

The PERIODIC PONDERANCE

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What Goes Around Comes Around

A new trend in philanthropy is Giving Circles, or groups of people with a common cause who pool their donations and decide which organizations to support with the idea that one large donation can have more impact than multiple small ones. The roughly 800 existing Giving Circles range from big to small and formal to informal, and give between \$1,000 and \$100,000 per year. Some people are hosting “parties with a purpose,” in an effort to promote their causes and build contributions, but no matter how the Giving Circles come about, members get a deep sense of satisfaction from their pooled donation dollars going farther and in participating in the group decision-making process. Giving Circles also help people to connect with their communities and causes they care about, learn about the grant-making process, and network with people who share similar interests. If the idea of starting a Giving Circle is of interest to you, these tips may help you get started:

- ✦ Set goals and structure
- ✦ Establish a mission and commitment
- ✦ Decide where to place your collective dollars
- ✦ Establish an issue/focus area
- ✦ Create smaller work groups
- ✦ Develop processes and criteria for funding
- ✦ Define partnership with recipient of grant award
- ✦ Review potential recipients
- ✦ Make grant awards
- ✦ Evaluate your giving circle

For more information, visit givingforum.org or givingcircles.org.

—Melissa Hoyer



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From the Grave

Did you know that where you die makes a difference in whether your wishes regarding the disposition of your body will be carried out? In more than half of states, the law requires your survivors to honor your written wishes upon your death. In many others, though, your wishes can be overturned, even if they are in writing. For example:

In Michigan, even if you leave written instructions regarding your burial preference, your next-of-kin can override them.

If you live in Arkansas and wish to be cremated, the only way you can guarantee your wishes will be carried out is to sign a form and have it witnessed by two people.

In Massachusetts, Idaho, Mississippi and West Virginia, the only way to ensure your wishes are carried out is to have a pre-paid arrangement with a funeral director. Missouri gives your next-of-kin the “right of sepulcher”—the right to custody and control of the dead body, but allows you to name anyone as your next-of-kin.

New Jersey requires you to make your wishes known

in your will. Typically, though, wills are not read until after the funeral. If you live in New Jersey, make your wishes known to those close to you and ensure they have access to your will.

Colorado law allows its residents to leave specific written directions or to appoint a designated agent. A designated agent is someone appointed by you to carry out your wishes and need not be a spouse or other next-of-kin and, while stating your wishes in a written document may often suffice, naming a designated agent can be better. The agent is permitted to change your instructions as needed according to changing circumstances. For example, if you had planned on donating your body to a medical school in Colorado but died while on vacation in another country, your agent could decide whether it makes sense for your estate to pay to ship your body back to Colorado or whether to make alternate arrangements.

The good news? Almost all states honor the legal rights and documents of your home state if death occurs while traveling.

For more information, go to www.funerals.org/pref.

—Raquel Hinman

Apropos of Nothing

Just for laughs, here are some classic Yogi-isms. (Ya gotta love someone this articulate.)

95% of this game is half mental.

You give 100 percent in the first half of the game, and if that isn't enough in the second half you give what's left. (*Well, duh!*)

I didn't really say everything I said. (*Me, either.*)

You can observe a lot just by watching.

Nobody goes to that place anymore. It's too crowded. (*I know the feeling.*)

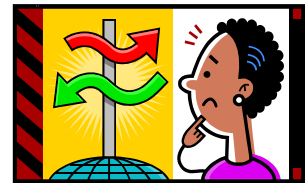
The future ain't what it used to be. (*No kidding!*)

Slump? I ain't in no slump. I just ain't hitting. (*Me, too, Yogi.*)

If you come to a fork in the road, take it.

If you don't know where you are going, you might wind up someplace else.

It ain't over till it's over. (*Well said!*)



Cashing In on Noncash Charitable Contributions

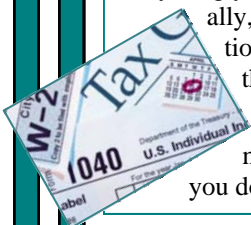
For 2007 tax returns, taxpayers can only deduct charitable donations of clothes or household items (linens, appliances, electronics, and furnishings) that are in “good” condition or better. Congress has yet to define “good,” but it would probably be wise to take pictures of everything you donate before you donate it. Additionally, if the donated item doesn't work, no deduction will be allowed, regardless of how good the item may look.

One thing that hasn't changed is the need to get (and hold onto) a receipt when you donate clothes or other household items. In

fact, the rules have only become more stringent for 2007 returns. Noncash contributions (any number of items) with a fair-market value of \$500 or more to any one organization must be supported by a receipt. Otherwise, you won't get the \$125 or more (\$500 x 25% marginal tax rate) in cash that you deserve. Clearly, the prudent policy to adopt going forward is to make sure you get a receipt any time you donate anything.

Having trouble determining the fair-market value of your clothes or household items? Get help from the Salvation Army at www.satruck.com/valueguide.asp.

—Brian Littlejohn



FYI

If you are a *Forbes* magazine reader, look for the list of “**The Ten Most Dependable Wealth Managers of the Rocky Mountains**” in the January 2008 issue. You’ll see The Wealth Conservancy on the list. TWC is proud to have been chosen from among hundreds of wealth managers.



TWC celebrated the holidays with a magical evening at **John’s** restaurant in Boulder. Everything was perfect: the wait-staff was service-oriented, beautifully skilled and warm and welcoming; the wines were exceptional (thanks, in large part, to Melissa’s talents as a sommelier); the white elephant gifts were imaginative and entertaining. And the food . . . the food was absolutely divine. If you ever get the chance to go to **John’s**—invite me!



This just in...If you signed up for the **National Do Not Call Registry** upon its opening in 2003, your registration was set to expire after 5 years. Fortunately the Federal Trade Commission (FTC) has agreed not to drop any numbers from the Registry because of the five-year expiration period, pending final Congressional or agency action to make the registration permanent. If you haven’t previously registered for the list, you can do so online at www.DONOTCALL.gov/ or call 1-888-382-1222. Registration is free.



Steve Henningsen, who for five years or more has entertained and educated us with his quarterly Commentary, is now offering a **quarterly conference call** to delve into more detail and to give participants a chance to ask questions about the material in the current Commentary. This quarter’s conference call is scheduled for Tuesday, January 29, 2008, 12:00 - 1:00 p.m. EST. For instructions about how to join in on this call, please call or email Belinda at 303-444-1919 (888-440-1919 toll free) or Belinda@thewealthconservancy.com.

—Barbara Denny

More About the “F” Word

Has your financial advisor (aka-broker, wealth manager, investment advisor, manager, etc.) recently told you that your account(s) will be transitioned from fee-based accounts to transaction accounts? Did he/she/they explain to you why they are doing this?

In the financial services industry, there are two general types of financial professionals: Registered Investment Advisors (RIAs) and those listed above (who are not necessarily RIAs). RIAs are legally bound to act as a fiduciary, which means that they are required at all times to act in their clients’ best interests. The others are considered to be sales agents of their companies and are held to a “suitability” standard, which means that the investments they recommend need to be suitable for their clients, but not necessarily in their best interests.

The Securities and Exchange Commission (SEC), in recent years, has allowed brokers to provide services similar to those of RIAs as they believed that these services were “incidental” to the sale of a product. These services included fee-based accounts (that typically charge a percentage of the investment portfolio), financial planning and advisory services similar to what might be offered by financial planners. The SEC also even allowed the agents to call themselves Financial Advisors, Wealth Managers, etc., while still excepting them from the fiduciary role. This exception is known as the “Broker Dealer Rule,” but is

often called the “Merrill Lynch Rule” as Merrill Lynch was the firm leading the charge to have their brokers excepted from the fiduciary standard. (Keep in mind that the SEC is very close to the big firms and, in many minds, is “in the pocket” of the large firms.)

Obviously, this has all been very confusing for consumers as it has become very difficult to determine whether an advisor/broker is ethical and what remedies might be available when something goes wrong.

In 2004, the Financial Planning Association (FPA) sued the SEC, asking to have the “Merrill-Lynch Rule” overturned and requiring broker-dealers to either accept fiduciary responsibility or revert to the traditional commission-only role. On March 30, 2007, the U.S. Court of Appeals ruled in favor of the FPA and overturned the “Merrill” rule. To give you an idea of the scope of this ruling, Merrill Lynch alone has more than \$100 billion dollars in more than 400,000 fee-based accounts that are affected by this ruling.¹

What does this mean to you, the consumer? It means that if your “advisor” or broker does not or cannot act as a fiduciary, then your account must be transitioned back to a “transaction” account. If, either in the recent past or in the future, you are asked to convert back to a transaction ac-

(Continued on page 4 – See “F Word”)



A Book Review

Reading *Family – The Compact Among Generations* was as extraordinary as spending time with Jay Hughes, its author. I don't know Jay well, but I consider him a friend with whom I have not been able to spend nearly enough time. *Family* helped. Reading it was (almost) as calming and insightful as engaging in conversations with Jay personally.

As the title implies, the book describes models to help families to thrive for generations. More specifically, its purpose is to debunk the “American version of the ancient Chinese Proverb, ‘Shirtsleeves to shirtsleeves in three generations.’ ” Jay writes from the heart and combines scientific, psychological, spiritual, and experience to clarify why the proverb plays out in the real world, and offer insights to shift that negative inertia.

Jay points out that the definition of family varies world wide. For purposes of his book, he addresses families of *affinity*. This is an important distinction that made a magical difference in my “listening” of the book. You may be familiar with my skeptical view of family offices (having written articles demonizing their virtues and exposing their propensity to dis-empower individual family members). A family of affinity, however, implies choice, where one can agree to be a member of the family or not. Under this scenario, a family member needn't be trapped, but rather a family office has an incentive to perform so that each family member *chooses* to participate if it is in his best interest. In other words, the governing members of the family office are in a service/sales position instead of being wardens whose job it is to keep family members in line.

Another magical outcome of this definition of family (of affinity), whose purpose it is to overcome the three-generational lifeline that plagues so many families, is that I could see The Wealth Conservancy as a family of affinity and apply all the principles of long-term, multigenerational planning to TWC. I've long held the vision of TWC being there for our clients' great-great grandchildren, but *Family*

helped me see how vision is not enough. Long-term thinking must be incorporated into the fiber of family governance. This is Jay's gift to his readers who, hopefully, are in a position of building families of affinity who are committed to thriving.

While I naturally think in terms of TWC, the reality is that that's the beauty of *Family*—everyone will read it and think it is a book written just for them. The wisdom is not just applicable to the wealth creator who is forming a family office, the third generation family member who is struggling to work within an established family office's structure, and a family office administrator who is torn between serving its family members and its founders; it's applicable to everyone who has or wants to create a vision or a future for their own *family of affinity*; even me.

I especially appreciate Jay's insights regarding “personne de confiance.” “. . . to give oneself completely as a ‘number two,’ as a servitor, to the creation of a great ‘number one’ and still retain full awareness of self is a characteristic of a successful *personne de confiance* (pg. 251),” and an aspiration of TWC, as well. The importance of serving clients; Jay's own personal experiences in that role; and his definition of the requirement to serve brought clarity and perspective to me, personally.

Throughout the book, Jay expresses reverence for his (now deceased) father and the values, lessons, and insights Jay learned from him. The culminating chapter, titled “A Father's Wisdom,” encapsulates many of those life-lessons in the form of principles. Fortunately, we can all learn from and apply James E. Hughes, Sr.'s pearls into our lives. Jay's willingness to give credit to his father and others speaks to his own humble wisdom. In return, I am personally humbled by his humility, and his gifts to all who read his book. Thank you.



—Myra Salzer



(Continued from page 3 – “F Word”)

count, then they are not required to act in your best interests. If they aren't working with your best interests in mind, who is? If your financial advisor is requiring you to switch back to a transaction account, your best choice might be to find a new advisor who will accept a fiduciary role.

How can you tell if your advisors are fiduciaries? Ask them if they will sign a fiduciary oath. If you would like a copy, The Wealth Conservancy would be happy to provide one for you. We, at The Wealth Conservancy, have always had a fiduciary relationship with our clients and we feel honored to be trusted with that responsibility.

—Raquel Hinman