

# Life + Wealth Intersects

A Wealth Coaching Publication for  
**Affluent Entrepreneurs**  
Family. Investments. Estate. Tax.  
Wealth.



Helping you  
make wise choices  
where life intersects wealth.

**Special Points of Interest**

- Charity; the pillar of great happiness and peace
- High emotion = Investment losses
- The truth about a depression
- Excellent customer service
- Low interest rates equal high tax savings
- Be careful of investment performance hype
- Aging and cross training
- Apollo 13 can teach up to prepare
- Bail out myths



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

From more information go to:

[www.joyfulhope.org](http://www.joyfulhope.org)

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## The Nine Pillars of a Quality Life™

by Michael C. Lantz, CPA/PFS, CFP®

Thought—Desire—Faith—Action  
Relationships—Gratitude  
Purpose—**Charity**—Less Is More

Perhaps above all other pillars charity is the most important one in the creation of a quality life. Most people when they think of charity only associate it as the act of giving to a "local charity" like a food bank or youth organization. While charity includes these kind acts, the scope of charity I'm referring to is a way of life and social culture.

Charity is an attribute where you serve others above your own wants and needs. It is the ultimate expression of love and is unconditional in its application. This means that charitable thoughts and acts are for all people and not just for a select few like your family or close friends.

Out of all the pillars it is the hardest to master partially because it is the hardest taught. From our early childhood you mostly "hear" it is better to give than receive but you "see" just the opposite from those that you associate with and admire.

To become charitable takes a great deal of courage and abundant faith. With faith that as you forsake your own wants to help another person, somehow your own needs will be taken care of.

Ziq Ziglar a noted teacher and motivational speaker had a saying that illustrates the faith I'm referring to. He said, "You get what you want in life by helping other people get what they want in life". Mr. Ziglar did not say how you would get what you wanted; except to say that you had to help others "first" get what they wanted.

Faith, the first pillar, has to be exercised in order for you to have a total focus on being charitable. You have to believe that as you give all of yourself for others; not only with money, but mostly with your focus, time and efforts, you'll be blessed with happiness and self worth. You'll also be blessed with your material needs as well.

The act of giving does not by itself define charity. It is not charity to give even in abundance if your motivation is to receive accolades and recognition. Only charity done for the pure love of someone and without any want for reward will net you the quality in your life.

When you have charity, you know it and as you increase the size of it, your life will be rewarded with an abundant amount of quality. I promise you.

## How Emotion Plays into Investment Losses

As I ponder the horrible losses alleged caused by Mr. Madoff's firm in a reported \$50 billion dollar Ponzi scheme makes me sad and happy at the same time. I'm saddened by all those people who trusted Mr. Madoff enough and their trust was violated. I'm happy because me and my customers had nothing to do with this situation because I have the knowledge of how capital markets really work.

For a moment lets consider how so many people and institutions were duped into this scheme. It has been proven that most purchase decisions are made emotionally and justified intellectually. How do emotions come into play in making such a critical decision as the

investment of one's hard earned money? There are several emotions that come to mind. First, the feeling of elation in the prospect of seeing the portfolio rise in value. These feelings are linked to the emotions one would feel in knowing that you could spend more money in retirement doing even frivolous activities. Or buying a car that would make you the envy of your friends. Even perhaps the thought of buying a bigger home in an upscale neighborhood. But the most powerful emotion is just plain security of being financially independent.

As you can imagine all of these are powerful emotions. Is it any wonder then why in the ads of

(Continued on page 3)

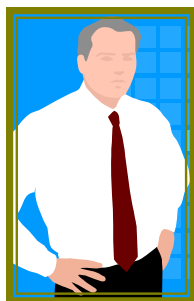
## The World Has Changed Since the Great Depression



*“The world economy undeniable finds itself in a very serious situation today. But when looking at current events in historical context, it is clear that we are still a long way from a Great Depression.”*

Gerard O'Reilly

Dimensional Fund Advisors



Mr. Noah Tacks

(Just call me by my nick name: “No Tax”)

*Advice Column*

*Disclaimer: As always I want you to be clear that I am not giving legal or tax advice which can only come from a*

We've attached an article written by Gerald O'Reilly of The Dimensional Fund Advisors titled, “Then and Now; The World Has Changed Since the Great Depression.” In response to those in government, including our president elect, who have used the word “depression” in recent remarks we wanted to counteract with facts the fear that the “D” word may elicit.

You may know of a person who lived through the great depression. To those I've had the privileged of knowing I've learned a great deal about thrift, saving and being resourceful with what they did have. My father in law, Bill Wilson, told me stories of

only having one pair of shoes for his entire high school years. How he had to put cardboard in the bottoms when holes wore through the soles and then as a senior having to go barefooted to school because the shoes finally had completely wore out. Those times and experiences shaped a generation that we can learn from.

It is my opinion and will be illustrated from the article that we are far from a depression. While our country is probably in a recession we would be well to not fear the affects of another depression. We can, although, take lessons from those that did live through the depression and become more resourceful and thrifty in our spending.

## Added Customer Service in 2009

One of our customer service goals for 2009 is to be more accessible and to serve your needs at the very moment you request our help. With technology we feel that we can now do that. We purchased additional tools that will allow us from any location to have access to your information and portfolio accounts. This allows us more freedom and to visit you at your location instead of customers always having to come to our office. **It is our new virtual office.**

Next year if any of our customers need access to either Laura or Michael they can call us on our new iPhones most any time because we'll always have them with us. This will allow you to reach us immediately.

Michael's number (702) 497-9649

Laura's number (702) 858-6684

We do ask that you respect our privacy during non-business hours however if you need us to serve you then, please call us.

The year 2009 will be the last year we will occupy office space with “walls”. After 2009 we will have a true virtual “without walls” office. During 2009 our goal is to meet with most of our customers at either their place of business or home. In some cases we recommend we meet with you and your CPA at their office.

If any of you have questions about this change, please feel free to call us.

## Current Interest Rates Create Tax Saving Opportunities

With the new Sec. 7520 rate for January at it's all time low of 2.48% opens the door for a unique tax savings opportunity.

If you own shares in a Subchapter S Corporation that has assets with a high value and low basis and would like to remove the barrier the corporate shield presents with it's limited structure for receiving a step-up basis for depreciation and/or death purposes, the low rate allows for a plan to get you out of the S-Corp structure without incurring the built-in gains tax.

In a nutshell here's how the strategy works. An LLC is created with the same owners that own the S-Corp. An LLC does not have the same barriers as the S-Corp possesses. The LLC is

funded by a contribution of capital from a distribution from the S-Corp. The LLC purchases the S-Corp shares that are given a priority income right based on the low Sec. 7520 rate. Each year the S-Corp passes this priority income to the LLC owner, in affect increasing the basis of the S-Corp shares. After several years of this transaction the LLC has a cost basis in the S-Corp shares that equal the high fair market value of the corporation's underlying assets. **At this point in the strategy, the S-Corp is liquidated with little to no gain.** After the strategy is complete, the assets are now owned by the LLC with its more favorable step-up basis rules.

This strategy is highly technical and if you or your CPA would like more information, please have them contact Michael for further details.

## How Emotion Plays into Investment Losses *(continued)*

investment firms always show well dressed people with expensive cars doing fun things? Their marketing makes it easy to justify the decision intellectually because you want to keep this euphoric feeling. In Madoff's case investor justification went against tried and true investment principles. He had returned fairly consistent returns for many years; right around 10%. Who wouldn't want stable returns at that rate with little or no volatility (risk)?

The trouble is that markets don't work that way. Risk is real and it changes daily and without notice. Historically a 10% return contains bumps in the road and even loss years.

Another critical error that many of these sadden investors made was that they justified their emotional decision by relying on the fact that others were making the same choice. "It must be okay if so many others are doing it, right?" they justified.

This is called "following the herd mentality" and it has doomed many to poverty.

The lesson to be learned is that "if it seems to good to be true, it probably is." The smartest investment decisions are made with an eye toward the upside but the downside risk as well. Also, if the returns goes against the history of capital markets, like many hedge funds do, then there must be a reason. In Madoff's case the reason was fraud however he told a story of his ability to "outsmart" his competitors.

The downturn in our economy has had a negative affect on almost everyone's portfolio and now is the time to beware of "wolves in sheep clothing" touting how they can provide superior returns with little risk, like all the gold commercials currently saying it is currently the greatest asset with positive return. The truth is gold is at an all time high and not much more room for upside. Why would you want to buy gold "high" now to sell "low" later"?

Watch your emotions and check them at the door before you begin to make critical decisions about your money.



*"One critical role of an investment advisor is to not let their customers get in the way of themselves."*

**Michael Lantz**

## The Truth about Money Manager's Performance

There is a perception that some fund managers perform better than others. Performance is the only marketing tool that many fund managers use to distinguish themselves against their peers. Here is the fallacy of only choosing a fund manager based on "recent" performance.

First, current performance never is an indicator of future performance. Many of the people behind the success of a fund have been in the industry for years either at their current employer or another. What the fund does not tell you is the historical performance of that individual. There have been many conclusive studies that show that short term success is mostly attributable to luck.

Second, comparable real performance can only be measured against the risk that is taken in the entire

portfolio. A more risky portfolio is expected to perform better than a less risky portfolio. What is not ever disclosed is the comparison of risk between fund managers partially because they don't know how.

Third, the fund managers that advertise take an "active" approach versus a "passive" approach. Active managers utilize a "I can pick the best companies" and "I know exactly when to buy and sell" approach. These active managers always compare their performance against a "passive" benchmark. Usually the passive benchmark's risk and the risk inside the fund are widely different. Would you ever eat a food without the FDA label? Don't pick a fund manager without first reading the label; i.e., full and correct disclosure.



*"Why would a fund manager have to advertise if they were good already?"*

**Michael Lantz**

## As You Age Cross Train Your Way to Better Health

Can a runner get as much benefit from running as lifting weights? Can a swimmer benefit from riding a bike? Can a weight lifter benefit from running? These are all questions that lead to what cross training really tries to answer.

First of all, as we age our muscles start to naturally breakdown. That is why a real elderly person looks weak and frail. As we continue to be active in our later years in a sport that we have done for a long time, like swimming for instance, the need to cross train becomes more important. When we do

repetitive motion like using our shoulders over and over again when we swim, the chance of an overuse injury is greater. Cross training, like lifting weights to strengthen the shoulder, can prevent an overuse injury from occurring. The older we get the more important cross training becomes.

In women older than 50 the shoulders start to breakdown very rapidly. If you participate in any activity that uses the shoulder such as tennis or swimming, without cross training you have a higher probability of injury.

Cross training works!



*"Cross training does not consist of sitting on the couch and clicking the remote!"*

**Michael Lantz**  
3X Ironman Finisher  
Triathlon Coach

Helping You make Wise Choices Where  
*Life intersects Wealth.*

Michael C. Lantz, CPA/PFS, CFP® Partner  
Laura McCormack, Partner  
Lantz Wealth Partners, Ltd.  
7881 W. Charleston Blvd., Suite 220  
Las Vegas, NV 89117

Ofc Phone: 702-579-7090  
Mike's Cell: 702-497-9649 (text messaging okay)  
Laura's Cell 702-858-6684 (text messaging okay)  
Email: Laura@LantzWP.com or Mike@LantzWP.com  
Web: <http://www.lantzwp.com>

*"Our favorite holding period is forever."*

**Warren Buffet**

## Bail Out Myths *by Jim Stovall*

We have all been inundated, if not overwhelmed, by news and debates surrounding whether or not we should bail out banks, financial institutions, the automobile industry, state governments, etc.

For over 10 years, I have written this column each week, trying to encourage people to make changes in their own lives while avoiding the issues of the day that none of us can directly change. Once again, I will leave the political questions to those with louder voices, if not greater minds, and I will focus on what you and I can do in the real world today. Wall Street and the White House will take care of themselves if you and I will deal with our street and our house.

Money is never a problem; therefore, it is never a solution. To those facing job loss, foreclosure, and bankruptcy, this may not immediately seem to be reasonable; but when we understand that money problems are symptoms of other problems, we can focus on the issues that matter.

No one ever had a money shortage. They may have had an idea, creativity, or motivation shortage that resulted in a money shortage, but the money shortage was not the issue; therefore, if you give a failing company money, it is nothing more than a temporary Band Aid unless they deal with marketplace issues and begin providing valuable products and services to their customers.

Money can only buy time or tools. If you give a failing company or individual money—unless they use it to buy time or tools that will impact the real issues—you are merely prolonging the inevitable. Most small businesses fail because they underestimate the amount of time it will take to become profitable. They are undercapitalized and, even though they

## What can we learn about preparation from the Apollo 13 disaster?

No matter what we think may happen it is a real possibility that the worse case may occur. Apollo 13 never imagined their fateful scenario. Yet with the sheer determination of a ground crew, the faith of the astronauts and the prayers of a nation, the crew was brought back to safety. The flight engineers prepared just enough to have the needed resources to survive.

During our tough economic times there have been some who prepared for the worse and are doing quite well. Others had little savings and are now struggling. Expect the worse and prepare for it.

(A signed autograph from Gene Cranes the flight director)



may have a viable product or service, their lack of capital shortens the time they have to turn the corner. These companies are like a farmer who plants seeds but does not have the wherewithal to sustain himself until harvest time.

If bailout money is used to assist an organization or individual that has a viable working model but merely needs time to succeed, it may be well placed. On the other hand, some individuals and organizations need new tools in order to succeed.

My core business is the Narrative Television Network. We are in our 20<sup>th</sup> year of making movies and television accessible for the 13 million blind and visually impaired Americans and millions more around the world. Over the past 20 years, we have had to retool from analog to digital, and our delivery systems have gone from VHS to DVD and from broadcast, cable, and satellite television to high definition. Each one of these changes forced us to retool.

Always remember, if a group or individual needs money to buy time or retool, it is at least an option on the table that should be considered; however, if money is needed to maintain the status quo in a failing operation, you are simply trying to fill the bathtub while leaving the drain open.

As you go through your day today, remember that bailouts or any capitalization must be a matter of buying time or tools. Otherwise, you are merely funding failure.

Today's the day!



*"...if money is needed to maintain the status quo in a failing operation, you are simply trying to fill the bathtub while leaving the drain open."*

**Jim Stoval**

*Jim Stovall is the president of Narrative Television Network, as well as a published author of many books including The Ultimate Gift. He is also a columnist and motivational speaker. He may be reached at 5840 South Memorial Drive, Suite 312, Tulsa, OK 74145-9082, or by e-mail at [JimStovall@aol.com](mailto:JimStovall@aol.com).*

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