

# VALUABLES

Ideas, Systems and Strategies for Managing Family Wealth to Fulfill Your Greatest Values.

## About VALUABLES

Many financial advisors focus on communicating with clients to provide complex analysis of the investment markets and economies. However, we have learned that most clients are not particularly interested in this complex analysis. Most clients hire an advisor for their knowledge of the markets, not for their ability to explain that knowledge. Most want to know what time it is, not how to build a watch.

Experience has taught us that wealthy families care most about using their wealth as a means to a desirable end, which is to achieve a more satisfying, fulfilled and impactful life, and to fulfill their most important Life Values.

**VALUABLES** is a periodic article series focused on the concepts, systems, and habits which we have observed among families who have been successful in this quest to use their wealth as a tool to live a life of significance. The most successful families share a set of habits, systems, and insights which enable them to use their wealth as a tool to fulfill their Values and what is most important to them.

We are naming this article series **VALUABLES**, because it will provide an exploration of those habits, systems, and insights. We hope it will help you to consider your assets and possessions which are most valuable to you, and how you can use your financial wealth to enhance and cultivate your true "Valuables".

## Prosperity

By Erik Strid

*"No reasonable person familiar with the costs and full range of consumer options available in 2013 can reach any conclusion other than that ordinary Americans today are far more prosperous than at any time in the past."*

- Donald J. Boudreaux

### Looking on the Bright Side

The purpose of our **VALUABLES** article series is to provide readers with specific insights about the habits and values which we have observed among families who have been successful in their quest to become financially wealthy, and to use their wealth as a tool to live a life of great Significance. We hope to share common principles which may enable you to use your wealth as a tool to enable a fantastic Quality of Life, and to fulfill your values and the things that are most important to you.

As we have written in past issues of **VALUABLES**, there is one trait that stands out as characteristic of families who are able to achieve a great quality of life and fulfillment, as well as leaving an important legacy for future generations. Families who are able to master the skill of **Gratitude** tend to be happier and enjoy a better quality of life, and also to extend their success and legacy over many generations. Gratitude is an important skill for families of wealth, because it is the key to the recognition of and *enjoyment* of the wealth you possess and blessings you enjoy.

A related characteristic that many successful families share is a great sense of optimism for the future. We have found that it is common for the most successful people to look at the world as a place of constant improvement and opportunity, where life continues to become better and better. This attitude correlates directly to a feeling of gratitude – successful people tend to possess a great optimism and faith in the future, as well as a related feeling of gratitude for the blessings of the world.

### The World in Decline?

Not everyone shares such an optimistic vision of the future, and many people do not picture the world as a place of constant improvement and opportunity to be grateful for. In fact, in recent years it has become fashionable to adopt a belief that the world, and particularly the United States, is in a state of decline and stagnation. Many people have been "shell shocked" by the last decade of stock market crashes, economic recession, terrorist attacks, and political upheaval, and have adopted a belief that the quality of life in the world is in decline.

Many authors, commentators, and pundits have jumped on this bandwagon, making the point that economic statistics such as Gross Domestic Product, average middle class wages, and employment are pointing to a less prosperous era in our nation's history, and a decline in the living standards of the average American. Many have cited the postwar years of the 1950's as the "Golden Era" of American wealth and prosperity, and have made the case that our economy and living standards have stagnated ever since that time. An excellent example of this kind of thinking was a New York Times article recently written by noted author Paul Krugman who suggested that:

*Americans in the 1950's made the rich pay their fair share; it gave workers the power to bargain for decent wages and benefits; and... it prospered. And we can do that again.*

### A Different "Measuring Stick"

There are many ways to measure economic prosperity and living standards. Many economists would tell us that the best measures are the average wages of middle class workers, the employment rate, or the growth of GDP. While all of these are important statistics, and data points which should be considered, they don't tell the whole story. In our view, there is a different "measuring stick" we can use to accurately judge the improvement in living standards due to the innovation and growth our nation has experienced.

As Matt Ridley articulates in his marvelous book, [The Rational Optimist](#):

*Time: that is the key. Forget dollars, cowrie shells or gold. The true measure of something's worth is the hours it takes to acquire it. If you have to acquire it for yourself, it usually takes longer than if you get it ready made by other people... And if you can get it made efficiently by others, then you can afford more of it.*

*This is what prosperity is: The increase in the amount of goods or services you can earn with the same amount of work. As late as the mid-1800's, a stagecoach journey from Paris to Bordeaux cost the equivalent of a clerk's monthly wages; today the journey costs a day or so and is 50 times as fast. A half gallon of milk cost the average American 10 minutes of work in 1970, but only 7 minutes in 1997. A three minute phone call from New York to LA cost ninety hours at the average wage in 1910, today it costs less than 2 minutes.*

We could not agree with Ridley more, as true prosperity can only be defined by how hard and how long a worker needs to toil to

acquire a given basket of necessary goods and services. After all, time is the one common denominator for all humanity and for all of history - regardless of their wealth, skill, or intelligence, every human being gets 24 hours every day, and 168 hours every week, which has been the rule since the dawn of time. Life gets better when we can earn more and better "stuff" with the hours we spend working.

By this measure, the last 50 years have been an incredibly prosperous time, and prosperity is continuing to explode. To demonstrate this, let us consider some statistics about the cost of every day household goods in the last 50 years. In 1956, a basic low cost refrigerator-freezer sold for \$219.95 at a department store. This appliance cost the average American wage earner (earning \$1.89 per hour) roughly 116 hours of labor to purchase. At today's average wage, a similar appliance only costs the average worker 15 hours of labor, for an 87% reduction. In 1956 it cost an average American worker about 5.2 hours of work time to purchase the lowest priced women's outfit of jeans, a blouse and pumps. Today the same outfit costs only 2.9 hours of work for a 44% reduction.

Indeed, we can look across the spectrum of consumption for average Americans, from food, cars, clothing, housing, household furnishing, and utilities, and in every category the cost in terms of work hours have dropped by almost half since the 1950's. Not to mention, improved medical care and health care options have also extended the average life expectancy in our country by about 10% since the 1950s!

As Ridley puts it:

*The average British working man in 1957... was earning less in real terms than his modern equivalent could now get in state benefit if unemployed with three children. Today, of Americans officially designated as "poor", 99% have electricity, running water, flush toilets, and a refrigerator; 95% have a television, 88% a telephone, 71% a car, and 70% air conditioning. Cornelius Vanderbilt had none of these. Even in 1970 only 36% of all Americans had air conditioning: in 2005 79% of poor households did. Even in urban China 90% of people now have electric light, refrigerators and running water.*

### What's New?

It is striking to consider the difference in the hourly labor cost of various goods and services over the last 50 years, and it is clear that the average American today is able to acquire life's "basics" for fewer hours of work. However, there is an even more amazing measure of prosperity and improvements in quality of life that should be considered, which is to consider

all of the goods and services which are available today, which Americans in 1950 could not purchase for any price because they were not invented yet.

Indeed, the list of innovative new products and services which have been introduced in the last 50 years is incredible in scope. Americans in 1950 could only dream of things like mobile phones, internet access, satellite TV, personal computers, GPS devices, MRI machines, antilock brakes, or ATM machines, and the list goes on. Consider the fact that the iPhone was first introduced in September of 2007, and has already become one of the most transformational technologies of all time! Today we take these things for granted.

The impact of this kind of innovation and invention has been truly incredible, but nowhere more significant than in the world of healthcare and human longevity. I have often thought of a personal example of this in my own life, as my paternal grandfather died at a young age from a heart attack, and probably never even knew that he had a hereditary condition of high cholesterol. I have often mused over the question of how much he would have paid to have access to a prescription of a cholesterol lowering drug like Lipitor, which could possibly have extended his lifespan by a considerable length. Of course, this was not possible for him because this wonder drug was not yet invented while he was alive. Unfortunately, I have inherited his condition of high cholesterol. Fortunately, my monthly vial of Lipitor costs me about 14 minutes of work each month, and has dropped my cholesterol by 61 points, and (hopefully) dropping my chances of dying young from a heart attack considerably as well!

*According to a recent article in Mayo Clinic Proceedings, the actual difference between optimists and pessimists just might amount to about 12 years of life.*

### **Incredible Prosperity!**

When we define prosperity in America as the affordability of necessary goods and services, as well as the invention of new goods and services which make our lives better, there is no doubt that we are living in the most prosperous times in history. The last 50 years have witnessed an explosion in the quality of living standards in the world, and there is no sign that this expansion is ending any time soon. We find this something worth being grateful for, and optimistic for the future to come!

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### **Disclosures**

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