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New Members, Old Philosophies

We at Wealth Planning& Management, LLC, minimize promotion, but once in a while we must describe good things about the company.

The good news is that Paul Coan joined us as managing partner, and Tim Wright became chairman. Short biographies of both appear at www.wpam.com. A longer biography of Paul appears in this issue, and the biography of Tim will appear in the February 2005 issue.

Saving Money and Some Philosophy

In these pages we want readers to find practical value and useful ideas. We provide ideas about how to save money, because a penny saved is worth at least a penny. My wife and oldest son save pennies, lots of them, a ton of them. Periodically, my son takes his pennies to the supermarket and drops them in the coin counter with a few quarters, dimes and nickels, often realizing $70 or more, net of the 10 percent counting machine commission. Meanwhile, my wife accumulates coins. Soon we will reinforce the floor to support the weight. Lost interest on cash not invested is. . . Never mind. This is a family thing. The point is that readers might save dollars, not pennies, by checking their phone bills and credit cards. That story follows.

A Few Hundred Dollars per Year

Some sectors of our marvelous capitalistic system market products by misrepresenting prices. Recognition of this reality can save money. An example is advertisements for air fares: $70 to Los Angeles, but only if you pay $140 for a round trip. Another is the promotion “ten cents a minute for phone calls,” with small print mentioning the 50-cent surcharge per call. Most of these obfuscations are apparent, but a few confuse even the most studious.

A recent long distance bill had four sections: the primary line, incoming calls on the toll-free number, the fax line, and a calling card. Rates per call on the first three were less than ten cents per minute, leading a customer to believe that the long distance service is reasonably priced. International calls were around 12 cents a minute. Prices for calls made remotely utilizing the calling card were a different story. These calls were over $1 per minute, producing a total charge almost half the total bill for less than 20 percent of calls made. On questioning, the provider said that calling card rates are different, and within the calling card rate schedule calls within a state are more expensive than calls between states. On the other hand, the provider had a calling card promotion on state-to-state calls. A separate portion of

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A Few Hundred Dollars, *continued from page 1*

the bill shows credits for the promotion. Nevertheless, net of the promotional credit, rates still were higher than calls made from the primary phone. "How long will the promotion last?" asks the customer. "We do not know," says the provider.

The customer decided to analyze the monthly bill. He divided the total bill by the number of minutes charged. The result: over 65 cents a minute. Inflating the total were fees for maintaining the toll-free number and for the international calling plan, access charges, and taxes and surcharges. The appearance of low per-minute fees was false. The real cost was more than six times higher than the rates per minute shown on the bill and touted in advertising.

While wishing for straightforward pricing, customers must check bills in detail, not difficult for one or two residential lines, but not easy for a small business with several lines and lots of calls. For this customer, the work resulted in a change of providers.

Aggressive marketing of credit cards produces misunderstandings about cost. A customer I know well—extremely well, let's say intimately (meaning me)— was attracted to an airline card that pays frequent flyer miles. Only when the first bill arrived did he realize that the card has a $90 annual fee. (Looking back, he found the fee on page three of the promotional mailing.) The experience led to a review of credit cards held, with good results. The new card charging $90 was eliminated, and a "prestigious" card with a similar fee is being phased out in favor of a card that does not charge fees and pays airline miles. Fees saved and benefits earned are hundreds of dollars a year. By drafting all credit card charges to a checking account, late payment fees and high interest charges are avoided. By the way, on canceling the personal airline card, our customer was told that a pro-rata share of the $90 fee would be refunded. Only on calling back two months later did the credit card company issue the refund check.

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Saving in the Long Run

We delicate and deliciously complex humans avoid doing what needs to be done, such as creating a sound and manageable estate plan that will save thousands of dollars and hours of pain for our heirs. Specific reasons for delay/avoidance are numerous, but the general reason is that our stellar temperaments have points of weakness. In the case of the intimate friend mentioned above, he has a sound estate plan, but refuses to floss. He should. He knows that he should. His dentist has been telling him for almost 30 years that consistent flossing will reduce gum recession and bone loss. (Gum recession is like an economic recession. Both expose weakness.) Still, he always has an excuse for not flossing.

Excuses for not creating a sound estate plan are numerous. Here are recent favorites:

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Philosophies

Performance: The culture of performance distorts investor goals and perceptions. Over the presumed "investment life" of individuals, which is at least sixty years, consistent "out performance" is impossible. Fortunately, achievement of net worth improvement similar to increases in averages and indexes, like the S&P 500 index, is feasible and satisfying.

Patience: A French proverb says that patience can be bitter, but its fruit is sweet. During the bear market of 2001 to 2003, most WP&M clients hung on, but three abandoned ship, two at the low, and one above the low when his total value returned to his acquisition costs. We feel for them. They have missed an opportunity.

Warren Buffett states that high IQ does not produce a satisfactory investment result. Instead, rationality and curbing emotions produce a good result.

Understanding: An advisor received a letter from a client expressing dissatisfaction that his investments grew 152 percent in ten years. He longed to earn 40 to 60 percent annually, every year, for the next twenty years. At the 40 percent rate, his $50,000 would become $100 million; at the 60 percent rate, he would have $1.5 billion. The client was unrealistic. He understood neither markets nor compound interest.

Who We Are: The partners of Wealth Planning&Management provide personal, fee-only wealth management advice.

We lead our clients to long-term programs with minimal trading and infrequent use of "sophisticated," difficult-to-understand investment techniques. We believe that over the sixty-year investment life of most individuals, direct investing in the se-

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Paul Coan

Twenty-three years ago, on Paul Coan's thirteenth birthday, his aunt gave him 13 shares of IBM. Since then, Paul has become expert on physical fitness and financial fitness. For him, the two are similar. They both require six steps. The first step is to gather information. Next, establish practical and feasible goals. After that, analyze deficiencies in both the current state of financial or physical health and in the declared goals. Using the analysis of present condition and stated goals, the next step is to design a regimen (in physical training) or a strategy (to reach financial goals). Implementing the strategy is next, followed by continuous monitoring. For the professional physical trainer or the accomplished financial planner, relating to people, listening and understanding, and motivating are the elements of success.

Paul was raised on Indianapolis' west side. He attended Ben Davis High School aspiring to be an architect. A football injury ended this ambition because he could not stand at the drafting table. Still, he needed physical exercise. So, he signed on to the exercise science program at Florida State University in Tallahassee where he competed in Triathlon[1] and Iron Man races.[2] After college, he worked for Scandinavia in Greenwood and started his own personal training company, Elite Body Connections, working with individuals in their homes. In 1994, he became fitness director and later athletic director of the Indianapolis Athletic Club, there learning the most important lesson of his life: how to put the client first. The Athletic Club environment also gave him opportunities to converse informally with company executives and investors. Did he meet anyone famous? Yep. Kevin Costner, "a nice guy."

In 1998, Paul became manager of a new business, Hoffacker Health & Fitness. Stephen Hilbert, then chairman and chief executive officer of Conseco, was an owner of Hoffacker and also a client. In a short time, Paul found himself working for Conseco. His job was to represent its mutual funds to registered representatives, primarily at 40 branches of Merrill Lynch in New York.

The job at Conseco came at an opportune moment. A back surgery in 1997 put limits on his running and exercise, but he had followed markets since owning those 13 shares of IBM. He was an early subscriber to *Investors Business Daily*, which, he felt, is more concise and readable than other domestic financial journals. He also found good reading in the *Financial Times* of London, which provides the more objective view of a friendly outsider with little editorial bias from U.S. politics, trends, and fads. He also had benefits from those conversations at the Athletic Club and from the continuous information provided by exercise room televisions, most tuned to MSNBC and the like.

In the midst of upper management turmoil at Conseco, Paul walked down the block, literally, to the nearby branch office of Morgan Stanley and had a three-hour discussion that afternoon. Paul joined the next Morgan Stanley training class. Paul heard lectures on every financial product and service. Each lecturer "believed that his product or service solved all problems for every investor," but Paul understood that "out in the field" each prospect, each client, is unique and that what works for one does not work for all.

The Morgan Stanley experience was powerful. Instead of indirectly marketing one line of investment products, such as the mutual funds of one sponsor, Paul returned to the challenges of working with individuals. He found the same kind of connections and satisfactions that he had known as a personal fitness trainer.

The market collapsed during Paul's first year as a personal financial advisor. Though talking to people was easy for Paul, he found that many investors have three or four brokers, plus a do-it-yourself on-line account at a discount brokerage firm. For many, he thought, no one was looking at the big picture. No one provided a "holistic" service. Investors frequently defeated their own goals to diversify because assets at one custodian were duplicated at another. As markets declined, he saw investors sell at the lows because they did not have the patience and fortitude—or the comprehensive professional advice—to make better decisions.

Simultaneously, Paul began to dislike the business information media that report only today's hot item, the "investment du jour." He assigns the unflattering term "financial pornography" to the massive doses of random information provided by the popular media commentators. To Paul, the job of the professional financial advisor is to evaluate information, to judge what is both true and practical, to make information manageable and useful to individuals.

Paul is not of the "big producer," big house, expensive car, flamboyant life style. He wants to be a professional, a good advisor to a limited number of clients. He wants to be respected by colleagues and competitors. To achieve his intellectual goals, Paul has been active in industry associations. He was president of the local chapter of the National Association of Stock Plan Professionals, and he has completed all educational course work required to obtain the Certified Financial Planner

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[1] Swimming, biking, and running.

[2] Swim 2.4 miles; bike 112 miles; run a full marathon, 26.2 miles. His best time: 9 hours, 58 minutes.

Paul Coan, *continued from page 3*

designation. He has been a board member of the Entrepreneur Alliance of Indiana, which presents speakers every month. As a member of the Indiana Venture Capital Task Force, Paul helped to encourage development of venture capital funds at several universities in Indiana. The purpose of these funds is to provide capital to the "next great idea" that emanates from the think tanks of academia and from the energies of students. As a member of the Regional Board of the Academy of Finance, Paul teaches finance to high school juniors and seniors, and he mentors individual students. Last month, Paul was invited to join the board of directors of the Indiana Chapter of the Financial Planning Association.[3]

Writing and speaking are hard work, but productive. They compel professionals to think, to learn, to keep up. Paul "keeps up" by writing for the *Indianapolis Business Journal* and the *Indiana Lawyer*. He teaches estate planning and wealth preservation for the Indianapolis Bar Association, and he has taught for the Indiana Treasury Management Association. His most ambitious work to date, a book entitled *Asset Protection and Wealth Preservation*, will soon be released.

One child, two dogs, and a talented spouse keep Paul on the ball. Ann Coan is Dance Director of Dance Creations, a studio in Fishers. She also is president of Dream Works Dance Productions, which forms competitive dance groups. One of her groups recently distinguished itself at a national competition at Disney World. Ann and Paul's significant charitable interests are the Indianapolis Opera Company, for which Paul serves as an advisor, and the Center for Exploited and Missing Children.

[3] Paul's partner at WP&M, John Guy, has been local president and national director of the FPA, and he was instrumental in founding the local chapter of the National Association of Stock Plan Professionals.

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"The attorney was 15 minutes late for an appointment. So, we left."

"We agree that we should have an estate plan, but my son and daughter-in-law have been visiting, and we are building a new deck on the house, and we have had so many other things to think about."

"The cost of document preparation is too high."

And so on.

Philosophies, *continued from page 2*

curities of American companies will produce the best result.

We are goal oriented, helping our clients to understand that market timing does not work, that delaying or accelerating commitment to an investment because of a recent event, or a projected event, is unlikely to produce a desired result. With the perspective of time, a single event, such as an election result, dwindles to insignificance.

Our personal investment policy letters often state that "if you and I do business twenty years, we are likely to experience at least three period of negative returns, one of which, like the bear market that started in 2001, will test our patience, endurance, and commitment."

The Wheel Turns: This quote is about Enron, WorldCom, aggressive mutual fund trading practices, and other phenomena:

"Too many accountants played footsie with stock-promoting managements by certifying earnings that weren't earnings at all." The speaker who said this also attributed poor investor results to "the mutual fund managers who tried to become millionaires overnight by using every gimmick imaginable to manufacture their own paper performance."

Were these statements made in 2002, 2003 or 2004? No. They were delivered by David L. Babson on March 18, 1971.

Thank you, Dorothy. You done good.