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We did not,
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know

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Learning from Howard's Success

"Be happy and enjoy living. Don't worry about making money. If you do it right, you will acquire money. Work hard, and devote yourself to your business or occupation, and if you do that, you will become wealthy. Then you can give your children money and they can invest it and do well. Take care of your family and be good to them so they can be good to you. Take care of your health because if you don't have good health you don't have much of anything."

The words of Howard, client of 31 years, who passed away in August.

Howard's daughter provided this quotation a few days after the funeral. To her, and to Howard's other daughters and grandchildren, the words represent a philosophy, a way to become happy, healthy, and financially secure. Howard's philosophies also influenced his grandchildren. Two grandchildren read tributes during the service. They wrote the tributes two years ago when Howard became seriously ill and spent many months in a hospital or with full-time professional home care. Here is the first tribute:

My Favorite Older Person

He gives me faith. He makes me remember never to give up and to keep on going whatever it may take. He is Howard. He is my favorite older person. He opens his heart to me and encourages me. He teaches me assets for life. He cares about me. He is a very sweet man and I love him.

'Faith is the bird that feels the light when the dawn is still dark.' My grandpa inspired me to write that. He never gives up. He fell and hurt himself badly and he was in the hospital. We could barely make sense of what he said, but he never gave up when he was in the intensive care. He is starting to make sense again.

He taught me to live life to the fullest. Every day of his life he lives in a hospital. We have so many luxuries that he has dreamed of: walking, talking, being able to do things by ourselves. We take these things for granted. For one minute, think of how you would feel if you were he. You would want to give up. But he wouldn't; not him. He thinks how lucky he is to be alive. Now if that's not a man who loves life then no one is.

Giving more than he has. He showed me the love of giving. Throughout his life he has given so much to everyone: to the poor, to people he barely knows, and to me. He blessed me by his love, and by showing me how to give instead of to receive. When I was young, I didn't know how to give. I only knew how to receive. Soon I changed, with the help of my grandpa.

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"I sincerely hope you understand how much he means to me. No one could replace my grandpa. He means so much to me, you can't imagine. He taught me assets for life. I love him, and he loves me.

—Hillary Vagg,
11 years old, 5th grade, 1999

The second tribute was written by Alexander Vagg, 6th grade, spring, 1999, 12 years old:

Grandpa Is . . .

Grandpa, who is nice and kind,
Is tied to a chair
Is happy and smart
Sometimes hurt and small
Slow and pained
Is in happy clothes
Wears a nice pony tail
Sees through focus-glasses
Who is Mr. Wonderful
Wonderful, wonderful.
WONDERFUL.
Who says, "If it isn't Alexander."
Who I know will find new strength
One day.

Thoughtful Wealth Planning & Management

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Howard created wealth and personal happiness by placing family life in proper perspective with his career, saving, and investing. These tasks were made easier by the continuing love and support of his wife, Helene.

Family was first, a position honored by many in words, but by few in action. His second priority was the private business started by him and his brother. It was a retail clothing business that required personal attention to hundreds of customers, including many who became his friends. He supervised employees and managed business finances. He loved his business and his customers. He loved working with his brother. He enjoyed every day. He worked 12 to 15 hours per day. Though he never spoke of wealth creation as a goal, the result of his work and his brother's was increased wealth. The three methods to create wealth he used were to retain earnings in the business, to save through an employee retirement plan, and to save outside the plan. Since he saved by acquiring common stocks, his rate of return was very high, even though he temporarily lost significant value during the declines of 1973-1974, 1987, 1990, 1994, and during other, shorter periods of stock market weakness.

Investors should consider Howard's long-term investment program and the long-term programs of many other persons, as well as long-term results of employee retirement plans, such as 401(k)s, whenever they feel anxiety or insecurity about the present market. Declines are normal, but we do not know when they will occur, or how long they will last. Howard felt neither anxiety nor panic during the four big declines of his investment life. He was confident and optimistic about recovery from the low prices.

Successful investors, like Howard, first attend to providing first-class service in their businesses and careers, while

simultaneously creating permanent, automatic savings vehicles that move silently, routinely forward. Successful investors spend ninety percent of their working time providing service, and ten percent or less looking at stocks and attempting to second-guess the stock market. Howard always was aware of stocks in his portfolio, but he was not consumed by that knowledge. He spent less than 30 minutes a week looking at the market and making buy or sell decisions. His stock market holdings were important. They were significant companies that make and sell products that we need every day. The growth he achieved was stellar. He did it by buying good companies and holding them long periods, many for his entire life. Since most of his time was spent providing personal service to others, he was able to place the market in proper perspective. He was able to allow the market to work for him, without all-consuming, self-destructive, 12-hour-per-day attempts to second-guess future prices of stocks. By investing passively, he enhanced the wealth he was earning in his real life

Persons who have little to do in real life, who are not 100 percent committed to a profession, business or job, and who watch stock prices daily or hourly, tend to over-trade, to sell at the wrong moment, and to feel exaggerated anxiety when markets decline. Persons who hold securities for the long-term, and who quietly and passively allow the market to progress, make the most money and suffer the least personal anxiety.

¹To the family of Howard and Helene, I say, thank you for including me in your lives. To Howard, I say, good bye; you done good.

Wandering

Bernard Baruch² was believed to have said that his most productive month, every year, was his vacation month. In those four weeks, he said, he found the best investment ideas, and he was able to step back from day-to-day exigencies to place a higher value on his personal relationships and on the important aspects of his life.

Suppose, for example, that on September 11, instead of being at home or at your place of business, normally contemplating your weekly obligations and tasks, you were walking on a beach, visiting a museum, provisioning a boat, or generally occupied by something other than a normal day. How would you have reacted to events in New York? Would the place and time from which you viewed the events affect your reactions?

Or what if, for many years, you devoted the month of May to the Indianapolis 500 Mile Race and 500 Mile Festival? During those four weeks, every year, your life was consumed by the many social and cultural events, and by the racing competition. Imagine, then, how you might feel, if, instead of being in Indianapolis for the month of May, you found yourself in London, New York, Miami, or Calgary, and, while there, you realized that not a single person around you was aware that an important automobile race was about to take place. Does this realization affect your attitude toward the 500 mile race activities?

Try this. Suppose that you are sailing with six other persons. You call home, and your wife says, "John, Indiana University fired Bobby Knight as head basketball coach." You immediately walk back to the boat for dinner and tell everyone that I.U. fired Bobby Knight. You then look at their plain expressions, until someone finally asks: "Who is Bobby Knight?"

We perceive this lonely plant from a specific place and time. That place and time, together with all the activities associated with our lives, determine how we measure the importance of events. If we never depart from our place and time, and never enter the lives and times of other people, our view is narrow, usually centered on ourselves and our families, and our immediate needs. When we travel, we see other perspectives, and we place less importance on paying the bills on time, or even on reading a specific newspaper every morning at 7. If we are away from our home, our family, our place of business, on the day terrorists attack, our first reaction is alienation, a feeling of great distance between ourselves and the event. The second reaction is a powerful need to talk to everyone we love. If we are away from home, on a trip, or pursuing a new hobby, the third reaction is to try to place the event within the flow of history and within the circumstances of our lives.

The primary function of vacation/travel is to give us the perspective of distance and time to think.

We need this. We need to escape so that we can understand the confines of our lives. We need to move around, to find opportunity in the ideas of others.

²Bernard Baruch was a famous investor-writer in the 1920s. He apparently gave advice that saved Winston Churchill from a dramatic financial loss in 1929. Through the 1940s, he served as a roving ambassador and consultant to presidents.

PERSONAL SECURITY

My fictional friend Sam Fear-some acquired a gated condominium apartment. Then, he died.

I visited him once. I drove a tree-lined road, with speed bumps every block, and arrived at the guard station. The guard checked a computer-driven recording device. Upon entering my name, I overheard my friend's voice, stating that he was expecting me. The guard opened the gate. Two minutes later, I arrived at the circular entrance drive to his high rise. There, another guard cleared me to the elevators, and he sounded the security-door-is-open buzzer. I exited the elevator on the 12th floor a few minutes later and walked the elegant but narrow and empty hallway. After knocking, I heard unlocking sounds. With a big smile, hugs and handshakes, Sam greeted me, and he showed me a fine, first-class apartment with a wonderful view. I was happy.

A few years later, I heard that Sam died:

Sensing trouble, Sam activated his emergency alert system. A medic team arrived at the guard station seven minutes later. The station was empty because the guard was helping another driver change a tire. The guard ran to his post, pressed a button, and passed the emergency vehicle, which arrived at the high rise

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I don't know

The premise of a recent WP&M quarterly report cover letter is "I don't know." A week after it was written (about a month before it was mailed), terrorists attacked the United States, the most important event in our recent history.

Looking back to the economic prognostications of December and January, no expert stated that "the market will decline slowly during the first nine months of 2001. An additional and sharp decline then will follow a military attack on the United States." Of course, no one could have predicted such an event. Nevertheless, following the attack and subsequent market adjustment, hundreds of commentators immediately spewed forth interpretations and prognostications of what the market will do. We prefer to admit that we "do not know."

The phrase, "I do not know," is important in an investment philosophy, to the point that I disdain those commentators who say, "I know. Here is what has happened. Here is what will happen." How silly, because they also do not know. Perhaps the demands of their positions in life, or the requests of media, or the never-ending longing of all of us to seek and to rely on prediction, have led to creation of these professional pompous prognosticators. For us, however, no way. We cannot purport to understand the recent past, for we do not yet understand the Great Depression, or the French Revolution. We know the facts, but do we understand? Probably not.

No person has successfully—and consistently—predicted market direc-

Personal Security, *continued from page 3*

entrance a minute later. The building guard was "down the hall." He heard shouts, ran to his station, grabbed emergency entrance keys, opened the security door, and entered the elevator with three medics. The elevator trip took two minutes. It was delayed by a resident who stopped the elevator on the 9th floor because the guard did not utilize a nonstop control key. The medics logged arrival at the apartment door 14 minutes following receipt of the emergency call. The guard opened the door knob lock, then the dead bolt lock, but he could not open the door. Working five minutes, four men could not budge this solid door. Their only remaining choice was to enter through the glass doors to the apartment's private balcony. To reach this balcony, one medic arranged to lower himself from the 13th floor balcony directly above. Including time to make explanations to the 13th floor resident, the medic arrived on the balcony 14 minutes later, broke the glass, and entered. There, he found Sam, without breath or heart beat. The medic opened the apartment door by releasing the chain lock, and removing a long metal door brace that was placed neatly at an angle from below the door knob to the floor. He logged total time from call to arrival at 31 minutes.

Though my friend had no history of heart disease, an autopsy revealed massive heart failure. The attending physician said that Sam might have died in one minute, ten minutes, even 25 minutes. We never will know. All we know is that he was gone in something less than 31 minutes, the time required to penetrate the systems intended to keep him secure.

tion and portfolio results. Those who have been lucky enough to produce stellar returns either retire at the top (like Peter Lynch) or sink to mediocrity, usually over a cycle that lasts less than six years, a period only one tenth of the investment experience of most of us.

Are we odd for admitting that we take solace in not knowing? I hope not, because once we stop analyzing and predicting, we can, instead, focus on risk reduction and asset allocation, as well as on retirement, education, and estate planning. These functions are within our control. We can reduce risk by investing conservatively, avoiding

speculation, and acquiring enterprises that are likely to be around in good times and in bad. During the 18 months ended June 30, WP&M produced much-better-than-average returns, because the average contains hi-techs and dot-coms, the products of a new economy that was not new, but was merely a fad in the flow of investor psychology. We will continue to hold quality, to avoid speculation, and to remain calm, as this market reminds us both of our humility and of the powerful opportunities provided by life in this strong and wonderful land.

Good night Dorothy. You done good.

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