



For All That Wealth Secures™

An Amazing Investing Story by Michael C. Lantz, CPA/PFS, CFP®

Special Points of Interest

- Grace Groner, an investment wiz or just plain lucky?
- Three principles that lead to all outcomes
- Is your social security toast?
- Why you love a complaining customer
- Health before wealth? You decide.
- The conservative Prime Minister
- Do you have a mentor to light the way?

The Chicago Sun-Times recently reported that Grace Groner, a long-time resident of Lake Forest, Illinois, passed away in January at age 100, leaving a \$7 million bequest to her alma mater, Lake Forest College. Although Groner lived in one of the country's wealthiest communities, she hardly fit the profile of a trust-fund socialite. An orphan at age twelve, she was cared for by neighbors and attended college, earning an English degree in 1931. She went to work as a secretary for nearby Abbott Laboratories in Chicago where she worked for forty-three years. She never married, never owned a car, and lived for much of her life in an apartment before moving to a tiny one-bedroom house willed to her by a friend.

Her \$7 million estate was the fortuitous result of a lifetime characterized by frugality, simplicity, and a large dose of good luck. She had purchased three shares of Abbott stock for \$60 each in 1935, reinvested the dividends, and never sold them. Over the subsequent seventy-five-year period, her three shares multiplied to well over 100,000, and her \$180 initial investment grew over 38,000-fold to approximately \$7 million.

This story brings a smile to almost everyone's face and offers a number of investment lessons as

- Compound interest is a wondrous thing over long periods. To turn \$180 into \$7 million over 75 years requires an annualized return of 15.13%. By comparison, a similar investment grew to \$3,046 in one-month US Treasury bills, \$389,669 in the S&P 500 Index, and \$10,435,007 in US small cap value stocks. (Annualized returns were 3.84%, 10.78% and 15.75%, respectively.) Over the long run, a little extra return goes a long way.
- Maintaining an investment strategy requires discipline, detachment, or some combination of both. Ms. Groner had ample reason over seventy-five years to question the wisdom of holding Abbott shares, and by extension, equity investments of any kind. The shares lost roughly one-third of their value in the bear market of 1937, for example, and did not exceed the mid-\$50 share price of March 1937 until March 1944. She continued to hold her shares despite plunging stock prices in 1962, 1970, 1974, 1982, 1987, 1990, 2002, and 2008.
- In the wake of the recent financial crisis, lecturing investors on the possibility of so-called "black swan" events has become a well.

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If you know of a youth that is suffering from depression, please call Michael Lantz to introduce them for help free of charge.



What We Can Learn From

Abraham Lincoln

“A man watches his pear tree day after day, impatient for the ripening of the fruit. Let him attempt to force the process, and he may spoil both fruit and tree. But let him patiently wait, and the ripe fruit at length falls into his lap.”

Desire-Faith-Action; All Positive (or negative) Results Start Here by JoyfulHope.org



In order to achieve any outcome, whether it be positive or negative, all starts with the following three elements; desire, faith and action, in that order. Let's explore what each of these elements are.

First, desire has to start the process. You first have to want the end result. You might be wondering how you desiring a bad outcome, such as getting fired from a job, could start with desire. I'll address that answer in a moment.

The second element has to be the exercise of faith. Faith is the hope of things unseen, yet believe in the possibility that it could exist.

Faith is an understanding that the desired outcome is possible.

Finally, you have to put forth action to make the desired outcome a reality. Actions that you have faith would at least lead you closer to the reward or punishment as the case maybe.

I want to explain how a negative outcome could come from these seemingly powerful traits. Our minds have an incredible power to produce potent thoughts. We also own the great gift of choice; to either accept them or dismiss them. Many of these thoughts though are heard quietly and in obscure forms thus we don't always recognize the negative ones, but they

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An Amazing Investing Story (continued)

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"The moral of the story: Albert Einstein may or may not be the source of the quotation, but it appears that compounded interest truly is the "eighth wonder of the world."

Michael Lantz

journalists. There is certainly some truth to their observations; as Gene Fama pointed out in his Ph.D. thesis published in 1965, stock returns exhibit extreme outcomes much more frequently than that predicted by a normal probability distribution. Ms. Groner's experience illustrates how some unanticipated "black swan" events can be remarkably good.

- Could you recognize a great growth stock even if you owned it? It could be harder than you think. The most striking characteristic of Abbott's share price behavior over the past seventy-five years is how long periods of trendless or below-average performance are punctuated by brief episodes of sensational results. As an example, the 1950s were a rewarding decade for equity investors, and the Dow Jones Industrial Average more than tripled in value. But Abbott shares rose only 22.7%. How many of us would have had the patience to continue reinvesting dividends into an "obvious" loser after such a long drought? The same argument applies to holding an asset class such as small cap stocks or real estate after a prolonged period of weak relative results.
- Should we seek to emulate Ms. Groner's success by making a bet on a single company? Probably not, particularly if we are seeking to use our portfolio to fund retirement expenses. Although we may admire her habit of thrift, most of us would have a hard time riding the

bus for decades and wearing second-hand clothes while maintaining a multi-million-dollar portfolio. If her investments had done poorly, the loser would have been Lake Forest College, not Ms. Groner's lifestyle.

- A major factor in Ms. Groner's success is a happy accident of geography. She was raised in Lake Forest and went to work for a firm in nearby Chicago that turned out to be one of the biggest winners in the entire US equity universe. For the fifty-year period ending in 2009, for example, only seven stocks had higher rates of return: Altria Group, Kansas City Southern, Loews, Walgreen, RadioShack, Dover, and Johnson & Johnson. But if she had chosen to work instead for other industrial leaders of the time such as DuPont, National Steel, or Nash Kelvinator—all components of the Dow Jones Industrial Average—the outcome would have been sharply different.

The moral of the story: Albert Einstein may or may not be the source of the quotation, but it appears that compounded interest truly is the "eighth wonder of the world."

John Keilman, "A Hidden Millionaire's Gift," *Los Angeles Times*, March 6, 2010.

David Roeder, "One Woman, Three Abbott Shares Equals \$7 Million," *Chicago Sun-Times*, March 7, 2010.

Eugene F. Fama "The Behavior of Stock-Market Prices," *Journal of Business* 38, no. 1 (January 1965): 34-105.

Center for Research in Security Prices, University of Chicago.

Did You Know that Social Security is Now Broke?



"With all its alluring promise that some one else will guarantee for the rainy day, social security can never replace the program that man's future welfare is, after all, a matter of individual responsibility."

Dr. Harold Stonier

According to an article appearing in the New York Times by Mary Williams Walsh on March 24, 2010 she writes, "This year, the system will pay out more in benefits than it receives in payroll taxes, an important threshold it was not expected to cross until at least 2016, according to the Congressional Budget Office." She goes on to report, "Analysts have long tried to predict the year when Social Security would pay out more than it took in because they view it as a tipping point — the first step of a long, slow march to insolvency, unless Congress strengthens the program's finances."

The author also warns, "demographic forces are expected to overtake the fund, as more and more baby boomers leave the work force, stop paying into the program and start collecting their

benefits. At that point, outlays will exceed revenue every year, no matter how well the economy performs."

With the ills of the economy mounting up, the sickness of the Social Security problem further exacerbates the needs for some long-term solutions.

In our financial plans we run for our customers for the first time in my career will provide plans without the Social Security benefit added. For younger families that are planning for their golden years, the need to set aside money for retirement becomes more important because many people believe that Social Security will one day be scraped because it has become another failure of the government to effectively run a program in the black.

Desire-Faith-Action; All Positive (or negative) Results Start Here (continued)

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do exist. So lets say you're at your job that you really don't like. You start to have thoughts about leaving and not being employed there anymore. Soon those thoughts start to be obscure because you really haven't found a different job yet and without you even knowing they turn into a "desire" to leave. Then as you go about your daily tasks, probably some of them you don't really like, the thoughts turn into faith that if you didn't do some of the tasks you're paid to do, you would certainly lose your job. Those thoughts hide the fact that you are really exercising faith in a negative outcome. Then as you put your desire and faith into action, i.e., you don't do some of the tasks your employer needs you to do, causes you to get fired.

Now being fired from a job you really didn't like may not be all that bad however if you've not

lined up a new one and have a mortgage payment to make, could be a really uncomfortable thing.

Contrast this negative outcome to a positive one where you first "consciously" desire a positive outcome, like a new, exciting and better paying job. You then create thoughts that you are aware of such as seeing yourself happier and with more money. Soon you begin to visualize and have faith that there will need to be certain actions that might yield results needed to get the better job such as going back to school to get a college degree needed for the better job. Your faith over time becomes perfected and with that confidence you begin to put forth the actions needed to obtain results leading to a better job.

These three key steps are inclusive in every outcome we obtain. The key is to recognize the negative ones and replace them with positive ones.



"In order to achieve any outcome, whether it be positive or negative, all starts with the following three elements; desire, faith and action, in that order.

Michael Lantz

The Best Kind of Customer is One that Will Complain

I was reminded recently that the best kind of customer is one that will complain. Please understand that while a complaint is uncomfortable because it reminds us that we have fallen short, the customer is giving us the opportunity to improve. It also means that the customer has a desire to make it better with you. You're probably a trustworthy person and the customer recognizes that and feels somewhat comfortable in unloading on you. The key to the complaint is how you'll respond. We've all complained before to someone that has served us. When we are met with a defensive reply we begin to feel that the service provider feels we "are wrong" and "they

are right." As JC Penny said many years ago, "The customer is always right." That is very true. While the customer's perceptions about a situation may be skewed, nevertheless their feelings are not.

We have to listen intently at what is being said and affirm the customer's feelings. We have to acknowledge what they are saying that has contributed to their upset feelings. Most importantly we have to respond with action toward the outcome the customer needs. Many times just listening may work to solve the problem because the customer can be lead back to the perception that is more inline with the reality of the situation.



"The customer is always right."

JC Penny

How Important is Health in a Financial Plan? By TRI-umphant Coaching

I recently had a financial planning/investment advisor customer that didn't care for the health pieces in my newsletter. I was reminded that their money was more important and I should not focus on their health, after all, their health was their responsibility and not mine.

I thought a lot about that comment and began to focus on the principle of health and how it is connected to our wealth. It made me begin to realize how important health is toward protecting their wealth and gave me more confidence to pursue this discussion with all my financial planning customers.

I'm reminded of a poem by an unknown author.

We squander health
In search of wealth;
We scheme and toil, and save,

Then squander wealth
In search of health;
And all we get's the grave!

How true is the message of this poem? Did you know that cardiovascular disease is a life style disease, i.e., it is completely reversible based on the choices we make? Currently obesity is the number one cause of premature death in our country. This malady is also completely reversible by making wise choices.

Many pursue wealth at the detriment of their health and as the poem states, will spend all their wealth to re-obtain their health. That means that health is far more important than wealth. We try and protect our wealth with trusts, good planning and portfolio management so doesn't it make sense to also protect our health with excellent diet, nutrition and exercise?



Weekly Educational Health Seminar

Every Wednesday @ 7pm.
Address: 8390 W Windmill Ln, Las Vegas, NV 89113

Please RSVP: 702-497-9649



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Please respect our privacy during non-business hours.

An economist's guess is liable to be as good as anybody else's.

Will Rogers

Lighting the Way by Jim Stovall

We can learn concepts from reading or listening, but most of us really learn how to do things from observing others and then repeating their actions. People whom we observe and emulate are often called mentors.

In ancient Italy, the streets were very narrow and winding. There were many canals and unexpected waterways. This created a beautiful cityscape during daylight but a treacherous obstacle course in the dark of night. As there were no street lights, there were people known as codegas. These were individuals who knew their way through the entire city and would walk in front of you carrying a lamp to light the way.

If someone is going to be a mentor in your life, first you have to make sure they have been where you want to go. Never take advice from someone who doesn't have what you want. Next, if you're going to consider someone as a mentor, they've got to be an ongoing example of the methods necessary to succeed today.

Too often, we find individuals wanting to advise us. These people may have accomplished something in the past, but their methods, knowledge, and expertise are no longer relevant. While they may be well-meaning, they may be leading you to where the bridge over the canal used to be instead of where it is today. At best, this is a serious waste of time. At worst, it can be dangerous.

If you determine a prospective mentor has been where you want to go and is still relevant within

your field of endeavor, it is imperative they be willing to be very candid with you and available as you need them.

Many times, successful people will want to show you how they live and work today instead of explaining how they got where they are. Instead of finding out what they do now on a daily basis, you need to uncover the information that will tell you what they did when they were at the level you are today.

A lecturer may tell you a principle one time. A teacher may help you process that information. But a mentor will help lead you through the pitfalls of ignorance to the reality of the Promised Land.

If you sit at a desk in an office on a regular basis as I do, you will receive a myriad of solicitations and cold calls from people who want to advise, counsel, or consult with you. Generally speaking, this is not how you find an effective mentor. If you want to find the best mentors, look at the field you have chosen, and consider who has reached the top. Contact them, and ask for advice and the opportunity to form an ongoing mentor relationship. The key people in your life rarely beat down your door and present themselves. You have to go out and find them.

As you go through your day today, find the people who have the lamp and are willing to light the way to where you want to be.

Today's the day!

What can we learn from Margaret Thatcher?

She was the Prime Minister of Great Britain. A conservative politician. Here are some of her quotes.

"If you want something said, ask a man; if you want something done, ask a woman."

"The trouble with socialism is that eventually you run out of other people's money."

"Disciplining yourself to do what you know is right and importance, although difficult, is the highroad to pride, self-esteem, and personal satisfaction."

"I owe nothing to Women's Lib."

"It is not the creation of wealth that is wrong, but the love of money for its own sake."



"If someone is going to be a mentor in your life, first you have to make sure they have been where you want to go."

Jim Stovall

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