Know what you want from life to determine money's role in it

2010 was, as they say on the sports page, a rebuilding year — a phrase that reserves judgment on something that did not perform as hoped but perhaps did not disappoint entirely. (Here's hoping 2011 is a rebuilding year for Longhorn football.)

In 2010, financially speaking, the crash of 2008 began fading in our rearview mirror. We literally and figuratively began to take stock of our situations. In rebuilding years, our relationship with money evolves, revealing more about us than simply our net worth.

THOMAS TWOMBLY

In my career, I have noticed how the end of a bear market brings a crop of seemingly innovative ways to save and invest. 2010 was no different. For example, take two different vehicles for saving and investing: prize-linked savings, or PLS, accounts and life settlements. How they strike you may say something about your relationship with money.

A recent report on NPR discussed the growing popularity of PLS accounts in Michigan, where credit unions offer 1 percent return and pool another 1 percent interest. That pool is awarded to one lucky customer every month or so — offering the apparent safety of a guaranteed return with all the excitement of a lottery ticket.

Compare this to another 2010 phenomenon, the aggressive marketing effort behind life settlements, which buy and pool life insurance policies as investment vehicles. Sales letters hail their potential double-digit returns and imply a risk-free guarantee. After all, two things are certain — death and taxes.

Following a bear market, it's easy to appeal to our need for security, our sense of entitlement and the right to a risk-free reward. Unfortunately, these marketing pitches obscure the one thing we should always know about our money: its purpose.

Discerning its purpose takes care. Our most valuable conversations with clients cover four questions that directly affect their financial future — and have remarkably little to do with money. To paraphrase financial and life planner George Kinder, these important questions are:

- If you suddenly found you had plenty of money for the rest of your life, how would your life change? What would you do differently?
- If you discovered you had only five good years left to live, how would your life change? What would you do differently?
- If today were the last day of your life, what would you regret? What would you wish you had done?
- How do you want to be remembered?

These questions have no wrong answers, but they are hard. When answered thoughtfully, they help affirm the right place for your money, which is ultimately this: at your service.

I have seen people find inspiration and insight in this careful process of asking and answering. When a couple came to me with 40 years' worth of pensions and investments spread out all over, we made two discoveries together: They had more than enough resources to support their lifestyle in retirement, and they had an opportunity to fulfill a dream and make meaningful differences in the lives of their children and grandchildren. They eventually set up college funds for their grandchildren so their children could continue their fulfilling, if not lucrative, careers.

When I think about lottery-style savings accounts and sure-thing investment pitches, I am certain of this: Their messages appeal to us most when we have lost a little faith in the future.

In clarifying the true purpose of our money and our role as stewards, we restore that faith one answer at a time. And that may be the greatest peace on earth.

THOMAS TWOMBLY is president of Lucien, Stirling & Gray Advisory Group Inc.

INVEST: Partners should share exposure

FROM P13

- Investigate history. You know the adage: Those who don't study history are condemned to repeat it. It applies to far more than war and politics. Start by asking for the experience level and track record of the people managing the partnership's day-to-day business. Ask for that track record in good markets and bad, though don't be unnecessarily alarmed if some deals have performed better than others. In fact, someone with too perfect of a scorecard may raise even more questions. The point is you should realistically assess the manager's level of competence and judge pragmatically. Also, ask for references and call each one to ask tough questions.
- Determine exposure. Will the people managing the partnership have their own finances on the line with yours? If the answer is yes, continue to proceed. If the answer is no, it begs you to ask why someone should ask you to put your money where their mouth is. Furthermore, find out the pecking order for payouts. Ideally, the people managing the partnership pay themselves after they pay you.
- Demand accountability. There is no such thing as a riskless investment, but it is the partnership manager's duty to consistently and honestly discuss the opportunities and challenges of the business the partnership is engaged in. Ongoing communication is vital to a successful relationship over the long run.
- Understand your influence. Most people understand there's a correlation between the size of an investment and the influence of the investor. But keep in mind it's far less about the flat dollar figure of your investment, and far more about the percentage that dollar figure represents. Decide if you want to be a big fish in a little pond, a little fish in a big pond or somewhere in the middle. Also, be sure to ask about the decision-making structure. Limited partnerships call for a general partner to make most decisions but allow the limited partners to vote out the general partner for mismanagement. Limited liability companies work a lot more like a stock investment in which shareholders elect managers to run things.

MIKE ANDRUS and **JIM BERNARD** are partners with PSW Real Estate. Both have also worked in the finance industry in areas including mortgage and investment brokerage and underwriting.