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Values & Priorities

Inheriting Memories

ALMOST EVERYONE has personal belongings such as wedding photographs, a baseball glove, or a yellow pie plate that have meaning for them and offer special lifelong memories to family members.

What we've learned by listening to families and attorneys is that it is often the non-titled personal property that creates the greatest challenges for families when estates are divided, not the money.

When doing estate planning, families too often talk about the house or the investments, but forget to plan ahead or discuss personal possessions. Do you know what items have special meaning or value in your family and why? Do you know how to get started to communicate and plan ahead? What's Unique About Personal Possessions and Inheritance?

Challenges

The sentimental meaning attached to personal possessions can make decisions more emotional. For one, objects can assist the family's process of grieving and saying goodbye to their loved one. Also, special objects help preserve memories, family history, and family rituals. Equally important, the family must perceive that special objects

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Ethical Wills

Leaving A Legacy...

BARRY BAINES describes an ethical will as "a way to share your values, life lessons, hopes and dreams for the future, and forgiveness with your family and community".⁽¹⁾

He is the medical director of a hospice in Minneapolis and the author of "Ethical Will: Putting Your Values on Paper" (Perseus, 2002).

Baines also explains that ethical wills go back to biblical times. Initially, they were transmitted orally, but over time evolved into written documents.

In the *Businessweek* article, "The Virtues and Values of an Ethical Will" (April 8, 2002), reporter Kate Murphy notes a growing interest in "leaving heirs a testament of values, due in part to September 11."

Her research indicates that ethical wills range in length from a short paragraph to a bound volume. Murphy also observed that there is no one "right" way to draft such a document, but most address these topics:

- Values and beliefs
- Lessons learned
- Love for survivors
- Forgiveness
- Explanations of life choices
- Stories of family history or important events



Ethical wills are not legally binding, but many estate attorneys and financial planners encourage

clients to write them. In contrast to a traditional will that transfers worldly possessions, an ethical will bequeaths values, ideas, and personal reflections.

This is a wonderful gift to loved ones. But the authors of ethical wills also discover that they themselves benefit from the effort. They report that they learn a lot about themselves in the process of identifying their values and articulating what is most important to them. ■

(1) Source: www.ethicalwills.com

Oil Economics

Is another energy crisis in the making?

THE U.S. HAS ENDURED four major oil market spikes over the past three decades—in 1974, 1980, 1990 and 2000. A recession accompanied each of these.⁽¹⁾ Moreover, each \$10 per barrel increase in oil shaves an estimated 0.3% to 0.5% growth from the U.S. economy.

These are worrisome statistics, considering that oil is now approaching the \$50 a barrel mark, which reflects nearly a 50% price jump this year. A higher permanent pricing level could affect the economy, politics, foreign policy and your living standard. But it won't end civilization as we know it. Remember that the oil industry experiences cycles—and the free market responds accordingly.

High current prices reflect a supply and demand imbalance in the global oil market. Some of the forces have been at work for years, while others have surfaced more recently.

First consider the demand side. Economic expansion across the globe—and particularly in the U.S. and China—has heated up competition for available oil. It is estimated that half of the climb in oil prices has been due to China's growing demand for energy.⁽²⁾ Moreover, since late 2001, the U.S. has been filling the Strategic Petroleum Reserve as a defensive measure in the terrorist war. So, oil companies have been forced to bid higher to compete with the U.S. government for available deliveries.

On the supply side, low OPEC inventories and disrupted production from Iraq and Russia have reduced daily flows to the West. Labor unrest in the key oil states of Venezuela, Nigeria and Indonesia has reduced crude oil production. Though temporary, these factors have put the squeeze on worldwide supply.

Longer-term trends are also at play. Domestically, U.S. production has been declining since the 1970s as low prices and environmental laws

have discouraged exploration. New oil is harder to locate and extract, and even when advanced technology helps locate proven reserves, the fields are not yielding the volume to match previous finds. This has forced the U.S. to import over half of its daily oil consumption.

While the world's economies are looking to OPEC to fill the gap, the consortium has been producing at over 95% capacity. In an 80 million barrel per day global oil market, member countries have the ability to boost output by only two million barrels per day.

Implications

Market uncertainty has evoked a wide range of forecasts and scenarios. While no one can foretell the future, keeping a sophisticated view of oil markets can lead to better consumer and investment

decisions. Consider these general principles:

- **Current oil prices are not unprecedented.**

Reports of oil hitting record highs are not accurate on an inflation-adjusted basis. Oil was most expensive in the early 1980s when it approached \$70 per barrel, measured in 2004 dollars.⁽³⁾ The fact is, Americans have enjoyed cheap energy over the last two decades and are now experiencing an inevitable upward adjustment. In real terms, the higher prices are not yet comparable to the late 1970s and early 1980s.

- **The economy has so far absorbed higher energy costs.** At \$40 oil, the economy has been expanding at about 4% annualized during 2004, which is the same rate as in 1999 when oil cost half as much.⁽⁴⁾ The robust growth suggests that other forces, such as low interest rates and higher productivity, have offset climbing energy costs. If oil and gas prices rise gradually, the economy and markets can respond in an orderly manner.

- **Market prices also reflect noneconomic factors.** The continuing threat of a terrorist attack on

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(1) "It's Energy Prices, Stupid", *Money*, Oct. 2003, p 61.

(2) "Energy: The Big Squeeze", *BusinessWeek*, 17 May 2004, pp 36-39.

(3) "No Oil Crisis—Yet", *Money*, June 2004, p 161.

(4) "Why \$3-A-Gallon Gas Is Good For America", *Fortune*, 28 June 2004, p 58.

(5) "Costly Crude Is Slippery Slope for Investors", *The Wall Street Journal*, 23 Aug. 2004, C1.

(6) "Oil Prices Appear Headed Higher for the Long Run", *Bloomberg Wealth Manager*, Nov. 2003, pp 104-106.

(7) "Oil Anxiety Hits A Slippery Slope", *BusinessWeek*, 14 June 2004, pp 35-36.

(8) "Cheap Oil? Forget About It", *Business Week*, 8 March 2004, p 47.

Life Planning

Values First, Money Second: A Guide To Meaningful Living

THIRTY YEARS AGO, in my last year of high school, my father imparted some wisdom:

“As you prepare to leave home, the conventional thing for me as a father is to wish you success. But success, at least by the world’s standards, will be easy for you to achieve. What I wish for you is that you understand there is a difference between a successful life and a meaningful life.”

Even though at the time it seemed like an important message, at the age of seventeen, I had no clue of the depth of what my father was telling me. But, as it turns out, this has been my life’s work—to help leaders navigate the alignment of personal values with their business values—the source of meaningful achievement.

Meaningful living means viewing production—wealth generation—as a means to a much more important end. It is a tool for creating what is most important in your life. So often financial and retirement planning deals with how much money you desire later in your life, while mistaking a standard of living for a quality of life. Far too often quality gets squeezed out of life and before we know it, our business is running our life, rather than our life running our business.

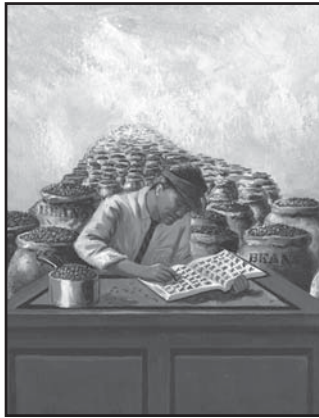
A holistic approach to financial planning, on the other hand, offers an alternative to this traditional approach. It challenges you to define a quality of life, and then decide how much production—wealth generation—will be needed to support that quality of life. This

approach is not just useful for retirement planning, but is applicable at any stage for creating a meaningful life.

Having a clear commitment to a quality of life gives you a framework for decision-making. It enables you to ask the hard questions:

- How much is enough?
- What matters most?
- What level of production—or wealth generation—will support the quality of life I most desire?”

Below are a few suggestions for developing a clear quality of life statement:



1. Purpose and Contribution—We all leave a legacy; the question is what kind?

2. Virtues—What kind of a person do you want to be known for?

3. Relationships—Who matters most in your life, and how would you describe the kind of connections you want with these people?

4. Challenge and Growth—What is your commitment to ongoing growth and development?

5. Health—Good health is a source of wealth. Without health, happiness is not impossible, but very difficult. What matters to you in this area?

6. Grace—Grace is that quality that creates a space for wonderment and awe in your life. Many of us are so busy, we miss the experience of living as life

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Oil Economics

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oil facilities in Saudi Arabia and Iraq has kept the markets on edge. Analysts estimate that \$40 oil has contained an \$8 to \$10 risk premium. Moreover, an unstable oil market attracts professional speculators whose short-term trading compounds the volatility. Some analysts claim that heavy speculation has added from \$3 to \$9 per barrel.⁽⁵⁾

• Price swings may persist.

Two-thirds of the world’s proven oil reserves lie beneath the Middle East. And future non-OPEC reserves will likely come from Russia, Azerbaijan, Chad, Angola and other volatile regions.⁽⁶⁾ This raises the risk of supply interruptions and price spikes. The Saudi’s oil infrastructure is sophisticated, redundant and quickly repairable.⁽⁷⁾ However, the greater concern is OPEC’s pricing strategy. The member countries have become more skilled at managing the oil market and avoiding accumulation of excess inventory.⁽⁸⁾ If their uncharacteristic solidarity endures, the market imbalance may last longer than expected.

• **The oil market is dynamic.** The world is not yet running out of oil—but only cheap oil. Remember that current worldwide oil reserves are estimated according to the economics of extraction. Higher prices change these economics, which ultimately leads to new exploration, higher refining capacity and larger supply. Also, higher prices encourage creation of new exploration technology, as well as the development and use of alternative fuels. Over the short term, the markets may gyrate. But the net long-term effect is a larger supply and greater energy efficiency. ■

Life Planning (Continued)

passes us by. What matters to you in terms of creating space, including time off, to experience grace in your life?

Reflecting upon these questions, sharing the answers with loved ones, drafting a Quality of Life statement as a family or even business, and then aligning these core values with your daily choices, creates a meaningful life. Remember: "It's easy to make a buck. It's more important to make a difference." ■

David Irvine is an internationally sought-after speaker, author, and mentor on the topics of accountability, authentic leadership, and balanced living.

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Inheriting Memories (Continued)

were distributed fairly and with forethought. This can pose challenges since the deceased person's belongings often have different value and meaning to each individual—and placing a monetary value on certain personal property items may be difficult.

Consequently, dividing these items equally among family may be impossible. Distribution methods and consequences are not widely understood or known.

Here's Help!

You can jump-start planning and action by reading "Who Gets Grandma's Yellow Pie Plate? Workbook: A Guide To Passing on Personal Possessions." The workbook is a step-by-step guide filled with worksheets, practical suggestions, proven strategies, and real-life stories. To order call 1-800-876-8636 or visit www.yellowpieplate.umn.edu. ■

By Marlene St. Stum, Family Social Science, University of Minnesota. This article was reprinted by permission.

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In My Opinion . . .

Robert J. Cole, Jr., CLU, ChFC, CFP™

Looking Backwards into the Face of the Future

I recently completed a pilgrimage that has given me a great deal to reflect on. My aunt in California (whom I had never met) had recently been diagnosed with lung cancer. This illness was added to her battle with colon cancer which she has been fighting for over a year. My Aunt Jane is ninety-two years old and when my mother (who is in her early eighties) called in tears to tell me of her sister's condition, I challenged her to make the cross-continent flight to visit her dying sibling. I also agreed to be her companion on this trip. It had been twelve years since they had seen each other. It had also been that long since Mom had been on an airplane. There was no way of telling what such a trip might produce but, listening to my heart, I knew it was the right thing to do.

The trip out was uneventful but it was my first time flying while being responsible for someone else. Mom found the new security procedures a new experience but, using the support services provided by the airline, we were able to get around from gate to gate without much effort. I was surprised at my mother's willingness to use a wheel chair, which she has always resisted. However, she recognized that conserving her energy for the long trip was important. She really did quite well considering her problems with lower back pain; but my mother was a Marine in WWII and she is one tough lady.

We finally made it to Aunt Jane's at 7pm (Pacific), making our day at that point about twelve hours long. The two sisters started to reminisce at once, but it seemed that Aunt Jane's memory was not as sharp as it once had been and she confused some of the details of their past. I reminded my mother not to worry about the details of the conversations but to focus on giving her sister some comfort. Afterwards Mom said it surprised her that her sister had forgotten these details. I am sure that she was thinking of her own capacity while discussing this. We spent the next two days in this mode. I brought in take out dinner from two of the finest restaurants in the city and the girls had a candlelit dinner on TV trays. On the morning of the second day, I drove my mother to the summit of Mt. Diablo some 3800 ft above the valley floor. I did a Tai-Chi prayer for Aunt Jane and my mother, as well. We made it back home to Louisville at 12:30 am (EST) the next day and with that, the trip was over.

I had some new observations about life from that trip. My aunt is demonstrating remarkable courage at this point in her life. She is accepting her fate with dignity and acknowledging that she has few regrets about how she has spent her life to date. My mother and I discussed her mindset in this matter and she said that she, too, was happy that she has made most of her final plans, as well. So, it seems that giving some advanced thought to these moments does provide a sense of serenity when they arrive. I had a sense that I was being at my best by playing my role as a family caregiver at a time when family seems to be your best resource. It also appears that one cannot wait until the last minute to invest time and energy in the family relationships that you have or you risk not having much to fall back on when your time of need comes. No matter how much material wealth you have accumulated in your life, in the final time "relationship wealth" is all that matters. It seems that those who age and die successfully view material wealth as a tool to enhance the pursuit of living a life with meaning—not just a goal to attain on its own.

One thing is for sure—we **will** face our own mortality someday and, though we don't like to invest much energy in it, now might be the best time to give some thought as to how we wish to deal with that time. In this issue of *Wealth Matters*, we discuss Ethical Wills and how they might assist in that process. (For additional information on Ethical Wills, visit our website at www.lifetimesolution.com and click on "Ethical Wills" under "Items of Interest".) As a service to our clients, we are offering (at no charge) assistance in this process of preparing for their legacy in the hope that doing so they can experience the last phase of their life with the same dignity and serenity of my aunt. Thanks Aunt Jane for the legacy that you have left me. I wish your spirit Godspeed on the next phase of your journey.

Until next time, that's my opinion . . .
Robert J. Cole, Jr., CLU, ChFC, CFP
President