

The Nina, Pinta, and Santa Maria: Building wealth then and now

Christopher Columbus had a plan to 'get wealth.' He talked his royal mother and father - Queen Isabella and King Ferdinand of Spain - into investing in his plan to sail west until he reached Asia. Christopher's pitch was his anticipated triumph of seizing gold, pearls, and spice. After all, who wouldn't be willing to spend a little to end up with that treasure chest?

Needless to say, this adventure was a virtual speculation. Many expected him to sail right off the edge of what was commonly believed to be our *flat* earth. Successfully navigating thousands of miles of Atlantic Ocean in three tiny ships was a minor miracle. His discovery added the formerly unknown *Americas* to the map of the globe. It may be safe to say that the *true* wealth of this discovery was his unlocking the gates of world development and commerce on a new continent.

As we take a moment to remember this singular event, some financial lessons can be extracted. First, Columbus had a vision. Secondly, he recognized capital was needed. And, thirdly, while his investment paid off big-time, the results weren't exactly as expected. Nor were the results felt immediately. This sounds mighty similar to what might unfold today, for those interested in building family wealth.

Adopting a *vision* for financial success becomes the foundation. Some families conduct family meetings - to elicit intergenerational input and establish a venue for financial education. These sessions serve to formalize the family vision. Specific and measurable goals for continued or increasing success are mapped out, and a structure identified for periodic evaluation and adjustments. Decisions can be considered against this backdrop. For example, children's requests that parents invest in their initiatives are reviewed with respect to potential economic value.

While Christopher may have been able to appeal to the simple vanity and greed of the royal couple as he pitched *his* grand plan, family wealth conversations probably require more sophisticated and refined communication skills. Family member priorities and values are going to differ. Conversation guidelines such as avoiding criticisms, avoiding defensiveness *and*, sincere interest in everyone's thoughts may be instrumental to maintaining a sense of family inter-

connectedness. Keep in mind that financial decisions are driven by emotional choices – regardless of the rational wrapper in which they are expressed.

Families interested in moving forward with their own ‘get wealth’ plans – for the kid’s college educations, retirement, legacy, or peace of mind! – recognize that the *investment of capital* is an essential ingredient. Capital might fund the purchase of real estate, or financial market assets. Attention must be given to limit the level of borrowing for real estate. Otherwise, the risk of rising costs for taxes, maintenance, mortgages – as well as potential liabilities due to property use – could defeat appreciation expectations.

Without a king or queen to solicit for assistance, we workers may build our own capital using invested portfolios. The time-tested adage, *pay yourself first* (from all earnings) offers an effective starting point. If possible, fully fund all retirement accounts, and direct deductions into non-retirement accounts as well. One such non-retirement account might serve as your emergency income funds account. For protection, most families set aside approximately six months of earnings – to fill any gap, should a paycheck be interrupted at some point. Other accounts could be designated as vacation funds, long-term home maintenance funds, or earmarked for various special interests.

According to history, Christopher Columbus saw land reappear within a day of mutiny by his exhausted crew. Hopefully no readers’ ‘get wealth’ planning will be subject to life and death emotions. However, the role of **patience** in family financial success cannot be too strongly stated. The virtue of patience is largely missing from American pop-culture, but I believe it is an articulated value of families who achieve wealth. Remember Gloria Steinem’s ironic observation of decades ago, “Rich people plan for three generations. Poor people plan for Saturday night.”

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