



Money, Money, Money

- Gary Klaben

What is it about money?

We must have it to live, but it can also be a terrible burden. When we have too much, life is easy; if not, life is hard. Do we really allow money to exert too much control over us?

Case in point (true story): Many years ago, I met with a young woman who had come into some money. A few years before we met, she had stopped at a gas station to fill up her tank. The time was 6:55 p.m. She filled up, went into the gas station to pay, and impulsively decided to buy one lottery ticket. She paid for it, went back to her car, and tuned into the live radio broadcast of the lottery drawing. To her utter and complete amazement, the announcer read off the six numbers she had selected!

She had just won \$6 million. Obviously excited, she called her fiancé about the great news. After she relayed the news to him and settled down a bit from the excitement, her fiancé asked her how she had come to select the six numbers. She replied that two numbers were her birthday, two were his birthday, and the remaining two were the date they first met. His immediate response: "Since two numbers are from my birthday and two from the day we met, half of the numbers are mine and half are yours...so a 50/50 split?"

She was dumbfounded. His first response was how much money he deserved? Needless to say, he quickly became an ex-fiancé. The story only gets worse. Once her friends and family found out about the "good news," her relationship with them changed as well. They expected her to pick up the tab at restaurants and bars. They expected loans or advancements from her for things they wanted. She felt like everyone had an agenda—she was the No. 1 person on their contact lists.

In fact, the change in the relationship she had with her closest friends and family changed so dramatically that she had been seeing a psychiatrist for several years when I met her. She was cagey. She was distant. She was bitter. She was sad. A truly awful story about the trials and tribulations of sudden money.

Money does that to us. We often react strangely to any change in our money state. We feel poor if a large bill arrives in the mail and we need to transfer money from savings or, God forbid, from our home equity line of credit. We get excited when we find a \$5 bill in a pocket of a pair of pants we have not worn in awhile. It feels like "found money." This not only happens to the poor and destitute, but to the middle class and to the wealthy as well.

The remarks we make about money offer an intriguing study of the human psyche: "He has every nickel he ever earned." "He has plenty of money—he can afford to lose money in the stock market." "She spends money like it's going out of style." "If I had her money, I could buy a new car, furniture, go on a trip, etc."

Our poems, literature and music are filled with a variety of money messages as well. From Pink Floyd's song "Money":

Money, get away
Get a good job with more pay
And you're O.K.
Money, it's a gas.
Grab that cash with both hands
And make a stash.

From the O'Jays' "For The Love of Money":

For the love of money
People will steal from their mother
For the love of money
People will rob their own brother...

From ABBA's "Money, Money, Money":

...In my dreams I have a plan.
If I got me a wealthy man,
I wouldn't have to work at all,
I'd fool around and have a ball.

Money can swamp our emotions, resulting in a variety of dysfunctional behaviors. Even though we think we are in control, logical and clear headed—just throw money into the picture! Should I save more money? Should I spend more money? Can I retire? Should I retire? Live frugally? Spend lavishly? Live for today? Live for tomorrow? The thoughts and questions about money never stop coming at us.

Many mixed messages float out there in the ether. Here are just a few:

A rich man is nothing but a poor man with money. ~ W.C. Fields
It is an unfortunate human failing that a full pocketbook often groans more loudly than an empty stomach. ~ Franklin Delano Roosevelt
Money is a headache, and money is the cure. ~ Everett Mamor
I'd like to live as a poor man with lots of money. ~ Pablo Picasso
I am opposed to millionaires, but it would be dangerous to offer me the position. ~ Mark Twain
Money can't buy happiness, but it can buy you the kind of misery you prefer. ~ Author Unknown

Money is the lifeblood of American commerce. We use money every day—from cash to credit and debit cards, check writing, money wires, and many other ways. But how well educated are we about money?

In a 2007 survey, only one-third of American credit card holders who were not paying off their balances monthly knew the interest rate charged on their unpaid balances. More than half of the respondents said they learned "not too much" or

“nothing at all” about financial issues in school. A 2008 study revealed that two-thirds of Americans did not understand how compound interest worked. Study after study reveals how woefully uneducated we are about a variety of money issues.

A colleague of mine recently told me about traveling to Las Vegas for the first time with her husband many years ago. They each set aside \$40 to gamble with and then call it quits. The first day, she made a little money and felt pretty good. Her husband lost half his money and was a bit down in the dumps. She initially could not understand why he was so mopey until, on the second day, she lost her \$40 and felt really bad. The lesson she learned? Never gamble again. The greed and giddiness, and the fear and anxiety, of loss or gain was an emotional roller coaster she no longer was willing to ride.

As a nation, our relationship to money runs in historical cycles. In 1970, around 5% of Harvard graduates went into finance. By 2007, the number increased to 30%—those who expected their first jobs to be in banks.



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In 1999, the Glass-Steagall Act—created back in 1933 during the Great Depression to separate commercial banking from investment banking—was dismantled. Earlier in the 1990s, banks, insurance companies and stock brokerage firms had begun offering each other’s services. The mortgage industry by the end of the 1990s began to loosen the financial requirements to purchase a home. By the end of 2007, the best and brightest financial minds on Wall Street created about \$600 trillion in derivatives in the form of interest rate swaps and credit default swaps.

As our country has experienced time and again in the past—the Great Depression being the poster child—we abuse debt. We seem to cyclically abuse debt. We repeat history. We seem to believe that it will be different this time.

We're on a roll in Las Vegas and giddy with excitement.

We Americans are fortunate to have access to capital to buy homes, build businesses, and purchase goods and services on credit. By contrast, take a look at our Third World neighbors to our south. In Peruvian economist Hernando DeSoto’s 2000 book, *The Mystery of Capital*, he points out that there are very few small businesses in Mexico and other Latin American countries. The game that is played in Mexico City, as in many other cities in Latin America, involves millions of illegal street entrepreneurs. They open up their stands on the street to sell tacos, only to close them temporarily when the police appear. The police and vendors all know the game. Everyone needs to make a living—just don’t flaunt it in front of public officials.

The problem with this game is the maddening inability of the street vendor or any other entrepreneur in Mexico City and elsewhere to establish a legitimate business.

DeSoto points out that, in one Latin American country, it takes up to seven years to obtain a business license—and a total of 168 steps to complete the process through a myriad of government agencies.

The result? A bourgeois society of the status quo. No business license, no access to capital. No access to capital, business dreams die on the streets.

The Winter Olympics was held this February in Vancouver, British Columbia. In the sporting world, Olympic events mark the pinnacle for amateur athletes striving to achieve a usually once-in-a-lifetime goal of obtaining an Olympic Gold Medal. Some athletes have dedicated the better part of a decade or more of their lives preparing for an event that may last only minutes. Noble achievement borne out of the human spirit to succeed at something that many of us can only dream about.

Money is absent from Olympics sporting events, other than the host nation celebrating the culture of its people and the beauty of its land. (To be sure, there are professional hockey players as well!)

In the Vancouver men's moguls competition, one of the favorites to win the event was Australian freestyle skier Dale Begg-Smith—the Gold Medal winner at the 2006 Winter Olympics in Turin, Italy. Begg-Smith was different from his fellow competitors in several ways. First, he refused to grant non-Australian media interviews—particularly not to Canadian media. Canadian-born but holding dual citizenship in Canada and Australia, he skied for Australia because of past differences with Canadian coaches.

Secondly, he was a millionaire, having made his fortune as a young Internet entrepreneur.

While the personal worth of Olympians is not germane to competition, for some reason it still can find its way into the reportage. When Begg-Smith declined media interviews, commentators started complaining. In essence, he wasn't "playing the game." At the press conference after winning Gold in Turin, Italian reporters pointedly asked his fellow medalists what kinds of cars they drove—compared to Begg-Smith's Lamborghini.

When Begg-Smith objected to this line of questioning about his personal life, press coverage became markedly negative and harsh.

As he continued to be private and standoffish about the granular details of his daily life and interests, matters only got worse.

Money seems to get in the way. It shouldn't—but often does.

(For the record, Begg-Smith won the Silver Medal in Vancouver.)

Today, examples of dysfunctional relationships involving money abound in our society. From backstabbing competitors on winner-take-all reality TV shows, to corrupt politicians accepting money for votes, to fast-talk sales people selling inappropriate products and services to the public—money can debauch, defile and demoralize.

The solution, of course, is to ensure that money serves us rather than we becoming slaves to it. Mastering money is a lifelong journey.

Money can damage, maltreat, undermine and disgrace.

Yet—money can also enable, encourage, uphold, facilitate, benefit, guide, innovate, befriend and endow.

We are the freest nation on the earth. We are offered the greatest opportunities. Money helps one to start a business, buy a home, save for retirement, and aid others in need. Look at the outpouring of monetary support for the victims of the Haitian earthquake, Hurricane Katrina, and the Indian Ocean tsunami. Americans—per capita by almost two-to-one over the next closest developed country—are the



Kevin T. Coyle

most generous citizens on the planet.

We believe in helping others, both at home and in foreign lands. We believe deeply in our ideals. We will turn on a dime when someone is in distress. Yet, I wonder when we will match our empathy for human caring with a far better understanding for money's proper role in improving human existence. When will we re-calibrate mistaken attitudes and misconceptions about money to see with true clarity what money can—and cannot—do for us?



Edward J. Kelly, Jr

Money is no substitute for happiness. If we allow it to control our lives, we surely will become a caricature of the travails of the rich-and-famous. Addicted to its beauty, we will end up berating ourselves when its ugly taint and misuse surface.

Money makes the world go round. It's true. We need money to live. It is an absolute necessity for transacting our business and personal lives. What we don't need, though, is money's destructive power invading our lives.



Gary W. Klaben

Today, with approximately 5 million millionaires in this nation, we see unprecedented wealth once restricted to only an elite "carriage trade." So the die is cast. Personal and family asset management requires greater awareness and education than ever before. If we are to move forward as a successful people, we must truly understand money, redouble our efforts to place it in its proper service role, and thereby be the masters and stewards of this essential tool of life.

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