

# THE SUCCESSFUL INVESTOR

A PUBLICATION OF WAYPOINT WEALTH PARTNERS

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Waypoint Wealth Partners is an independent wealth management firm providing investment management and wealth planning services to individuals and couples. We specialize in working with successful families with school-age children, helping parents plan and navigate the myriad of issues and decisions common to this demographic.

We understand that time is your most precious resource as you juggle the demands of career and family. For that reason, we focus on organizing and simplifying all the pieces of your financial life and developing an actionable plan with key success metrics to keep you on track toward achieving what's most important to you.

At Waypoint Wealth Partners, we strive to develop long-term relationships, deliver tangible results and have a meaningful impact on our clients' lives.

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## *Summer time = family time*

Summer is traditionally a time when families come together. Whether it's a reunion at Aunt Gertrude's or roasting marshmallows around a campfire, summertime is often family time.

In that spirit, we've put together a newsletter loaded with more interesting tidbits than the best summer book you've been reading.

Chuck talks about the habits of successful families and explores what works for the top 10 percent who seem to know how to transfer wealth and preserve family harmony through the generations. See page 2.

We also catch a glimpse of a dual-career

household that keeps family time as its top priority. The Szabo-Aszterbaums find joy in time together, simple as that. Check out page 4 for our client profile.

If that's not enough to tame the summer heat, Jon and Eileen Gallo, authors of "Silver Spoon Kids" and "The Financially Intelligent Parent," offer advice on setting up trusts and avoiding the most common mistakes. It's a must read and can be found on page 5.

And finally there's some valuable information on how to create a culture of philanthropy in your family. Take a peek on page 7 for some practical advice that's easy to put into action. —



Chuck Bowes, Principal



Annette Brinton, Principal



Ed Runyon, Principal

*"Deep summer is when laziness finds respectability."*

— Sam Keen, American author, professor and philosopher

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# Learning from the successful few

How do 10% of families keep their clan and cash together over many generations?



Chuck Bowes  
Principal

**D**id you know that 90 percent of families lose their financial wealth and develop familial rifts in three generations — or less! This is according to Rodney Zeeb, CEO of the Heritage Institute, who I recently heard speak at a conference. Even worse, it has been this way for thousands of years.

This got me thinking about what we can learn from the 10 percent who do keep their families and money together over many generations.

Zeeb and others have pointed out that the problem is not passing money from one generation to the next; in fact we are very good at that. Whether it is a few hundred thousand dollars or tens of millions, there are a variety of tools and techniques used by experienced professionals who help families cost effectively and tax efficiently pass money from one generation to the next.

It has been estimated that more than \$55 trillion will pass between generations from 1998-2052.

But 90 percent of families get so caught up in saving taxes and protecting assets that they forget about passing values and preparing heirs for an inheritance they ultimately will receive. History is clear that this approach leads to broken finances and relationships.

So why is it that nine out of 10 families fail to keep it together? As it turns out, there are several common traits shared by the successful few.

## 1. SHARE TIME AND HAVE FUN TOGETHER

The successful are intentional and thoughtful about creating family traditions. This can be as simple as having dinner together on a regular basis or having a particular day of the week to share a special meal. We know most of our clients enjoy good food and wine, so why not be intentional about sharing this passion with your family?

Another option is a family vacation each year. Some

*"Wealth never survives three generations."  
— China, 2,000 years ago*

*"Clogs to clogs in three generations."  
— England, 1350*

*"From the stables to the stars to  
the stables in three generations."  
— Brazil, 1900s*

*"First generation trader,  
second generation gentleman,  
third generation beggar."  
— Spain, 1500s*

*"From shirt sleeves to shirt sleeves  
in three generations."  
— United States, 1800s*

*"Seldom three descents continue good."  
— Germany 1700s*

*"Beating the Midas Curse," Perry L. Cochell and Rodney Zeeb*

families enjoy visiting the same place each year (Lair of the Bear is one of our family's traditions), while others prefer to explore new locations. It doesn't matter which you choose, just as long as there something on the calendar each year that your family can look forward to together. As your children and grandchildren get older, planning a family vacation can be a great way to teach many life and financial skills while sharing your values in a fun and meaningful way.

## 2. BUILD HEALTHY COMMUNICATION SKILLS AND DEVELOP TRUST

We all know trust is earned and not given. And we know that a foundation of trust is built on good communication, yet we often fail to discuss values,

Continued on page 3

especially as they pertain to money. The absence of thoughtful communication is often the root cause of many family problems.

This is easy to say and difficult to do. Healthy communication is not parents talking down to kids or kids telling parents what they think they want to hear. It takes patience, time and willingness to step outside your comfort zone to have meaningful conversations about values and money. But the rewards for doing so are immense.

### 3. KNOW YOUR FAMILY STORY

How much do you know about your great, great grandparents? How much will your great, great grandchildren know about you? In today's world of digital video, audio and voice recognition software, it has never been easier to document your family story.

We are not talking about uncovering scandal and shame but of communicating your history and values from the mundane to the extraordinary.

Successful families take time to memorialize these stories, understand their roots and learn lesson from their ancestors.

### 4. ACTIVELY MENTOR THE SUCCESSIVE GENERATIONS

Parenting and mentoring are two very different things. There is no denying the huge role parents play in their children's lives but the daily grind of parenting often gets in the way of mentoring core values and teaching more subtle life skills.

It is often a grandparent, aunt, uncle, close friend or teacher who is the one who can crystallize for our children the life lessons and principles that are so critical to their long-term well being.

Take time to develop key relationships and create opportunities to foster those relationships.

### 5. UNDERSTAND THAT WEALTH IS MORE THAN MONEY

Prior to the industrial revolution, most definitions of wealth focused on health and well being — not financial and economic assets. Around the time Adam Smith published "The Wealth of Nations," our definitions began to change.

Successful families realize that the values they live by and the emotional inheritance they provide to their families are far more important and enduring than the money and assets that may transfer through the traditional estate-planning process.

If I could sum up what drives us at Waypoint each and every day it might be "helping clients achieve what is important to them."

#### Common traits of successful families


1. Share time and have fun together.
2. Build healthy communication skills and develop trust.
3. Know your family story.
4. Actively mentor the successive generations.
5. Understand that wealth is more than money.

That can take many forms, including:

- Having a successful investment experience;
- Getting children through college and launched on their own independent path;
- Traveling around the world;
- Starting a new business;
- Helping people successfully chart a course to financial independence or
- Helping build your community or legacy.

And to help our clients achieve their potential we spend significant amount of time engaging with other professionals, hearing from experts in diverse fields, reading books, industry publications and research reports, participating in study groups and professional organizations, and learning from our clients.

All these efforts are to help our clients be part of the 10 percent of families who pass along values and prepare the future generations to build upon their legacies — to continue to grow and develop both themselves and the world they live in.

We are interested in working with clients to fine tune a process to help future generations benefit from, and not be handicapped by, the wealth their parents have created. We welcome your input and feedback. Remember it is about family, not money. 

## \$41 trillion

Estimated amount of wealth in the United States that will transfer during 55-year period from 1998-2052.

— "Millionaires and the Millennium," 1999 report by Paul Schervish and John Havens

*"Most of the gifts that pass among family members aren't mega-transfers, but rather millions of small ones."*

— William Gale of the Brookings Institution who co-wrote a study on wealth transfer in 1993 that focused on "intentional" giving while living.

## \$2.2 trillion

Amount received between 1998-2007 through inheritance and gifts according to Federal Reserve survey.

— Investment Management Consultants Assoc.

## Prescription for a happy family

Laughter rippled over the phone line as Dr. Michelle Aszterbaum raved about her new puppy, Gigi, an adorable and “very smart” Maltese. Her two daughters, 10-year-old Olivia and 7-year-old Isabella giggled as they chased the furry white puff out into the backyard of their home in Newport Coast.



It's a warm summer evening as Aszterbaum's husband, Dr. Richard Szabo, arrives home after a long day as chief of Kaiser Permanente's Urology Department. The couple chat comfortably about family, travels and the work/life balance they strive for.

Aszterbaum has been practicing dermatology, dermatology surgery and laser therapeutics in Newport Beach since 2001. She runs a private practice after leaving a high-pressure post as a faculty member and researcher at the University of California, San Francisco.

"I'm fortunate in dermatology because I can leave my medical job behind and come home to my second — and harder — job of being a mom," the native Southern Californian mused.

She and Szabo met at a Physicians for Social Responsibility meeting at Stanford while Aszterbaum was still in medical school at the University of California, Davis. PSR is a nonprofit that is the medical and public health voice for policies to prevent nuclear war and proliferation and to slow, stop and reverse global warming and toxic degradation of the environment.

They swapped tales about their Hungarian roots, discovered they were both Jewish and found many similarities in their family histories.

Aszterbaum's parents both emigrated from South America, her mother from Ecuador and her father from Argentina. The hard-working immigrants raised four daughters in Southern California — all of whom entered the medical profession and each married a doctor.

Szabo's mother was from Romania and, at the age of 14, survived the Nazi concentration camp at Auschwitz with her

sister after losing their mother, father and brother to the brutality of the camp. His father was from Hungary and immigrated to America after working in forced labor camps. His parents met in Detroit and then moved to New York where they raised Richard and his sister, who became a nurse.

After a childhood spent on Long Island, Szabo attended Antioch College in Yellow Springs, Ohio, before graduating from Stanford University's School of Medicine.

After dating long distance for a few years, Aszterbaum and Szabo came to live in the same city and have been married for nearly 14 years.

"We spend every non-working moment with the children," Szabo said, his soft voice revealing his affection. "They are at such an enjoyable age right now."

Family is clearly a priority to both Aszterbaum and Szabo, and they work hard to keep their priorities in check. Aszterbaum works part time and picks up the girls from a Jewish school at 3 p.m. every day except Wednesday, which is when Szabo collects them and brings them home.

"We enjoy hanging around together, talking and eating," Szabo said. "We often skip date night because we want to be with our kids."

The family also spends time playing on the beach at Crystal Cove or going to El Moro Canyon, where they can hike or bike together. Their family time isn't confined to the beautiful Southern California coast. They recently went to Italy and Israel with the girls and had an "enlightening" journey.

"Israel was very eye-opening," Szabo said. "We stayed with family and it was interesting to realize I could have been there and they could have been here."

But Southern California is now home to the Aszterbaum-Szabo clan. At dusk the girls stop chasing Gigi and they all hunker down to watch the sun set over the Pacific Ocean. ☺

# What parents should consider when developing a trust

As consultants and advisors, we frequently see common mistakes in the drafting and implementation of irrevocable trusts. Here are the four most common ones:

## HIDING THE TRUST

Parents often mistakenly believe that what their children don't know won't hurt them. They rationalize that they won't create spoiled trust-fund kids if their kids don't know there is family money or that they are beneficiaries of trusts set up for their benefit.

The problem, of course, is that they eventually will discover — or will be told about — the trust. The result is often feeling that they have been deceived and mistrusted. Rather than hiding the existence of the trust, explain that it has been established for them as responsible members of the family. Let them understand that the money they will receive is a sign of the trust in them to use the money wisely and well.

## ASSIGNING CHILDREN BENEFICIARY-ONLY ROLES

In other words, the children do not participate in trust management as co-trustees. Perhaps you're afraid they'll make bad decisions; you don't believe they possess sufficient knowledge to participate in the management process.

But if they don't participate, how are they going to learn? As we tell our clients, kids can't play in the sandbox if there isn't any sand and they can't learn to manage money responsibly if they don't have money to manage. Provide that they become co-trustees at a designated age, such as 25, or upon completion of some life event, such as graduation from college. At the very least, even if they have no interest in being involved in money management on a day-to-day basis, they need to know enough to be able to interview, evaluate and monitor competent money managers.

## CREATING A TRUST THAT IS PURE BOILERPLATE

Most lawyers are trained to deal with the technical

side of estate planning. Their emphasis is on creating documents that carry out your wishes in a tax-efficient manner. If you don't insist upon it, they won't create an estate plan that communicates your values to your children. Develop a statement of your values, show it to your lawyer and ask that it be incorporated into your trust as general guidance to your trustees and beneficiaries. If your lawyer says it's impossible to do what you ask, get another opinion. Good estate plans should be flexible enough to accommodate your values.

## BEING UNAWARE OF PITFALLS

It's important to be aware of the pitfalls of the typical incentive trust. Incentive trusts are becoming increasingly popular. They are typically drafted to encourage the beneficiaries to accomplish goals the trust creator thinks are important, such as graduation from college, full-time employment or even selecting a spouse with a specific religious or ethnic background.

Often the legacy created by such incentive trusts is to drain the descendants of their own enthusiasms and replace them with their parents' interests. Instead of identifying the goals you want your children and grandchildren to accomplish, ask yourself what would be in the best interests of your descendants.

Think about how you can help them learn to view money as a tool to use, not as a goal to achieve. Incentive trusts can facilitate some young adults to embrace lives driven or controlled by money. You will discover a sense of satisfaction when you explore how your estate plan can help your children and grandchildren achieve their potential, rather than using it to control their behavior. —



Jon Gallo, J.D. & Eileen Gallo, Ph.D.

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# Rescuing whales, drinking fine wine, hosting luaus

In the July/August issue, "Wealth Manager" magazine published its 10th annual Top Wealth Manager rankings and Waypoint Wealth Partners made the list. There were 348 firms on the list, ranked by average assets under management per client. You can check out the complete list at [wealthmanagerweb.com](http://wealthmanagerweb.com).

Annette and Chuck attended the 38th Annual Financial Planning Association Regional Conference in San Francisco, where they came together with more than 600 other planning professionals to learn and stay current on all matters of planning and investment topics.

While vacationing in Baja California over spring break, Blake Runyon (10) assisted with the rescue of a beached whale. Once the tide came in, the volunteers helped guide the whale back into the Sea of Cortez. Everyone was thrilled to see him spouting as he headed safely to deeper water.

Annette had a fabulous two-week vacation in London, Chamonix and Provence, where she caught up with family and good friends, hiked in the Alps, and enjoyed the charm and wonderful food and wine of southern France.

Chuck hosted his son's soccer team to watch the first U.S. World Soccer Cup match on June 10. Amid much red, white and blue, the Under 10 boy's soccer team cheered for the U.S. team, which tied 1:1 with England.

Ed attended a two-day conference in Phoenix (112 degrees) focusing on the retirement plan landscape and regulations.

The Bowes family attended Lair of the Bear family camp for the fifth year from July 3-10. While there, they hosted an annual "Hawaiian Party" in their tent circle to reconnect with old Lair friends.

Annette saw Malcom Gladwell speak on "Puzzles Versus Mysteries" and the paradigm shift we're undergoing as we move from solving problems in which we had a lack of information to dealing with mysteries in which we're drowning in information. Fascinating stuff!

Ed recently completed two years of rigorous course work to obtain the Chartered Life Underwriter (CLU) designation. The CLU is one of the financial service industries most respected certifications. It involves extensive coursework, exams, industry experience and recommendations from peers.

Annette packed up her skis for the season and is back on her bike training for her first Century Ride on Oct. 30 — 108 miles through the spectacular landscape of Death Valley.

Rachelle Runyon (12) was selected to participate in softball allstars for the third year in a row. She'll practice three days a week and play in weekend tournaments in four cities.



The bees are a-buzzing at Farm Bowes. Chuck added a bustling beehive to his growing garden that includes lots of leafy greens, juicy strawberries and ripe tomatoes. 

## Fascinating Facts: Screen Time for Kids

*"Youth who spend more time with media report lower grades and lower levels of personal contentment."*

### 10.5 hours/7 days

Eight- to 18-year-olds spend more time with media than in any other activity besides (maybe) sleeping — an average of more than 7½ hours a day, seven days a week. Moreover, since young people spend so much of that time using two or more media concurrently, they actually are exposed to more than 10½ hours (10:45) of media content during that period.

### 66-76%



Over the past five years, the proportion of 8- to 18-year olds who have their own cell phone has grown from about four in 10 (39%) to about two-thirds (66%). The proportion with iPods or other MP3 players increased even more dramatically, from 18% to 76%.

Source: "GENERATION M2: Media in the Lives of 8- to 18-Year-Olds" A Kaiser Family Foundation Study Jan. 2010

# Nurturing a culture of philanthropy

Estate planning is the way in which families transfer wealth between generations. Building a culture of philanthropy within the family is a way to transfer values. We recently learned that kids see more than 5,000 ads, images and logos every single day, which can cause kids to want ever more “stuff” and suffer from low self esteem when they don’t get it all. Philanthropy is not only a way to instill values and provide parents a way in which to respond to these frequent requests for more, but it can also engender gratitude and appreciation in kids for all that they do have.

**Estate Planning** —————> **Transfers Wealth**

**Culture of Philanthropy** —————> **Transfers Values**

## Six successful strategies for incorporating philanthropy into your family life

- Model philanthropic behavior so your kids see you “walk the walk and talk the talk.” Share your values with your kids and discuss your involvement in philanthropy so it’s part of your family’s fabric and story.

- Establish a family philanthropic budget for the year, both in terms of time and dollars, and share that with your kids. Consider setting up a donor advised fund for each of your kids and make an annual contribution that they can distribute throughout the year.

- Make it experiential. Let your kids research organizations and causes that they feel connected to and then volunteer together. Look for those “teachable moments” where you can enhance the experience and provide context for your values.



- Consider microfinance that focuses on lending as opposed to outright giving. Sites, including Kiva.org, allow you to pick a

geography and read profiles of individuals seeking “micro” loans to start or expand their businesses. You can loan any amount from \$25 up and when the loan is repaid, you can loan it out to another person. It’s the gift that keeps giving and can provide important lessons about entrepreneurship and the value of hard work.



- Establish a tradition, maybe during the holidays, where your kids make a presentation about where they are granting their dollars and more important, why the particular organization is important to them. This can be a wonderful opportunity to involve grandparents and extended family members.

- Consider a service vacation. “The people who go on service trips are the people who don’t have to ask why they would want to work on their vacations,” said Didi Toaspern, Sierra Club leader ([www.sierraclub.org](http://www.sierraclub.org)). There are dozens of organizations that can help you arrange a meaningful vacation for your family. 🌍

### Charity

The word “charity” was derived from the Latin “caritas.” Originally in Latin the word caritas meant preciousness, dearness, high price. From this, in Christian theology, caritas became the standard Latin translation for the Greek word agape, meaning an unlimited loving-kindness to all others

### Philanthropy

It is generally agreed that the word was coined 2,500 years ago in ancient Greece by the playwright Aeschylus. It combines two words: philos, “loving” in the sense of benefitting, caring for, nourishing; and anthropos, “human being” in the sense of “humankind,” “humanity” or “human-ness.”

Source: Wikipedia

### Resources

Fidelity Donor Advised Funds ([www.charitablegift.org](http://www.charitablegift.org))

Talk to your advisor about setting up an account.

Field Guide to Community Service 2010

Download a free copy at [www.sjleadership.org](http://www.sjleadership.org).

Kiva.org ([www.kiva.org](http://www.kiva.org))

Volunteer Center Orange County ([www.volunteercenter.org](http://www.volunteercenter.org))

The Volunteer Center, San Francisco ([thevolunteercenter.net](http://thevolunteercenter.net))

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*How do 10% of families get it **right**?*

*What parents need to know about **trusts** before they get one.*

*Two doctors **juggle** careers, family, community.*

*Developing a **culture of philanthropy**.*

*Find out more inside...*



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