



# the Observer

## Pass It On

The Bob Marshall Wilderness straddles the Continental Divide in Northwestern Montana. If you find yourself here, you should hike up to Sun Butte for a breathtaking site, miles and miles of beautiful aspen and pine forests. When you climb back down to the river bottom, however, your view will be altogether different. The vast horizon of expansive tracks of trees will be replaced with caves carved into rock faces, sulfur hot springs, or even a mountain lion, grizzly bear, or big horned sheep. The expression comes to mind—you *can't see the forest for the trees*. These wise words are instructive. What you see depends on what you are looking at and how closely you're looking. Which view is better? When we first meet with a family, we like to see the forest—the big picture. It is important to understand

what you value as a family before delving into the details about money. Money is just a tool, a material good that will take care of itself if you put you and your family first—if you begin with an honest examination about what is truly important to you. Leadership that provides this focus is a critical component of future success.

How important is family leadership? A look at the changing properties of water might provide us with some answers. Environmental influences will impact individual family members just as powerfully as temperature changes will affect water. Water's changeable nature is analogous to the family changes caused by wealth. Water can assume three states: solid, steam and liquid. When water is solid, or frozen, nothing happens and the status quo rules. Steam is very chaotic, fast moving and haphazard. When in the liquid state, water is life-giving and fluid. These three physical states of water demonstrate the rags to riches to rags scenario. The wealthy first generation is liquid—providing dynamic growth and positive change. The second generation is frozen, neither growing nor dying, just existing in a squandering state. The third generation is chaotic and spendthrift—unable to make good

financial decisions. Needless to say, poor money management can cause great heartbreak. We have seen some real life examples of family devastation that could have been avoided with proper leadership. Here are two of them.

A couple needed help transitioning to retirement. The husband had been a corporate pilot for 30 years and solely managed the family finances. On the day of his retirement he drove to a local store to pick up some items for the party. He parked the car, turned off the engine, slumped over the steering wheel and died of a massive heart attack. His wife was devastated but financially in good shape. Then the five children, though independent adults, began to request and/or demand that Mom provide them with money from the family nest egg. One received money to purchase a home, another to buy an auto repair shop, a third for private high school and college. Mom was a complete pushover. She never handled the money before and could not say no. Within the first three years of her husband's death she doled out \$1 million to her children. In the fourth year she sold her house, bought a home with one of her daughters in the Southwest and moved in to the master suite. Over the next three years her



children continued to hound her for money and she obliged. Finally, seven years after her husband's death, with \$12,000 left, she died of medical complications. She spent almost 18 months out of the final three years of her life in hospitals until death at the age of 66. A very sad story.

million of the assets in the estate. She was now completely destroyed, not so much by her brother swindling her out of her inheritance, but more by the fact that her mother had never discussed money decisions with her. As close as they were in all other ways, her mother had allowed herself to be deceived

The Judeo Christian adage says it best. "To whom much is given, much is expected and with great gifts come great responsibility." This responsibility is truly humbling. We meet business owners and executives who constantly display these gifts and talents. They lead big and small businesses, playing important roles in the growth and development of their employees. But a family is not a business. The fast paced business world is guided by a quarter to quarter focus on financial productivity. A family leader must consider a 20-40 year perspective and how choices will effect successive generations.

*The best test as a leader is: do those served grow as persons; do they become healthier, wiser, freer, more autonomous, more likely themselves to become leaders?*

— ROBERT GREENLEAF

A few years later a woman came to see us in a very distressed state. She was a single mother, in her late 40's. She had buried her mother 6 months earlier after being her primary caregiver for five years. Her older brother had handled all her mother's finances. After the mother's death, she approached her brother to discuss splitting their mother's assets. Her brother informed her that Mom had left all the family assets to him. She was dumbfounded. She knew her mother had money as all needs were met by her brother. After several months of evasive action by her brother, she was able to determine that one half of her mother's estate, pursuant to her mother's will, would be inherited by her. She approached her brother again about her half of the estate. He explained that all assets had been placed in joint tenancy between him and their mother six months before her death. He explained that even though their mother thought the estate was being divided in half, he had rights to all \$4

by her son, destroying a lifelong relationship with her daughter.

These two stories could have ended more happily if each family member had considered the big picture—what was important to the entire family. This fundamental change in perspective would have changed these families just as a rise in temperature will transform ice into water. We baby boomers and our parents must make this fundamental change in perspective now. Maybe some of you are thinking this sounds like a *Mission Impossible*, but it is more a *Mission Must*. We have 20 to 40 years...plenty of time. It is time to consider how to pass on beliefs and values that will ensure our wealth will promote productive lives. We can make this fundamental change in three ways. The first and most importance change is one of perspective, that is—we need to see our part in effecting this change. We need to be leaders.

The North American Iroquois tribes make all tribal council decisions in light of this wisdom. Even today, they begin their gatherings with the reminder that decisions should be made only after considering the consequences to the tribe seven generations out, just as their ancestors did seven generations before them. The Iroquois embrace their role as leaders and hold a seven-generation perspective. They value future individual well-being over everything else.

Leadership that values human capital over financial is the first behavior change needed to actively pass on principles along with our wealth. We need to understand that short-term decisions may have profound long-term effects. Thus we become responsible leaders. But how do we lead? What are our guiding principles? We will know where to begin if we make a



*"Of course I hope to find gold. But my real goal is spiritual growth and inner peace."*

second important change—one that expands our time horizon. This second change is more than a change of perspective. It is a change in outlook—how we perceive life and living.

Plain and simply, our time line needs to expand. The critical ingredients needed for this expansion are a sense of child-like wonderment and a focus on growth and potential. We have written in the past about growing vs. arriving. In particular, we sometimes see a destructive mental, physical, and spiritual mindset in some retirees who take on a dictionary definition of retirement—to go away, depart, withdraw from business or public life, fall back, retreat. Our human existence is about

growth or death. There is no in between. You are either growing or dying, and if you are dying you will end up on the other side of the grass more quickly and with less grace and dignity. Being in a state of child like wonderment, focused on growth and possibility will keep our minds active, our will strong, our physical stamina intact, and our spiritual life vibrant. Thus we will be equipped to properly guide and direct our children and grandchildren.

In summary, a strong leader that is focused on growth and human capital—that being individuals present and future,

will keep their inheritance intact for future generations. But one more thing must be considered, or as the old saying goes, "the devil is in the details." One of our previous newsletters focused on KASH, an acronym for Knowledge, Attitude, Skills, and Habits. Generally, knowledge and a good attitude help to develop the skills needed to change habits. Maybe you want to be around to see your fifth generation born and raised. Well, you will have to live to be 100 for that, the good Lord willing. Recent medical advances have made this a real possibility. However, this depends on how you live your life.

Dr. Mehmet C. Oz and Dr. Michael F. Roizen recently discussed their new book, *You! Staying Young*, with Oprah Winfrey. The book describes how to live physically, mentally, and spiritually if you want to reach 100 with a high quality of life. The authors gave a test to the 100 audience members to determine whether their current life-style would afford them a high probability of living to age 100. Only one woman out of the 100 scored a high enough score based on her habits. She explained her daily regimen to the audience. First, she goes to the health club each morning with a friend

*Leaders keep their eyes on the horizon, not just on the bottom line.*

—WARREN BENNIS

and spends an hour doing aerobic training. Additionally, she does weightlifting several times a week.

Also, she meditates daily to calm her mind and focus on the day ahead. She has a large social network and she prepares and eats the majority of her meals at home. Now, all of us understand the knowledge behind this women's regime, but how many of you have changed your attitude and developed the skills necessary to make these changes a daily habit? It all starts with KASH. There is no easy solution.

We still have time to change our leadership perspective, time horizon mindset, and personal

habits. Thus we will be able to help our children and grandchildren be wise custodians of their inheritance. By many estimates, there will be \$14 to \$41 trillion worth of assets inherited by baby boomers over the next 40 years. It is also estimated that there are approximately five million Americans with assets over a \$1 million, excluding their homes. We have grown into a very affluent nation without the prerequisites to deal with such enormous financial capital. Our responsibility lies in looking beyond the quarter to quarter business

world view, focusing instead on two generations forward. Projecting out 20 to 40 years can bring a certain peace of mind. Looking outward rather than inward promotes a generous, loving outlook, maintaining our liquid state. Mentoring and teaching this to the next generation will ensure they too stay liquid, each successive generation "moving with a purpose" (but not necessarily our purpose). In this way, money will take its rightful place, behind human capital, supporting all of our family endeavors.



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*Securities Offered Through  
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