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Wayne's World

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Lessons We Can Learn From The Super Wealthy

In the October 1987 crash Sam Walton, founder of Walmart, dropped \$3 billion or almost 40% of his net worth of \$7.8 billion. Sam said he wasn't worried because "it was just paper when he started and was still paper afterward," as he told the Associated Press. So how do the super wealthy cope with nasty volatility?

1.) The very wealthy have a PLAN

Sam set up a family partnership with his wife and 4 children early on when he only had 2 variety stores. He began planning from this point in the 1950s, well before he opened the first Walmart in 1962. We can help you develop a plan, at any life stage, that looks to future goals, which minimizes the worry over short term volatility.

2.) The super wealthy LIVE BELOW THEIR MEANS.

Sam Walton was extremely frugal, but even though the wealthy can be more extravagant, they generally don't spend above their means. Those who have high credit card debt most certainly spend above their means. We must control our spending, especially in volatile times.

3.) The wealthy focus on RISK rather than REWARD.

Although the Waltons derived the greatest part of their wealth from Walmart stock, they have diversified their holdings in a bank, a chain of newspapers, and other interests. The wealthy don't position their assets to beat the S&P 500. They spread their risk and make sure they have adequate cash flow. We likewise should have appropriate cash on hand, and understand that the risk we assume does not exceed our ability to sleep at night. Slow sustainable growth from a number of asset classes should be our objective over the next 5 years. Patience prevails.

4.) **The very wealthy HANG ON**

The Walton's Walmart stock holdings have remained the same since 2002 when they transferred some shares to charitable funds. Since May of 2011, the family stock has dropped by about \$10 billion. But as Sam said many years before, "it's only on paper," as he knew the losses would recover. We too must hold on. If we break our arm do we cut it off? Of course not. We have it set and it eventually heals like new. (If we don't need the money at the moment or in the near future then hang on and things will eventually get better).

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Let's get serious about two types of Insurance:

- 1.) Many years ago life insurance companies manufactured cash value policies with high interest rate projections. As we know, interest rates dropped. These policies were very attractive, had low premiums, and built cash value slowly. They performed well for quite some time, but are now losing ability to sustain themselves in many instances. Insurance companies are currently producing statements with projections of how long the policy may last under current versus guaranteed conditions. Check your statements. It may be that you're satisfied with the length of time it will last. If not, we should talk about replacement. The good news is that premiums have come down over the years. It may be advantageous to rewrite your policy using newer mortality tables, and possibly using one with a **long term care rider**. Another option is to purchase a **term policy** to cover an additional period at which time you may no longer need it, such as 15-20 years. Let's review your coverage today. Dave and Steve can analyze those old policies.

- 2.) **Long Term Care Insurance** seems like a necessary evil. Statistics show that two out of every five people will need it in their lifetime. The costs of care can literally wipe out your estate. Coverage is expensive but so is car insurance, and you wouldn't think twice about driving without it. In our opinion the ideal age to purchase coverage is between 50 and 60 years old. The earlier the better. It almost becomes too expensive after age 65. Since there are so many options, we must design a policy just for you. Don't hesitate if you feel you want to explore this further. We know most people need it. In addition if you have a large cash value life policy, we may be able to offer you a paid up life policy with a long term care rider.

Dave and Steve are proficient in many different types of insurance coverage. Also, call us if you are not working but still need **health insurance** or a **supplement** to your **Medicare coverage**.

Notes

- Check your accounts on our website. Steve can help you get online.
- Call us if you have a new email address.

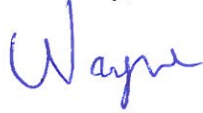
Quote From the late Steve Jobs:

“Life can be much broader once you discover one simple fact, and that is, everything around you that you call life was made up by people that were no smarter than you.”

We want to help you make your dreams turn to reality. Over the years we have been alongside many of you as those dreams came true. Thanks for your support and loyalty and may each of you have a wonderful and blessed Holiday Season with your family and friends.

Information quoted on The Waltons from Karen Blumenthal author of “MR. Sam: How Sam Walton Built Walmart and Became America’s Richest Man.”

Sincerely,



Wayne A. Russo
President

Although the information has been gathered from sources to be reliable, the views expressed are not necessarily the opinion of Royal Alliance Associates Inc.