FINANCIAL ARCHITECTS INC.

Capital Blueprints for the Future

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KEY COMPONENTS OF TRUE WEALTH

"A resourceful individual recognizes that "money" in and of itself is not a goal, but rather a tool to achieving goals and increasing life satisfaction."

Self-knowledge is an essential ingredient to understanding and improving your relationship with money. This includes taking a more holistic approach to evaluating your financial life.

Therefore, in addition to tracking your net worth, it is important to assess your progress in these five key components of "true wealth": Recognition, Resilience, Resourcefulness, Relationships, and Wisdom.

Recognition comprises your awareness of both the fact and feeling aspects of your money matters. This fundamental component of your true wealth requires introspection and honesty regarding the elements that have shaped your current relationship with money. Recognition is a powerful catalyst for personal growth in your financial life.

Resilience gives you the ability to successfully navigate life transitions and to bounce back from financial setbacks. From a practical perspective, financial resilience involves laying a foundation of economic protection. From an emotional perspective, financial resilience involves increasing your confidence in your ability to prepare for and deal with financial challenges.

Resourcefulness is the desire and ability to maximize your resources. In other words, it is the process of making the most of what you have. Resourcefulness also involves looking for effective and creative ways to reach your goals. A resourceful individual recognizes that "money" in and of itself is not a goal, but rather a tool to achieving goals and increasing life satisfaction.

Relationships include connections with others that affect your financial well-being and life satisfaction. This fundamental component of your true wealth includes the kind of communication you have, on both a practical and emotional level, with your family, friends, colleagues, and financial service providers. The complex dynamics of each relationship can have a profound influence on how you feel about your money and the big and little financial decisions you make on a daily basis.

Wisdom involves linking your financial goals to your values and priorities in all areas of life. This key to your financial well-being represents your "money maturity" and a growing understanding of both the fact and feeling aspects of your financial life.

When you earn, spend, share, and invest your money in ways that are "smart" and also compatible with your underlying values and priorities, you will experience a sense of success, satisfaction, and purpose in your financial life.

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INCREASING LONG-TERM HAPPINESS

For many years, the prevailing theory was that individuals have a genetically determined happiness set point.

In other words, scientists believed that each person could temporarily experience more happiness (depending on circumstances, relationships, and life events), but would then slide back to his or her "pre-programmed" set point. In fact, less than two decades ago, one researcher was quoted as saying, "It may be that trying to be happier is as futile as trying to be taller."

However, current research in the field of Positive Psychology indicates that people can become happier and the change can be long-term. Sonja Lyubomirsky, Ph.D. (University of California) wrote:

> *My colleagues and I believe that sustainable increases in happiness are possible through the execution of intentional cognitive, motivational, and behavioral activities that are feasible to deploy, but require daily and concerted effort and commitment.*

Lyubomirsky received a grant from the National Institute of Health to identify specific ways individuals can sustain higher levels of happiness. Her pioneering research revealed that our genetic set point accounts for only 50 percent of the happiness we experience while a mere 10 percent can be attributed to life circumstances and situations.

That means a full 40 percent of our capacity for happiness lies within our power to change. For Lyubomirsky (and for the rest of us!), this is heartening news. Scientific evidence confirms that we can maximize our happiness by managing what we do and how we think. She explains:

> *If we observe genuinely happy people, we shall find that they do not just sit around being contented. They make things happen. They pursue new understandings, seek new achievements, and control their thoughts and feelings.*

In her book, The How of Happiness, Lyubomirsky provides an engaging review of her research, and outlines the strategies she identified as being the most effective in increasing long-term happiness:

1. Expressing gratitude (i.e., keeping a journal in which one "counts one's blessings")

2. Practicing optimism (i.e., visualizing the best possible future for oneself)

3. Engaging in positive thinking about oneself (i.e., reflecting, writing, and talking about one's happiest life events)

4. Practicing altruism and kindness (i.e., routinely committing acts of kindness)

"In sum," Lyubomirsky wrote, "our intentional, effortful activities have a powerful effect on how happy we are, over and above effects of our set points and the circumstances in which we find ourselves."

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"That means a full 40 percent of our capacity for happiness lies within our power to change. "

THE OTHER SIDE OF THE STORY

Products are provided to fill a void or a need. Generally speaking they are not a one size fits all solution.

Editor's Note: This month we are featuring commentary from Brad Michels CFP®, an Investment Advisor Representative with Wealthcare Capital Management as well as Financial Architects, Inc., and has formed a joint venture with Financial Architects, Inc.

I recently attended my industry association's quarterly meeting, as I do every quarter, to learn from different experts and network in order to keep my professional lines of communication intact. There is usually really good content and it's always critical to keep current with any changes whether it be tax, investment, or possibly even estate related. Just as any professional will attest, you need to keep current and always be learning.

I'm not going to go into all the different topics or ideas that were shared on this particular day but there was one bit of information that was shared during our lunch that ruffled my feathers to the extent I really felt the need to vent. As we all know, any decisions made in life, whether it be financial, business, or personal are our decisions and we are ultimately responsible for those decisions whether they were influenced by others or not.

There was a product vendor who was provided the opportunity to speak to our group and chose to utilize his time to explain a new product they were now offering. Generally, when someone starts talking about a specific product, especially in the case of an annuity, I shut down and don't see much point in listening. In this particular case the individual commented how this particular product was a "no-brainer" and the skeptic in me decided it was time to listen.

Having a background that includes design and distribution of these products, I have an intricate knowledge of how they work and, generally speaking, how they are "sold." As I continued to listen to the discussion, I got more and more concerned as I could envision how this particular product would be positioned with a prospect or client. The general theme was no cost to the client, protection on the downside of markets (not necessarily a "can't lose", but limits on the losses which may be covered completely) with the opportunity to still participate in gains. Still listening, I started looking at the material provided to see if there was a "catch." Keep in mind that insurance companies, or any business for that matter, are not in the business of losing money and also the phrase, "If it sounds too good to be true…." started coming to mind.

Suffice it to say, when digging a little deeper, I found that there was an actual charge to the client but maybe the way it was presented was just misconstrued on my end (even though I confirmed with others that I did hear the part about "no cost to the client" correctly). Also, examples that were provided to our group were not nearly as accurate as they should have been as it relates to the actual workings of this particular product and the outcomes.

Now, I will be the first to admit I have a bias when it comes to this type of product, but I also have a concern due to the experiences I have had in working with other financial professionals. On the surface, I can understand the comment that this is a "no-brainer" as every client I know would like to have the potential for positive returns while having some protection when they are negative. But, purely based on the way this was presented, I also see way too many opportunities for abuse. I suspect that the client, maybe even the financial professional, relying on the insurance (product) professional, may not understand the whole story behind this type of product. In this case, it's not just the understanding component but also the potential sacrifice.

Products are provided to fill a void or a need. Generally speaking they are not a one-size-fits-all solution. In this particular case, for the right client in the right circumstance, I may even look

THE OTHER SIDE OF THE STORY

Continued

at this product as a solution. However, if I were to present it to a client, it would not be presented as it was in our meeting. There is a cost and I would make the client aware of the potential tradeoffs for this particular investment. In the end, it boils down to identifying the needs of the client and determining the best avenue to address those needs and the individual goals of the client.

If you are a skeptic similar to me as it relates to “products” in the financial marketplace, I would love to hear from you and have a discussion. To learn more about my process feel free to browse my website and see if any of what I discuss resonates with you. At the end of the day, you need to understand all sides of the story, both good and bad, so a proper decision or opinion can be formed.

Brad Michels, CFP®

Wealthcare Capital Management, Inc.

In My Opinion…

All That “Stuff”

This quarter we found it necessary to move my Mother into a care facility. Her health has worsened over the past years and she now requires constant monitoring, since the nature of her illness affects her breathing.

As time passed it became obvious that her condition was going to prevent her from returning to her patio home. Being a financial planner, I had helped her prepare for this moment. All of the legal documents were in place. She had completed her personal belonging requests. We had discussed all of her final wishes, so I felt prepared to meet the challenge that such a change presents. Or so I thought!

I am finding out there is more to the journey and most of it you can’t prepare for. First, there is the emotional ordeal of helping a parent who has become dependent. Such a role reversal is difficult for both parties. Mom has earned the right to expect her independence (raising five children), but was not primed to have her health take some of it away. The tug and pull events we have had have been frustrating to all of us. Finding the right balance between our desire for her happiness and the need for her safety has been challenging.

Then there is the question of boxing up her belongings. How does one decide with untitled personal property what is “valuable” and what is not? Fortunately, we had completed the excellent “Who Gets Grandma’s Yellow Pie Plate Workbook” produced by the University of Minnesota, but no workbook can account for every item in one’s possession. How can one distinguish between treasures and “stuff”? Many times such a decision lies in the eyes of the decision maker, the one boxing up the items.

What stands out most to me is what Mom has chosen to decorate her small room. Outside of a little closet of clothing, photographs of her family and plants are what she has chosen. She commented to me that she too was surprised at what she values after all her years of owning “all that stuff” (her words). What a lesson Mom! So many of us spend our whole lives pursuing and collecting “stuff”, yet it really is true that you can’t take it with you, even if you haven’t left yet!

If you are an aging parent, please take time to tell your children what your wishes are. Things are going to be tough enough on them arranging medical care and coordinating the caregivers to try to telepath your wishes. If you are an adult child of an aging parent, show leadership by opening a frank discussion of these issues, or you will pay the tuition at a much inflated rate some day in the future. Believe me, the cost is high.

Until next time, that’s my opinion.

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