



For All That Wealth Secures™

Special Points of Interest

- Does your adviser provide The Seven Faces of Advice?
- How would you handle falling down a well?
- Federal deficits spell trouble
- Many investment portfolios not created to increase after-tax returns
- Preserving democracy and capitalism
- Obesity can be overcome!
- If the Joneses are broke, why stay up with them?



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.

For more information go to:

www.joyfulhope.org

The Seven Faces of Advice by Michael C. Lantz, CPA/PFS, CFP®

The global financial crisis and a series of recent scandals have turned a critical light on much of the investment industry and led to public questions about the role and value of financial advisors. I've listed the multiple and nuanced roles that the best advisors play with their clients. While some may quibble over the exact characterization, broadly these functions break down to seven important roles that evolve over time:

1. **The expert:** Now, more than ever, investors need advisors who can provide client-centered expertise in assessing the state of their finances and developing risk-aware strategies to help them meet their goals.
2. **The independent voice:** The global financial turmoil of the past two years has demonstrated the value of an independent and objective voice in a world full of product pushers and salespeople.
3. **The listener:** The emotions triggered by financial upheaval are real. A good advisor will listen to client's fears, tease out the issues driving those feelings and provide practical long-term answers.
4. **The teacher:** Getting clients beyond the fear-and-flight phase often is just a matter of teaching them about risk and return, the power of diversification, the importance of asset allocation and the virtue of discipline.
5. **The architect:** Once these lessons are understood, the advisor becomes an architect, helping clients to build a long-term wealth management strategy that caters to their own risk appetites and lifetime goals.

6. **The coach:** Even when the strategy is in place, doubts and fears will inevitably arise in the client's mind. The advisor at this point becomes a coach, reinforcing first principles and keeping the client on track.

7. **The guardian:** Beyond these early experiences is a long-term role for the advisor as a kind of light-house keeper or guardian, scanning the horizon for issues that may affect the client and keeping them informed.

These are the seven faces of advice and, when properly applied, become testimony to the fact that the value of a good financial advisor extends well beyond the writing of a simple financial plan.

A prospective client may first seek out an advisor purely because of their role as an expert. But once those credentials are established, the main value of the advisor in the client's eyes may be their role as an independent voice.

Knowing the advisor is truly independent — and not a product salesperson — leads the client to trust the advisor as a listener or sounding board, as someone to whom they can unburden their greatest fears.

From this point, the listener can become the teacher, the architect, the coach and ultimately the guardian. These are all valuable roles in their own right and none is dependent on forces outside the control of the advisor, such as the state of the investment markets.

However you characterize these various roles, good financial advice ultimately is defined by the patient building of a long-term relationship founded on the values of trust and independence and knowledge and the recognition of our common humanity. Now, how can you put a price on that?

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Have You Ever Fell Down a Well? by JoyfulHope.org

1 What would you do if you fell down a deep well? Would you be able to survive? This may be an important question to answer because of all the possibilities you might explore ahead of time. It is possible that you would determine from the answer to these questions that you would avoid any wells so that you would never have to apply your plan to get out anyway. After all prevention is the best medicine.

3 Can you imagine for a minute what might go through your mind if you did fall down a well. You might think the worse and start to believe that if help did not come soon you might actually die.

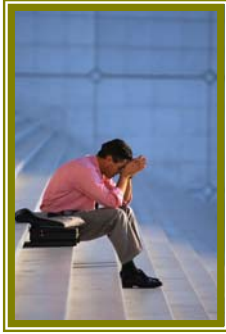
4 These thoughts would probably make you sad and very fearful because no one would like to die that way.

For a minute though consider if those thoughts would actually be productive. If your mind filled up with thinking how bad the situation was the mind would not be focused on the solution and thus you might actually realize the object of your thoughts; death.

However, you've probably experienced stories of similar tragic events that were completely turned to the positive because of the "proactive" thoughts of someone affected by life threatening events.

In April 2003 climber Aron Ralston entered Utah's Bluejohn Canyon only to become trapped when an 800-pound boulder shifted, crushed his hand, and pinned him to the canyon wall. For six days,

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“...the U.S. budget deficit poses a greater risk to the financial system than the collapse in commercial real estate prices.”

John Taylor

**Stanford University
Economics Professor**

Federal Deficits Spell Trouble!

The bi-partisan Congressional Budget Office (CBO) forecasted on August 24 that deficits between 2010 and 2019 would total \$9.1 trillion, doubling our national debt over the next 10 years. I might add that it took every president since George Washington to add what President Obama is forecasted to do in as little as 10 years.

There are only three ways to make up the shortfall; borrow more money, cut spending or raise taxes. Many economists think it is unlikely that the government can or would curtail spending, which means taxes would have to rise to cover the increasing costs of providing retirement benefits and health-care to older people under Social Security and Medicare.

Stanford University economics professor John Taylor, an influential economist, told Reuters Television the U.S. budget deficit poses a greater risk to the financial system than the collapse in commercial real estate prices. "If that gets out of control, if interest rates start to rise because people are reluctant to buy all that debt, then that can slow the economy down. So, that's the more systemic concern I have," Taylor said.

With the treat of increased taxes the economy could

slow because small businesses will have substantially less incentive to take risks. As the economy slows, so does the prospect of lowering the already staggering unemployment rate.

As the fed has to borrow more money, the risk to the lender increases causing the fed to have to pay a higher interest rate. This increased rate of interest will lead to inflation. Our national debt is starting to be a concern for the world's lenders when earlier this year, for the first time in history, the Chinese government was questioning our ability to repay their loans.

Our advice is to prepare for the worse and pray and hope for the best. Also, we highly recommend that you really look at our elected official's and their voting records on the increase or decrease in our national deficit. Come next fall 2010 could be one of the most important elections in the history of the United States. If you believe as we do that this pace of overspending can't be sustained without a huge burden on the future of our country then get out and vote. Our country depends on it's citizens being productive and motivated to create wealth. It is only through free enterprise and capitalism that wealth can continue to be created to hopefully one day retire the national debt and leading us to prosperity.



“If you put all the high growth assets inside a tax deferred account you're certain that the growth will be taxed at the highest marginal rate...”

**Michael Lantz
CPA/PFS, CFP®**

How To Tax Allocate an Investment Portfolio

Everyone wants to pay less taxes. In fact, entire industries have been created to promote the cause of only paying what is mandated by law. It is interesting to me though that many investment advisors have completely and utterly missed the boat when it comes to the proper way to allocate a portfolio that consist of taxable and tax deferred (IRA , 401(k), SIMPLE) ac- counts.

First of all lets state some important facts. The top marginal rates for each type of account above is different. For taxable accounts, you can earn capital gain, dividend and interest income. Capital gain and most dividend income is taxed at a top rate of 20%. The top rate for interest income is 35% (under Obama's proposal this is slated to go to 39.5%). For income removed from a tax deferred account the top rate is 35% (slated to go to 39.6%).

Second, lets review what most investment advisors preach. They will tout that a tax deferred account is the best place to create wealth because all the gains and income are not subject to current income tax but is deferred until the day you remove it for retirement needs. Thus they will usually recommend putting all the high growth instruments, such as stocks, inside a tax deferred account and put tax-free instruments

such as municipal bonds inside taxable ac- counts. You would end up with something like the illustration below.

<u>Taxable Portfolio</u> Corporate Bonds, CD, Cash, Munici- pal bonds	<u>Tax Deferred Port- folio</u> Stocks, real es- tate	Bad
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We recommend the exact opposite approach for a very simple reason. If you put all the high growth assets inside a tax deferred account you're certain that the growth will be taxed at the highest marginal rate as opposed to the lower 20% capital gain/dividend income tax rate. We therefore recommend portfolios be constructed with growth instruments in taxable accounts and manage the gains thus keeping the capital gain tax to a minimum. Also, putting less growth fixed income instruments in your tax deferred ac- counts to minimize the amount of tax that will ultimately be paid upon distribution.

There are other variables to consider but starting with our recommendations is the best way to increase your after tax return.

Have You Ever Fell Down a Well? *(continued)*

Ralston struggled to free himself while warding off dehydration and hypothermia. Trapped and facing certain death, Ralston chose a final option that later made him an international sensation: Using a multitool, the climber amputated his right hand, then rappelled to freedom. He said, "After having enough sleep deprived, meandering thoughts about how I arrived in the canyon, I realized that [my situation] was the result of decisions that I had made. I chose to go out there by myself. I chose to not tell anyone where I was going. I chose not to go with [two climbers] I had met in the canyon [on the first day]."

He went on to say, "But I also realized that I had made all of the choices up to that point that had

helped me survive. I took responsibility for all of my decisions, which helped me take on the responsibility of getting myself out."

When asked about the pain he said, "Overall, it was a hundred times worse than any pain I've felt before. It recalibrated what I'd understood pain to be. At the same time, it was also the most beautiful thing I've ever felt."

Do you see how his "choice" of thoughts helped him survive? He first took responsibility which is very proactive. Then, arguably, the most important thought of all was to see the pain as "the most beautiful thing" he had ever felt.

The power of the mind is endless yet simply is a tool that can help us always have our well-being.



"Overall, it was a hundred times worse than any pain I've felt before. It recalibrated what I'd understood pain to be. At the same time, it was also the most beautiful thing I've ever felt."

Aron Ralston

Trapped climber that cut off his own hand to survive

Democracy and Capitalism; How can it be preserved?

Let's explore two institutions, democracy and capitalism, which Americans broadly believe to be the right and enduring answers, seemingly without having asked the salient question, is it good for other countries? America seems to have played a role in the ouster of rulers with names like Batista, Duvalier, Marcos, Allende, Ortega, Suharto and others, so that we could help the people in those nations experience the blessings of democracy and free markets.

All of these efforts have been built upon what we believe to be the right answer – that in every situation, democracy is the best form of government. An important question to have asked, however, is, "Is there a situation where democracy is the wrong answer?"

My friend learned the importance of this question in a conversation 12 years ago with a Marxist economist from China. He asked his Chinese friend if he had learned here anything on these topics that was surprising or unexpected. His response was immediate and, to me, quite profound: "I had no idea how critical religion is to the functioning of democracy and capitalism." Democracy works because most people most of the time voluntarily obey your laws, i.e., obedience to the unenforceable.

"You can say the same for capitalism," his friend continued. "It works because Americans have been taught in their churches that they should keep their promises and not tell lies. An advanced economy cannot function if people cannot expect that when they sign contracts, the other people will voluntarily uphold their obligations. Capitalism works because most people voluntarily keep their promises." In Russia, for instance, there are religions – but few people are influenced by them. As a result many people avoid taxes, and the government cannot collect them. Murder, bribery and stealing are a part of everyday life.

His Chinese friend's insight has helped me understand what the valuable question really is: **"Because democracy is possible only when most people most of the time voluntarily obey the laws, what institutions can we rely upon to inculcate this instinct amongst the American people? And how can we strengthen those institutions, so that they do this better?"**

I've concluded also that when a nation lacks the requisite foundation of extensive obedience to the unenforceable, that principle taught in part through religion, what form of government will work? Unfortunately democracy and capitalism won't. We need God back in its proper place in our society or over time, we will have no freedoms.



"An advanced economy cannot function if people cannot expect that when they sign contracts, the other people will voluntarily uphold their obligations. Capitalism works because most people voluntarily keep their promises."

A Chinese Marxist here in the US to study the effects of democracy and capitalism.

Obesity; A Ticking Time Bomb by Tri-Umphant Coaching

According to The Obesity Society 25.6% of Americans are obese with 26.4% of men and 24.8% of women. Obesity is a precursor to diseases or conditions that denote high absolute risk of established coronary heart disease, other atherosclerotic diseases, type 2 diabetes, and sleep apnea. Osteoarthritis, gallstones, stress incontinence, and gynecological abnormalities such as amenorrhea and menorrhagia increase risk but are not generally life-threatening. Three or more of the following risk factors also confer high absolute risk: hypertension, cigarette smoking, high low-density lipoprotein cholesterol, low high-density lipoprotein cholesterol, impaired fasting glucose, family history of early cardiovascular disease.

Okay so know you know the risks; a ticking time bomb, associated with obesity. The real question you must ask if you or a loved one is obese, what

are you going to do about it?

Many obese persons I've talked to know that their obesity poses a risk yet are locked into deeply rooted habits that would be hard to break. As with all change it has to start with faith and desire. Faith that if you follow a plan of eating right and exercise, over time the weight would come off. Desire by starting a plan today to change unhealthy habits to promote a lifestyle of health and fitness.

It can be done. I know, I've done it. I was obese by government standards at 257 pounds (BMI 30.5). Today I'm 195 pounds (BMI 23.1) and have completed four Ironman® triathlons. If I can change habits, anyone can.

If you would like more information of how you might get started, please contact Michael at 497-9649.



Picture above of an obese female:

Female, 5'7", 225 pounds, BMI 35.2

Please visit:
www.tri-umphantcoaching.com

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We may always be reached 24/7 via our cell
Please respect our privacy during non-business
hours.

*"France could have all the socialism its
capitalistic economy could support."*

François Mitterand

The Joneses Went Broke *by Jim Stovall*

Recently, I have been traveling across the country as I have been involved in discussions and meetings regarding the current state of the economy. Economics, at best, is a difficult, frustrating topic to grasp. Economists try to project future events by studying data from past events. It's a bit like trying to drive your car while looking in the rear view mirror. This is a dangerous practice in your vehicle as well as in your finances.

Once we emerge from this current economic downturn, which we will inevitably do, it is vital that we understand how we got here so we don't slip into the same behaviors that brought us to this point.

While there's plenty of blame to be spread between Wall Street and the White House, it is important to recognize and accept that we got ourselves here on our own. Our international and national economy is a reflection of our individual and household finances.

If I had to put my finger on why we ended up in this current dilemma, it would stem from the fact that we have been spending money we don't have, to buy things we don't need, to impress people who don't care. We have been trying to keep up with the proverbial Joneses. It's unclear why we want to keep up with the Joneses, because the Joneses have already gone broke.

I am in the process of writing a book entitled *The*

What can we learn from a carabiner?

Just because something or someone is little and perhaps not noticed, doesn't mean it is not important. A mountain climber's life depends on a small carabiner that can fit in your shirt pocket.



Financial Crossroads. It is designed to be an individual or family guide to financial success. The aim of the book is to present the complex economic topics of the day in a manner everyone can understand and apply. Unfortunately, most people in our society never invest. Even if they wanted to invest money for the future, they are unable to because they have spent all of their money.

Recent statistics tell us that 25% of Americans have less than a two-week cash reserve, and 50% of Americans have less than a month's reserve. Before you can even begin to invest the first dollar for your future beyond your retirement plan, you need to have all of your consumer debt eliminated and have at least 6 months of reserve cash in the bank.

Since the vast majority of people in our society never approach this minimal threshold to begin the process, they never have a chance to succeed. It's impossible to experience success at the finish line if you never even get into the starting gate.

As you go through your day today, commit yourself to getting into the financial arena and winning, regardless of what the Joneses think.

Today's the day!



"If I had to put my finger on why we ended up in this current dilemma, it would stem from the fact that we have been spending money we don't have, to buy things we don't need, to impress people who don't care."

Jim Stovall

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