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Work Less & Live More:

Better Lifestyle Advice for High Net Earners

by
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“You can’t be too rich or too thin.”

So goes the popular mantra. Our culture reveres wealth and slimness so much, we actually go around saying it’s impossible to get too much of them. I’ll leave the slimness issue for doctors to discuss. But as to whether you can have too much money... well, before you decide, let me tell you about two of my clients.

Myron is a 57-year-old entrepreneur. He and his 53-year-old wife have three children and five grandchildren. Throughout his career, business has taken him away from home. So he missed T-ball games, dance and piano recitals, a sixth-grade Christmas pageant, swim meets and all but two graduations. He also missed the birth of his son, now 25. He was in Japan at the time. He made millions on that deal. Combined with what he’s made on all his other deals, he has a net worth of about \$50 million. He also has a strained relationship with his wife, and almost no relationship with his children or grandchildren.

Arthur, 66, is a businessman too. His wife is 65. They have two children, six grandchildren and three great-grandchildren. He’s also missed countless Little League games, school plays and recitals. In his son’s 10-year professional tennis career, Arthur was on hand for just three tournaments. He missed 99% of the excitement, anxiety, and joy of that career. He also missed 100% of the births of his children, grandchildren and great-grandchildren. That bothers him. But what bothers him most is that they barely know him. Nor do they talk to him—except when they want something. Arthur has close to \$90 million, but he doesn’t have the memories or the relationships that would make him truly happy.

Both these men have amassed huge piles of valuable assets. Valuable, yes. But what they missed isn’t just valuable—it’s *priceless*. Too late, they realized that, exciting as it is to make millions in the business world, it doesn’t compare to the excitement of watching your daughter’s team win the soccer final. You can be proud of an eight-figure net worth, but it can’t match the pride you would have felt when your son got a standing ovation at his piano recital—or at Wimbledon.

Once gone, those opportunities never come again. Ironically, the opportunities to make another million—or another ten—will always be there. Both these men have learned this lesson the hard way. Some people never do.

How Much Is “Enough?”

Will you face this challenge? If you build up your assets long enough, chances are pretty good that you’ll reach “financial independence”—the point at which you won’t have to work for the rest of your life. But how can you know where that point is?

My friend, Paul Hynes, is a veteran of over 20 years in the financial services industry. He is with the Burns Advisory Group, an independent private wealth management firm in San Diego. Paul deals only with high-net-worth clients. But he doesn’t define his ideal clients in terms of dollars. “My ideal clients are open to new possibilities,” he explains. “They’re willing to open their minds, evolve their thinking and seek better solutions.”

When clients ask how they’ll know if they’re financially set for life, he starts with a simple formula. “The first and most important component of this formula is a description of the client’s ideal life”. I ask: “If you could wave a magic wand and create the ideal, most fulfilling life in which you could do all of what you want and nothing of what you don’t, what would it look like?”

“I have them put that description in writing, then we estimate the annual cost. In other words, how much money would it take each year to finance their ideal life and perfect calendar?”SM Let’s say that figure is \$600,000.

Next, Paul has the client ask this question: *How much is enough to produce a high degree of confidence that we can generate this amount of after-tax income, adjusted for inflation, every year for the rest of our lives?* The answer can be estimated using a **Payout Assumption:**

Conservative:	3%	annually
Moderate:	4.5%	“
Aggressive:	6%	“

Assuming the client wants to preserve, and not spend, the principal (or capital), they then divide the Annual Living Cost by the Payout Assumption rate.

Example:	$\$600,000 \div .03$	=	\$20,000,000
	$\$600,000 \div .045$	=	\$13,333,000
	$\$600,000 \div .06$	=	\$10,000,000

So we see that someone who needs \$600,000 per year to live their ideal life and perfect calendar can do so with as little as ten million dollars. If they already have enough, Paul asks, “Why aren’t you living your perfect calendar now?” Often, the answer is an uncomfortable silence.

“What Do I Do Next?”

Unfortunately, just having enough money to create your ideal life does not necessarily mean you'll do it. Another friend of mine, Steve, is an associate with a major Securities firm in Orange County, California. He does fee-based custom wealth management for clients whose net worth averages over \$10 million. He tells the story of a client who had a business worth about \$20 million and was being urged by his family to sell it so he could spend more time with them. Steve actually helped find a buyer who was willing to pay \$27 million, and had begun finalizing the deal.

“At the last minute, the owner backed out,” Steve recalls. “Everyone involved was shocked. I called and asked him why he changed his mind. He answered that he had no idea what he would do with himself if he didn't have the business, so he got cold feet.” Steve notes that this is a familiar pattern with financially successful people.

“They're good—even great—at what they do. But it's all they know. Many of them aren't even very good with financial matters. They're not used to having a lot of money, just a lot of work. The thought of losing that work terrifies them.”

Steve says the person who carries this anxiety usually has no “next thing” planned. Like Paul, he insists they give serious thought and time to this issue, and get it all down on paper. “My job,” says Steve “is to help such people figure out what their ‘next thing’ will be, and put together a detailed, written plan for getting there.”

Paul finds that even after they're advised to make such a plan, people still procrastinate. Why?

“A lot of things get in the way,” Paul says. “They don't want to think about it. Or, they were told by their parents that they'd have to work all their lives, so they don't believe they'll ever have enough. Or, it's easier to keep doing what they're doing (the status quo). Or, their self-worth comes from their work, from external sources, rather than from within.”

So Much Money, So Little Time

I've found that people who want to explore such issues and find real solutions can benefit from a process called Macro Strategic Planning[®] (MSP). Invented by Bruce Wright of Simi Valley, California, MSP is the art and science of helping people define their ideal situation, then devise and implement a written, strategic plan to make it real.

I was working on such a plan for Jim and Carla, who had achieved a net worth of about \$20 million. Jim had been a television actor in the '60's. They had enough money, but they didn't have their ideal life. They were looking for a way to put to use what they learned from reading Bruce Wright's book, *The Wright Exit Strategy*.

I met with them to talk about it. After 2 ½ hours, it was obvious that all they could talk about was buying things, traveling to places, and not about what they wanted

their life to look like. The discussion was going nowhere. When I told them I was leaving because we weren't getting to the heart of the matter, Jim said, "OK, you really want to know what I've always wanted?" I want a 40-foot yacht. Sitting at the other end of the couch, Carla suddenly lashed out, "There you go again with that damned yacht idea!"

Jim sank lower on his end of the couch. This was obviously something they'd argued about for a long time, and at first he seemed sorry he brought it up. But he took the idea a step further: he talked about how he'd love to be able to sail off to anywhere in the world, at any time. His eyes had a dreamy look.

Then Carla said something that changed the whole tenor of the conversation. "Now, if the boat were bigger, say 70 feet, and I didn't have to squeeze into a tiny galley and bathroom, that might be different."

At this, Jim sat up straight. "You'd actually consider going with me if the boat were larger?"

"Well, I'd consider it," Carla said.

"Why didn't you tell me this years ago," Jim wondered.

"You never asked," she said.

Ironically, this one conversation had uncovered a problem that they could easily have solved. Unfortunately, the story has a sad ending. Jim's been diagnosed with incurable cancer, and long sailing trips are no longer possible. The time for Jim and Carla to create their ideal life and perfect calendar has passed.

You've Done Well; Now It's Time to Do Good

While it might be too late for Jim and Carla to sail off into the sunset, it's not too late for them to use their wealth to resolve another problem: the wall of ice that stands between them and their two adult children.

After some discussion, I suggested that they think about how to empower the children to have more meaningful, fulfilling lives. Maybe there's a charitable cause or project they could tackle. Maybe Jim and Carla could find a way to work on it with them, thus growing closer and more connected. Rather than waiting to give their money away after they're gone, they could use some of their wealth *now* for this endeavor—and see it doing some good during their lifetimes.

Carla thought it was, in her words, "a fabulous concept" but the last time I spoke with her, she was yet to implement any of it.

Steve points out that "you can't turn a person into a philanthropist. They must have that inclination. What you can do is help them to think bigger, to realize that they

really can make an impact. If a client is honest with themselves, there's always something they can believe in. They just have to let themselves use their money in ways that will make good things happen forever. It's a powerful concept, and once they embrace it, they can become consumed by it, giving it the kind of time and attention they used to pour into their work."

Are You Rich Enough? Take this simple test

What this whole issue boils down to is whether you really can take your attention away from making money and apply it to more meaningful, more life-enhancing endeavors. You've gotten a formula, and you've gotten some ideas on what to do. But the questions still linger: Are you set for life financially? Can you afford to start working less and living more?

Steve suggests this simple test: When you wake up in the morning, ask yourself, "Are all my present and future financial requirements met, whether I get out of bed or not?" If the answer is yes, relax, roll over and start envisioning your ideal life and perfect calendar. After all, you've earned it.

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