

CITY SECURITIES WEALTH ADVISORS

Your Life. Your Goals. Your Advisors.

April 13, 2009

Back in February I wrote a series of letters on the concept of financial margin - that a family should never be dependent on more than about 60% of household income. If a client were to ask me to reduce successful financial planning to the two most important things they need to focus on, establishing financial margin would be the first. The purpose of financial planning is to produce freedom - freedom to go anywhere, to do anything, and to serve anyone. Living with appropriate financial margins results in having that freedom now, without needing to wait for a future retirement or other goal to be fulfilled. This kind of freedom is not experienced with substantial debts and/or a lifestyle that requires 100% of current income.

The second most important thing to focus on after establishing financial margin is to prudently build wealth. This aspect of successful financial planning is what enables the freedom discussed above to be continued into the future. I hope to write more on the concept of prudently building wealth in upcoming letters, but first it is important to define, or perhaps redefine wealth so we know what it is we should be prudently building. Popular definitions of wealth typically limit the meaning to a certain level of financial resources; but financial resources come and go too easily. I am more interested in creating *sustainable* wealth.

Sustainable wealth requires resources and relationships. Resources include our skills, knowledge, money and property. Relationships give purpose for these resources, and provide additional resources to complement our own. The accumulation of financial resources alone is often unfulfilling and brief, while even with few resources, relationships can make one truly wealthy.

Notice that I expanded resources to include skills, knowledge and non-financial assets such as land. Wealth is not just the accumulation of stocks, bonds, cash and retirement accounts. Although these are a key part of planning for current and future freedom, we would be doing ourselves a major disservice if we focused too narrowly on them.

If you've ever worked with concrete you know it has two main ingredients - aggregate (stones) and cement, which is the binding component. If your unique set of resources is the aggregate, then relationships are the cement that holds it all together to create a solid foundation. Relationships give a deeply meaningful purpose for our resources, fill in the gaps that we have in our own mix of resources, and create wealth that is sustainable through multiple generations. These relationships may include your family, friends, community and any other groups you serve.

One particular client story comes to mind that nicely illustrates this definition of wealth. Elder care, or long-term care, funding can be a daunting goal for many clients. Accumulating enough resources to pay for a long-term care event without impoverishing a surviving spouse is difficult. At the same time, paying the hefty annual premiums for a long-term care insurance policy isn't much easier. This client is no exception. However, for many decades they have diligently accumulated resources and simultaneously invested in family relationships. The result is that they now have a nest egg sufficient to provide for their income needs throughout retirement, *and* they have a daughter and son-in-law that

are not only willing, but eager to have them move into their home to provide any needed care in the future while enjoying these later years of life with their children and grandchildren.

I could tell many similar stories of people who have this kind of sustainable wealth - some through family relationships, some through community, and some through using significant personal resources to serve others in a way that brings great fulfillment.

Now that we have defined sustainable wealth, we're ready to address the process of building it. In the meantime, please feel free to let me know if you have any questions about these concepts. As a reminder, past letters are archived at www.citysecurities.com/WealthAdvisors if you would like to revisit financial margin or share these concepts with others.

I hope you have a great week! We enjoyed a beautiful Easter weekend here in Indiana, which included my five year-old son successfully learning to ride his bike. I put a link to photos of the proud moment below[†] for anyone interested.

Have a great week!

A handwritten signature in black ink, reading "Kenneth R. Klabunde". The signature is written in a cursive, flowing style.

Kenneth R. Klabunde, MS, CFP®
Vice President

[†] http://kklabunde.smugmug.com/gallery/7892805_RB7tt#511819551_JtyCW