



Wealth Creation . . . and Preservation

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It may be time to learn to

DO IT

YOURSELF

As you probably know by now, I don't write to please anyone. I write what I believe is truthful, relevant, and important to my readers - and I wish that WC&P was either twice as long or came out much more often. With all the bad information available to you today, I have to spend a lot of time in these pages giving you the real story - as I understand it. At the very least, you get the results of my research into the subjects I tackle here. I have no agenda except to identify trends in the markets which will affect your finances.

In this issue I will attempt to sketch out a "personal plan" instead of a financial plan. I have long been concerned about how complex life has become, and how with all our advanced technology many people seem to be underserved or even abused rather than benefitted by it. I believe that each of us needs to take a greater share of the responsibility for our own lives, rather than depending solely upon the advice of those who are supposed to know more than we do.

This topic arose as I worked on *Moneywise*, my upcoming book on personal finance. Chapter 3 is titled "What is a Financial Professional?", and it attempts to demystify the entire financial services profession. For years I have talked about the widespread lack of professionalism in my field, and just the other day got more evidence of that from a client. I thought about other professions as well, including medical, legal, accounting, education, and others. In each of those fields, we attempt to hire expertise

when we need it, but it seems we have very little control over the quality and quantity of expertise we are purchasing.

Financial. To this day, many Americans are so illiterate about personal finance that they are easy prey for those who call themselves financial professionals. We want to think that the person across the table from us is experienced and competent, and will provide service and support after he or she makes the initial sale. In most cases, this does not happen. We end up buying the wrong product at the wrong time from the wrong person. We are also susceptible to the song and dance we get from far too many who simply view us as a commission. The securities industry is self-regulating, which means that it is not government-regulated. It doesn't make much difference; the industry is not out to benefit you, or even to protect you. Even those who manage to buy a good investment at a good time are likely to sell that investment at the wrong time, as has been documented by numerous studies.

Medical. In recent months three of my clients have had strokes, two of them quite severe. In one instance the stroke was brought on by a medical procedure which the client probably should not have had. It was a heart catheterization, in which a device is inserted into a leg vein and threaded up to where the device can look at the heart. This is a common procedure and a useful one; however, in this instance there was a significant possibility that the device would dislodge plaque along the way, and that plaque would travel around the bloodstream until it found a passage too small for it. There are many small blood vessels in the brain. The client suffered a debilitating stroke within three hours of finishing the procedure.

Legal. Dozens of clients have asked me to refer them to a good lawyer who could help them in drafting their wills. I have tried to identify attorneys who specialize in estate planning. In most cases when my client meets with the attorney he does not know exactly what to expect, nor what he really needs. Most of my clients have relatively simple situations, and would not be subject to estate taxation upon their death. Even so, it is always appropriate to have the right legal paperwork in place and to keep it up-to-date.

On quite a few occasions my client has not taken the advice of the attorney to whom I referred them, but instead has gone with someone who charges them less money. In the estate planning business, there are two ways to draft your documents; pay a little more money now to get a complete set, or spend less on simpler documents and your heirs will pay attorneys much more to settle your estate when you die.

Accounting. Most of us only use an accountant when we need to get our tax return prepared. Before Congress tightened or eliminated many of the “loopholes” in the tax law, there were many tax preparers who took quite an aggressive stance. As a result their clients were subjected to unexpected risks. More than a few clients have called me when they were informed of an IRS audit, and the experience was never pleasant.

Accountants and tax preparers like to charge by the hour, and most of them charge very substantial fees for doing tax returns because people are not willing to do a little homework themselves. Prior to the development of top-quality tax preparation software, and due to the complexity of the tax code itself, many of us were at the mercy of our tax preparer and really didn't understand what it was we were signing each April 15th.

There is a large and growing group of accountants who also sell investments and insurance to their clients. The idea behind this is that an accountant knows your financial situation intimately, and is therefore well-qualified to recommend certain types of investments. Unfortunately, this is generally not the case. Accounting is a profession that looks backward into the past; investment advisors should look into and anticipate the future. Your accountant may be qualified to say that if you had tax-free

municipal bonds you might be able to reduce your tax bite, but he is not qualified to recommend one particular municipal bond over another.

Education. I applaud the efforts of those who homeschool their own children. Public education has become a disgrace in many parts of this country. We see the problems of public schools manifest themselves in the results of studies about dropout rates, literacy, academic performance, preparation for further education, and so on. However, my questions apply to all of us in any course of education we may undertake. 1) Are we taking the appropriate course from a qualified instructor, who will teach without interjecting personal bias or pushing his own agenda? 2) Does the teacher hold to personal standards of ethics, morality, and integrity even remotely resembling our own? 3) Would you have been better off studying the course materials or similar materials on your own?

My profession requires Continuing Education credits; other professions may require additional college credits or degrees to get raises and to qualify for promotions. How many of these courses and programs are really worthwhile, and how many of them simply enable you to sit in a class or in front of a computer, pass the test and obtain a designation?

A personal plan

It should be obvious to all of us that the “professionals” don't have all the answers. Even if they did, sometimes they're simply not available. How much time does your doctor actually spend getting to know you and your medical history from a personal point of view, rather than just scanning page after page of your medical history? How much does your accountant or tax preparer know about you that might help him in making recommendations about how to reduce your taxes? if you know that “the meter is running” when you sit down with your attorney, are you going to be as open and willing to give him all the details he may need?

I have long believed that everyone should do their own tax return each year. As we struggle with this Byzantine, massive tax code we realize just how much we are actually paying. We also

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realize how terribly complex our government has become, and how little part we play in it aside from paying our taxes.

Preparing your own tax return has an additional benefit; it teaches you things about your own personal finances. It helps you to be your own accountant, and it helps you to look ahead and look for relief from your tax burden.

Many attorneys and financial professionals give seminars about estate planning. I can hardly imagine a more boring subject, but thousands of people attend them each year. In those seminars they are usually taught very narrow concepts with limited application, and they are given no specifics. These seminars, like most financial seminars, are nothing more than sales presentations; the attorney is trying to sell his services. He may be offering a package price for his quote one-size-fits-all quote will and trust combination, but it may not be what you need.

I believe that **the health industry** in the United States today is far more interested in money than it is in health. When we go to the doctor we may get an itemized bill for his services, but we generally turn it over to the insurance company and really don't understand how much that visit costs. This is true of most health services today. Dr. Jean M. Orient, M.D., executive director of the Association of American Physicians and Surgeons, recently said this:

"We have simply disconnected supply from demand by taking the price to be paid directly by the customer out of the equation. Less we have absolutely no control over the cost of the system. No wonder the cost keeps going up and up and up. Medicare is a perfect example.

"As a result, the number of uninsured people goes up as well. The only way we can get people to buy such an overpriced product is to use force. Having disconnected the free market mechanism, the government must now control the supply side by rationing health related products and services. Of course the word rationing is never used; instead, medical services are "rationalized."

From now on you and I are less and less likely to get the best treatment available. Our health is being managed by faceless bureaucrats who must make significant decisions about the *amount* and *quality* of care that will be provided. If you are going to obtain the best care, or even the kind of care you need, you must become better educated about your own illness and the variety of available treatments for it. Fortunately we have the Internet available to us. **Once you have seen your own doctor**, you can quickly find numerous medical websites that can help you diagnose your own symptoms, find conflicts between prescription medications, locate clinical studies in progress for your illness in which you might receive free medication and treatment as well as compensation for your time and travel, and much more.

I cannot overemphasize the importance of becoming your own medical researcher. Who has a greater interest in your health than you? Once your time gets divided up among several specialists and your GP, none of whom may ever look at your (and your family's) entire medical history, you are at their mercy. I could cite example after example from my own experience and that of clients, in addition to what I have read over the years, where people suffered innocently because they or their doctor didn't do their homework.

I believe that the keys to health are diet, exercise, adequate rest, and proper nutrition. A happy marriage is part of the picture as well, but none of us have complete control over that. You remember the old adage about "an ounce of prevention"; it is astonishing to learn just how much illness is directly related to our lifestyle. Living in a polluted environment, being in stressful situations, and having poor personal habits are significant health risks, but diet and exercise may be even more important.

Here are some aspects of the "personal plan" I have followed for many years:

1. Be proactive when it comes to your health. No one is more interested in your health and well-being than you. This means becoming better informed on the issues that affect you. It also includes getting rid of bad habits, if any,

2. Find your purpose in life and pursue it diligently. We meet far too many people who drift through life devoid of goals and meaning. If you plan to live a long life, please make sure that each day is worth living.

3. Maintain proper diet and nutrition. We have used high-quality, all-natural food supplements for many years. As a result, and because we do not use tobacco, caffeine or alcohol, I believe I have missed fewer than ten days of work because of illness in the past thirty years.

4. Exercise. Do what is right for your circumstances. My routine is short and simple but effective.

5. Reduce stress. If you have a stressful job or living situation, find ways to alleviate stress every day in a manner appropriate for you. I don't believe that drugs, alcohol or prescription medications are appropriate for stress reduction.

6. Get adequate rest. OK, I don't observe this one, but I know I should.

7. Read something worth reading every day of your life. 95% of my reading - and I try to read at least four books a month - is nonfiction.

8. Become intimately familiar with your family medical history. Know your health "risk factors" and take steps to eliminate them or reduce their influence.

9. Be proactive in avoiding illness, whether from airborne bacteria, viruses, pollution, or other sources. If your tap water doesn't taste the way it should, buy and use a good [charcoal] water filter. Bottled water is not necessarily any better than what you can get out of the tap, but it's supposed to be. It is certainly more expensive.

10. When you become sick, utilize medical facilities as appropriate, and use the Internet to obtain lots of information about your illness. Look especially for natural remedies, and check to see whether you might expect any reaction to them - particularly if you are taking prescription medications. Don't expect your doctor to know much about natural remedies, herbs, vitamins, and supplements, much less acupuncture and a dozen other popular methods; that's not his field of study.

11. Become familiar with your financial situation. Know where you are, where you are headed, and what you need to do to be more successful financially. I recommend using Microsoft Money to track all your personal and small business expenses.

12. Prepare your own tax return(s) using TaxCut, the software owned by H&R Block. (In my opinion, TurboTax runs a very distant second to TaxCut. Both are sold at Staples and Office Depot.)

13. Be aware of the legal risks you face. Join an organization like NOLO (www.nolo.com) to get valuable information about

your legal rights and responsibilities. Join HALT (Help Abolish Legal Tyranny) at www.halt.org. Get a will and, if appropriate, a trust. Purchase **pre-paid legal insurance** that will pay for your will and annual reviews, along with some or all of the funds you need when you need an attorney for any purpose.

14. I can't preach about participating in the PTA because I don't have any children, but I believe it is vital for people with high moral standards, common sense and good judgment to get involved in the education of our children and grandchildren. From what I hear (both my siblings and a sister-in-law teach in public schools, and my wife is on the faculty at Southern Virginia University), much of what is taught in K-12 is worthless, incorrect, or promotes immorality. I believe that parents should know what their children are being taught - it is still their right despite what the schools, school boards and teachers' unions have to say about it.

15. Serve. Find a worthy cause and donate your time and money to it. I have devoted between 8 and 25 hours each week to church and charitable work for the past 36 years; I do not regret one moment of it. Rather, there have been moments when I like to think I was an influence for good in the life of another. Besides, we learn much about ourselves when we serve others.

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