you don't spend the money to get something tangible right away (such as goods or a service). But saving should bring some immediate intangible gratification.

Think of it this way: When you buy a present for someone, your satisfaction begins the moment the purchase is made. The delivery of the gift may be two or three weeks away, but you are already enjoying the pleasure of giving. Likewise, when you commit to some forward-thinking financial activity – you save more money, obtain life insurance, establish a trust, whatever – you should, in some small way, experience the joy of giving, because each small step taken today gives you further hope that you can achieve your financial potential.

Hope for the future is a critical factor in financial success. People who don't have much hope in their future invariably make short-sighted and costly decisions. They may binge on credit cards because they don't believe there is any other way for them to afford the things they want. They may spend excessively on entertainment, because they don't see the point in saving – it's "eat, drink and be merry, for tomorrow we die." They may not consciously recognize it, but those without a financial hope are just like those Anthony Robbins wants to help. They have used their imaginations, seen the emptiness of their future, become depressed, and decided to spend for today, believing they have no prospects for tomorrow.

When you plan today to give yourself a healthy, stable and secure financial future, you are preparing to experience the pleasure of giving of yourself in the future.

THIS YEAR, WHY NOT GIVE YOURSELF THE GIFT OF A FUTURE?

GO BEYOND YOUR "*NEEDS*" (i.e. WHAT YOU NEED TO DO TO AVOID FINANCIAL PAIN) AND START THINKING ABOUT YOUR FINANCIAL "*WANTS*." IT'S ONE OF THE BEST WAYS TO REACH YOUR FINANCIAL POTENTIAL.

***GIVE YOURSELF THE GIFT OF A FUTURE.***

## THINGS THAT MAKE YOU GO *"HMMM…"*

### BEAUTIFUL PANORAMIC VIEW = HIGHER PROPERTY TAX

Brad Wilder owns a home in Plainfield, New Hampshire. According to a November 14, 2005 *Washington Post* article by David Fahrenhold, Wilder's home comes with a spectacular view, "a 270-degree panorama of New England high country: the rugged peak of Mount Ascutney, the reddening leaves and white-painted houses of the Connecticut River valley and – on some lucky fall days – migratory geese cruising by at eye level." It's a view that homeowners would certainly pay extra to enjoy. But how much extra? Precisely $237,265, according to the town of Plainfield.

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That was the amount that town officials added to the value of Wilder's property, considering the view a "bonus feature" similar to a third bathroom or enclosed porch. The bonus assessment meant Wilder owed an additional $4,700 in property taxes over the previous year.

Granted, one of the foundational principles in real estate is location, location, location. Some properties have higher value simply because of their location – on a lake, closer to downtown, etc. – so it's not necessarily a stretch to conclude that Wilder's property is worth more than someone else's simply because his has the better view. But, as Wilder wondered: How do you value a view?

For the assessors: anyway they want to.

"It's more of an 'I know it when I see it' kind of thing," says Thomas Holmes, an assessor in Conway, N.H.

"I hate saying that it's subjective," says Gary J. Roberge, the CEO of the company that assessed Wilder's home, "but it is."

Some assessors say they have some guidelines (Is the view of a named mountain? Is the "view" more or less than 90 degrees?) Others have a scoring system. (Each 100 points multiplies the property value by a factor of one. A 600 score means the property's value is increased six-fold.) But in the end, the added value of the view comes down to the opinion of the assessor.

And perhaps it also includes the revenue needs of the municipality. New Hampshire has no sales tax or personal income tax, so most government services and projects are funded through property taxes. In the past decade, added value tax assessments for views have gone from a maximum of $20,000 to over $200,000.

*Hmmm…*If your house smelled nicer than other homes because you planted flowers or baked apple pies, could a tax assessor hit you with a "smell value" tax? What if the homeowner was blind, and couldn't "enjoy" the view. Should he/she have to pay tax?

## SOMETHING ELSE THAT MAKES YOU GO *"HMMM…"*

### "LOW-DOC" AND "NO-DOC" LOANS: IS GETTING A MORTGAGE ***TOO*** EASY?

In the past decade, historically low interest rates have led to a boom in new mortgages for homebuyers, and those seeking to refinance either to access equity or lower monthly payments. In response to increased demand and competition, many mortgage companies have begun offering "low-doc" or "no-doc" loans.

These loans, usually offered at slightly higher rates, allow potential borrowers to skip some or all of the documentation requirements usually associated with obtaining approval for a mortgage. Instead of providing pay stubs, tax returns and bank statements, some lenders require little more than a brief statement of income or net worth and a credit check.

While low-doc loans have long been available, typically for self-employed individuals whose income tax returns may offer a misleading view of income, mortgage companies are now marketing low-doc loans for their convenience. In 2000, 72% of all mortgages were processed with full documentation. Through August 2005, only 54% of all mortgages were completed this way. This makes some people nervous.

"How hard is it to come up with a couple of copies of pay stubs and copies of W-2s?" asked Barbara Grunkmeyer, in a November 16, 2005 *Wall Street Journal* article. "I think there's a good reason why no-doc and low-doc loans are called liars' mortgages." Grunkmeyer is a deputy controller for credit risk at the Office of the Comptroller of Currency, which regulates national banks. For low-doc critics like Grunkmeyer, the concern is that low-doc loans allow people to obtain mortgages they can't afford, thus increasing the number of likely defaults, which could negatively impact the housing market, both for consumers and investors.

Others think Grunkmeyer has her "undies in a bunch," and needs to relax. Michael Youngblood, an Arlington, VA economist studied low-doc loans made to borrowers with less-than-perfect credit, and found that lenders appeared to be exercising due caution. Youngblood notes that lenders are compensated for their risk, usually charging .25 to .75 percentage points more for a loan that would have been processed with full documentation.

*Hmmm…* Since many mortgage lenders obviously feel they can accurately assess the risk of default and make a profit, and many customers are interested in the ease and convenience of low-doc and no-doc loans, the situation seems like a classic free-market transaction. What's the problem?

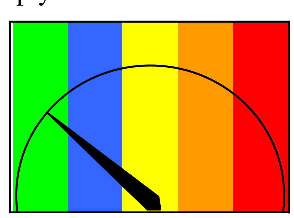
## AND FINALLY, A ONE-LINER THAT MAKES YOU GO "HMMM…"

***"Wide diversification is only required when investors do not understand what they are doing."***
***-- Warren Buffett***

*Hmmm…* Could this in some way explain the appeal of mutual funds for many individuals?

## NOW THERE'S A COLOR CHART FOR SAVING

When you've said everything that can be said, and everyone has heard it all before, what do you do to get your message across? You hire a "marketing consultant," someone who can help you think of a creative new way to say the same old stuff.



Of course, you are just the latest in a long string of businesses looking to a marketing consultant for a "creative new way." So most of what masquerades as creativity is mostly a recycled idea borrowed from some other arena.

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Recently, a large financial institution published their findings from a "Retirement Reality Check" survey. Using a self-test much like you might find in a women's magazine (*"Is He Really in Love With You? – Take our test and find out!"*), the pollsters then proceeded to divide the respondents into color-coded categories (sort of like the terrorist alert warnings the government issues). Now, you can answer the 10 questions, and not only determine what "color of saver" you are, but also find out how you compare with everyone else (or at least those who took the survey.)

It's hokey, right? It's something you've seen before, right? And yet…you probably want to take the test and see how you rank, don't you? See, that's marketing!

The 10-question quiz, conducted in October 2004 by Matthew Greenwald & Associates of Washington, DC, asked people which of 10 specific steps they had taken to save for retirement. Based on their answers, people were divided into five different color-coded groups: Green, Blue, Yellow, Orange and Red. According to an article released November 11, 2005 by *Business Wire,* here are some details regarding the behavior and financial status of each color.

**Green** is the color of Retirement Readiness. Representing 20% of the group, these are people who have taken at least nine of the Ten Steps to Retirement Savings. Greens are considered to be the most prepared, both financially and emotionally, for retirement. They tend to be well-educated, relatively well-off, with good financial habits.

**Blue** is the color of "Retirement Worry. While Blues have done eight of the steps, they have accumulated far less than Greens, and consequently, have the "blues" about their retirement prospects. Blues comprised 27% of the survey.

**Yellow** respondents have the color of False Sunshine/ Optimism. Of the 10 steps, they have completed only five – but remain optimistic about their future. Yellows were 19% of the total survey, and more than half were over the age of 45.

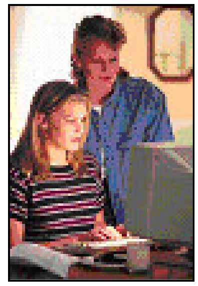
**Orange**, the color of Avoidable Risk, categorizes 21% of the survey's respondents. This group has been able to accomplish only four of the steps, and is quite pessimistic about their future ability to do better. As a group, Oranges were younger (40% under age 35) and more prone to struggling with controlling their spending habits, even though they say they know better.

**Red** is Danger (big surprise, huh?). For this group (13% of the survey), the greater struggles are with current finances, and their inability to stick to a budget. Two-thirds of Reds don't see retirement as a possibility, but believe that "retirement" will be defined as "continuing to work."

# NEWS DIGEST

*(Snippets from stuff we've read, including differing points of view, not all of which we agree with. Want to know more? Give us a call and we can provide you with the complete article.)*

**MANY YOUNG ADULTS CAN'T SUCCEED FINANCIALLY WITHOUT MOM AND DAD**



It's only natural for parents to want to protect their kids' money, but when should they stop? It's a tough call – the transition to financial independence is difficult, as surging home prices, education costs, credit card debt and job competition leave many in a lurch.

"What is new is the increasing number of young adults unable to succeed financially on their own," said John Gallo, an estate-planning attorney from Los Angeles who co-authored "The Financially Intelligent Parent" and "Silver Spoon Kids" with his wife Eileen. "Parents have not been responding to those increased social factors by teaching their kids how to manage money."

Madlen Read, *Associated Press*, September 12, 2005.

**IDENTITY THEFT HITS 1 IN 20 AMERICAN ADULTS – BUT MANY DON'T KNOW THEY ARE VICTIMS**

The Federal Trade Commission estimates that identity theft affects nearly 5% of the adult population, costing businesses and individuals a combined $53 billion annually. It received 246,000 reports of identity theft last year, nearly triple the number received in 2001. The FTC has attributed much of that rise to heightened awareness of the issue among consumers, making them more likely to report incidents as identity theft.

Overall, statistics on identity theft are spotty. For one thing, research has found that most victims of identity theft don't report the crime to police. In many cases, they aren't even certain that they are truly crime victims and don't know how the incident occurred. Banks increasingly alert authorities when incidents occur, but even those disclosures can be incomplete.

*Wall Street Journal*, October 8-9, 2005.

**SENIORS WILL HAVE TO KEEP WORKING**

A crisis with profound negative implications will soon begin to unfold across America. What is it, you ask? Tens of millions of seniors, with incomes that are insufficient to last their lifetimes, will be forced to work into their seventies, eighties and beyond. In the words of an AARP study released in September 2003, "The image of American retirees lounging by the pool or playing golf may soon disappear as nearly three-quarters of older workers say they plan to work past the traditional retirement age." The AARP study also tells us that

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people are not working past retirement because they want to. On the contrary, says the AARP, "the main reason for working past retirement has more to do with financial need than fulfillment of financial goals, enjoyment or a desire to stay active."

Brian J. Biwer, *www.producersweb.com*, April 26, 2005.

**RETIREMENT STUDIES MIGHT BE SELF-SERVING, BUT SO WHAT?**

So what are we to make of all these studies? Should we be optimistic or pessimistic about the current and future state of retirement in America? Which studies are right on target and which studies are off the mark, if not misleading?

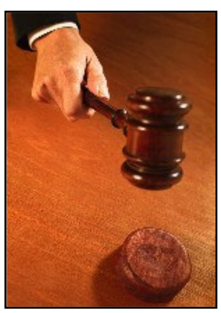
Well, part of the answer lies in the motivation for such studies. Many studies, especially those produced by financial services firms as well as academicians, are partially self-serving. They exist, it seems, to strike fear in the hearts of unsuspecting Americans.

We are told that we aren't saving enough for retirement without the disclosure that saving more would result in more fees and revenue for financial services firms doing the research. We are told that we will outlive our assets without the disclosure that buying lifetime-income products would result in more fees and revenues for the financial services firms doing the research.

On the other hand, it would seem that such studies -- even if produced by those with a vested interest -- serve some greater purpose. What if those firms are right? Would it not be better to plan for the worst and hope for the best? Would it not be better to save even more than you currently do even if you think you are a good saver, even if you say you are disciplined, or even if you say you know lots about investments?

Robert Powell, *MarketWatch*, October 6, 2005.

**IT TOOK AWHILE, BUT WARREN BUFFET GOT HIS REFUND**



A federal judge on Friday ordered the U.S. Internal Revenue Service to pay billionaire Warren Buffet's Berkshire Hathaway, Inc. $23.1 million plus interest for not allowing the company to take some tax deductions.

The 38-page decision by Judge Lyle Strom of the U.S. District Court in Nebraska ends three years of litigation over the tax treatment of Berkshire's purchases of dividend-paying stocks such as Coca-Cola Co., Time Warner Inc. and Wells Fargo & Co. The purchases took place in 1989, 1990, and 1991.

An IRS spokeswoman said the agency does not comment on court rulings.

*Reuters*, October 26, 2005.


## IF YOU HAVE TO, ARE YOU READY TO "BUG OUT"?

One of the recurring incidents punctuating the long-running TV program *M*A*S*H* was the possibility of a "bug-out," where the mobile hospital unit had to quickly pack up and relocate because of the threat of being overrun by enemy troops. Part of the drama/humor of the program was watching the characters decide which things they would take or leave behind, and which things became more valuable as a result of the experience.

This fall, many Americans had their own "bug-out" situation to deal with as the result of hurricanes Katrina, Rita, and Wilma. In a rush to flee the hurricane threats, many residents of Texas, Louisiana, Mississippi, Alabama and Florida escaped immediate harm only to realize they were ill-equipped to manage the aftermath of the crisis.

Away from their homes, living temporarily in strange communities, many displaced citizens found they had no way to maintain their financial lives. They couldn't pay bills, and with most workers idled by the hurricane's devastation, they had limited funds to pay for daily expenses. Even when returning to their homes, they often stepped into areas with no power, which meant no access to ATM machines or credit card readers. Some didn't have cash on hand. Because many residences were destroyed, survivors couldn't provide personal identification or documents to reconstruct their financial lives.

Whether or not you live in an area threatened by hurricanes, other natural disasters, both large and small, could force you into a financial "bug-out" situation. It could be something as far-reaching as an earthquake or specific as a house fire. In the instant you realize you have to get out (and you don't know when you might be able to come back), would you be prepared to financially survive?

**Making your own financial survival kit**

Jennifer Openshaw, a regular contributor to *MarketWatch*, an on-line financial publication, offered the following list of items as a financial "survival kit" to meet the threat of a bug-out situation. While not necessarily comprehensive, the list can serve as a template. Openshaw divided her list into five broad categories:

**Personal:** driver's licenses, photos and memorabilia.

**Financial:** income-tax returns, bank statements, mortgage and loan info, credit-card statements, investment records and Social Security cards/documentation.

**Legal:** titles, deeds, registrations, estate-planning documents (such as wills and trusts) and birth, marriage and death certificates.

**Insurance:** life, health, auto, home, and umbrella policies.

**Health:** copies of health records including immunizations, procedures, medical contact info and a list of medications being taken.

Once you have compiled these items, the next questions are how to store them and where to keep them.

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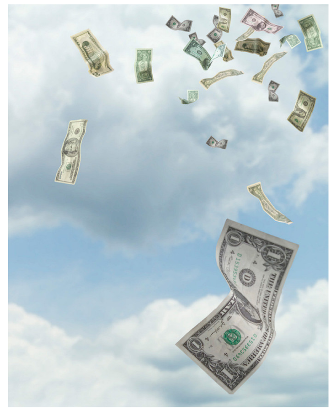
Most experts recommend making multiple paper copies of many of the original documents that comprise the list above. As more critical documentation is computer-generated, many are turning to on-line electronic storage services that offer security and confidentiality. Some of these storage services are general in nature - i.e., they can be used to store any type of computer data - while others are specifically designed for financial documents. (For example, The Guardian Life Insurance Company of America is rolling out a program for its clients called the Living Balance Sheet that can encrypt, store and update a wide range of personal financial data.)

Making multiple back-up disks serves the same purpose as paper copies - it's the same data, at another location, with no need to tap into other sources. For those unique originals that may also have historical and sentimental value (such as birth certificates and marriage licenses), some people recommend keeping the documents in plastic, acid-free covers.

For either paper or disk copies, it is important to find a safe, yet handy place for storage and quick access. For many individuals, the ideal storage receptacle is a small, portable fireproof and waterproof safe. In addition, it may be prudent to keep one of the set of copies outside the home, perhaps at your workplace or your local bank.

You may want to consider sending a duplicate copy of your financial survival kit to someone you trust who lives outside your local area. Michael Emmerman, a disaster-preparedness expert and government liaison officer with the American Red Cross, told Openshaw “the old rule of keeping a copy of everything at your office changed after the World Trade Center collapsed.”

Are you ready to “bug out?”



## WHAT WOULD YOU DO WITH A WINDFALL?

Hearing the jackpot has reached $10 million, you decide to buy a Powerball ticket. That night, half asleep in front of the TV waiting for the weather report, you are stunned as the numbers are read. You’re a winner!

How does all this money -- money you’ve never expected -- change your life? Well, it’s hard to say how you’ll react to something that has never happened to you before. But the October 2005 issue of *Forbes’ Small Business* made the following statistical comparison:

**22%** of Americans said they would continue working at their current job even if they won $10 million in a lottery.

**47%** of small business owners would continue working…

It's just a guess, but since small business owners usually exercise more control over their day-to-day activities compared to a typical employee, small business owners may not see their work as something that "enslaves" them, and from which they would like to be "freed." This observation is in line with comments often repeated in this publication:

**control, over one's work or one's money,**
**is a key component in determining financial success**
**and satisfaction.**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