CHAPTER ONE

WHAT WE TALK ABOUT WHEN WE TALK ABOUT WEALTHNESS

A DAY DOESN'T GO BY WHERE YOU DON'T THINK ABOUT money. Money, after all, influences many of life's choices. What you do for work. Who you marry. Where you live. The schools you attend. The schools your children will attend. Naturally, when making these decisions, you take your financial situation into account, so consider how the decision-making process is impacted if your relationship to money is unhealthy. Consider how it can cloud your judgment, leave you persistently anxious, or result in decisions that complicate future plans. I can share painful stories from my many years working as a wealth manager; families fighting over inheritances, couples prolonging divorce proceedings, or clients feeling cornered into staying at jobs that make them miserable. I've seen parents who spend extravagantly, but struggle with the idea of paying the higher tuition of a better school for their child, and couples that divorce because they cannot discuss money without it leading to nasty fights. These are people who do not have healthy relationships to money and allow it to detract from their overall wellness.

Take "Bernard." The owner of a large architecture company, he is embroiled in a multimillion-dollar lawsuit with a construction firm over a major project cancelled at the last moment. The litigation has been a major financial setback for the company and has become an obsession for Bernard, sapping his creative focus. Until now, Bernard has wholeheartedly helped his adult children, financially. Recently, however, because of his legal predicament, Bernard had to turn down one daughter's request for assistance. This dismayed the daughter who, thinking the support was a forgone conclusion, had already made financially burdensome plans. The rejection caused a rupture in the relationship, and the two are currently not speaking.

The daughter clearly has an unhealthy attitude toward money. She feels entitled to her father's money and cannot appreciate the financial strain her father is under. (I have numerous stories of children who stop talking to parents because they are not getting the financial assistance they feel they deserve.) But, Bernard, the father, is deficient in the wealthness department, as well. Despite the lawsuit, Bernard is still a wealthy man, but through his exaggeration of the current losses—partly because he has invested so much emotionally in the lawsuit—he has convinced himself that he has turned into a sudden have-not, a man incapable of helping his family. Lacking the tools to detach from the situation, everything in Bernard's life is viewed through the prism of the lawsuit. If from the outset, Bernard was more open with his family about his current troubles, and not embarrassed by his circumstance, then, perhaps, his daughter would have not made plans contingent on her father's generosity. Such openness may have afforded Bernard a more accurate assessment of the situation. It would have placed the matter in real, unexaggerated terms, and he would have seen the lawsuit as damaging, yet not dire. Communication, as we will see in a later chapter, is crucial to wealthness.

"Gerard," another client, was the co-owner of a successful grocery store chain. For years, he had been living well beyond his means and was constantly low on cash. He'd always choose the object slightly out of his price range, whether it was a house, car, watch, or better seats at a sporting event. After exhausting every account, including those of his children, he began taking money out of the business, claiming half of it belonged to him, even though he and the partner had agreed at the outset to reinvest all profits back into the business. Obviously, such a move angered his partner, who argued the withdrawals put financial stress on the company. They would have to put expansion plans on hold, maybe even fire some employees. Think of the many lives and relationships affected by Gerard's lack of wealthness.

Money is rooted in so much of what makes people happy or unhappy, and divorce is a classic example of how people's unhealthy fears surrounding money can cloud judgment, especially when it comes to negotiating against future happiness. Surely, divorce qualifies as a major destroyer of wealth, and going into divorce proceedings the parties understand that they can easily lose half their money. Yet, because of an inability to come to terms with the fear of loss, they tend to drag out the proceedings and fight, incurring tremendous legal costs and causing an even greater loss of wealth.

A real or potential loss of money is not the only trigger of financial anxiety. Inheritance, the gaining of money, has the ability to put tremendous pressure on individuals and families. We now stand at the outset of what will be history's greatest wealth transfer as, over the next thirty to forty years, Baby Boomers begin to leave assets to their heirs.

A client "Rosalie" is married to "Stephan." They both have lucrative jobs in the entertainment industry and consider themselves wealthy, although Stephan has consistently earned more than his wife. Until now, the couple has pooled the entirety of their finances. They use the joint funds to pay for everything in their lives from typical living expenses like the care of their children to the nursing home bills of Rosalie's father. If either Rosalie or Stephan wants to buy an expensive personal item, they both feel at liberty to pay from the account without consulting the other. Rarely do they question one another about purchases. Last year, Rosalie's aunt passed away, leaving her niece a sizeable inheritance. Without discussion, Rosalie deposited the money in a separate account under her name. Obviously, this is causing tremendous friction between the husband and wife. He feels she is identifying monies that belong, not to the family, but to her. The wife's move has opened up questions of trust. Slighted by her attitude toward this windfall, Stephan finds himself reacting pettily to financial matters, wondering whether his wife is contributing her fair share. He has even begun questioning the value of her purchases. Through the inheritance, the family has become wealthier, yet Stephan has grown unhappier.

In an attempt to boost Stephan's wealthness, I'd ask him to first take a step back and remind himself he was wealthy before the inheritance. Then, I'd point out that he and his family are wealthier because of the inheritance. Lastly, we again have an example of a family that can benefit from better communication especially before decisions are made to either pool money or open separate accounts.

We all like to think we will be levelheaded when it comes to divorce and inheritances, but people come into more money, and it can complicate lives and relationships. Potential issues and tensions surrounding inheritances are vast and difficult to anticipate. What if the money is not distributed equally among family members, or there is frustration over the pace at which it's being settled. Sometimes family members want to take out money early or voice dissatisfaction over who's been named executor. Even if money is distributed equally, resentments can fester over the disbursements of heirlooms and property, someone wanting a painting, but instead getting the jewelry.

Situations like these will test wealthness and expose your true relationship to money. From a numbers standpoint you've become enriched, but if your brother gets the car and you get the boat will you act dignified and graceful, or will you allow greed and a feeling of loss to turn this into a negative moment, one that has the potential to ruin your life and relationships?

A lack of wealthness threatens not just your relationships. Unreasonable and unwholesome expectations regarding money risk your health, as well. The financial crisis of 2008 was an incredibly difficult time, and I witnessed firsthand in clients and investment professionals how losing money made them physically and mentally miserable. People, worried that employers would not be able to fund their retirement plans and seeing on paper how much they were losing, were under enormous amounts of stress. The media was reporting that high levels of stress and lack of sleep had caused an increase in prescriptions for sleeping pills, especially amongst those working in the financial sector. Clients were hiding investment statements, refusing to open them. Some relationships were in turmoil with spouses accusing the other of acting recklessly and secretively with the family's funds. As the markets went lower, panic ensued, and more and more investors were cashing in their savings. This was an extremely stressful period even for investors who had set realistic and appropriate goals, did not do anything technically wrong, and understood that returns don't go up in a straight line, the type of investors whose experience should have enabled them to weather the storm with little emotional turbulence. The Great Recession, as it is often called, was most likely a once-in-a-lifetime downturn, but the response of investors during this period offers great insight into the dangerous patterns of investor behaviour I witness frequently, even during good times.

The emotion of greed can be equally as damaging as fear. Money is like a drug, and we don't always act rationally when it comes to money, something behavioural scientists have learned in recent years. In his book *Coined: The Rich Life of Money and How Its History Has Shaped Us*, Kabir Sehgal details a study executed by the neuroscientist Hans Breiter studying the brain scans of twelve individuals partaking in a game where they could either win or lose money. He was particularly interested in observing the nucleus accumbens, a region of the brain that plays a major role in the cognitive processing of reward and reinforcement learning. For the people playing this game, the brain scans "showed heightened activity...similar to those of drug addicts who were given a hit of cocaine."[1] Sehgal posits that our behaviour around money is motivated by factors beyond pure reason, like people tending to tip more generously when the weather is nice and sunny.

He concludes that money itself excites people, but the possibility of obtaining money is an even greater neuro-stimulant. Sehgal concludes, “Money has become our Pavlov’s bell, activating the nucleus accumbens and conditioning our behaviour as we salivate at the opportunity to feast on more.”[2] What excites people is not what they have, but what they can gain.

Feasting for more and chasing after an even greater high is not a recipe for success or wealthness. Warren Buffet, arguably one of the world`s greatest investors, has famously said, “Be fearful when others are greedy and greedy when others are fearful.” A failure to manage reasonable expectations, any temptation to feed the greed, is a sure and quick way of setting yourself up for disappointment. As a discretionary money manager, I make choices for people on how to manage a well-balanced portfolio. In fact, a major part of my job is to manage the expectations of clients who set unrealistic goals for the markets and themselves. Not having a safeguard between you and your money can leave you vulnerable to emotions; buying out of greed, selling out of fear, or just blindly following market trends as they top and reverse.

Impulsivity, generosity, jealousy. There are a whole host of emotions that crop up in our everyday lives and that can impact our behaviour when it comes to money. So if people make their worst mistakes when they get too greedy, fearful, impulsive, jealous, or overly generous, what can you do to get control over these emotions? First, understand that you cannot attack these issues all by yourself, the emotions are simply too strong. Second, unlike karate, where a beginning martial arts student is taught to see each movement as a defensive or attacking move against an adversary, in investing the enemy is an internal force. The adversary is not the market, as some people would like to believe. The enemy is you, and it is fighting you from inside your head. Once you understand these two points, you can embark on fostering a healthy relationship with money through the disciplined approach detailed in this book. This involves meeting your opponent—you—head on and reviewing your situation, taking stock of what you have, defining what makes you happy, and assessing whether your goals are realistic or not. Through lessons from the practice of karate, discipline and meditation—all outlined in this book—you will learn how to control potentially destructive emotions so you can set yourself on a path toward wealthness.

Take, for example, the emotion of regret. Regret is not some scarce commodity in our lives. You find it when the market goes up, and you find it when the market goes down. I should have been more aggressive, or I should have been more conservative. Think of all the money

I'd have now if I had paid more attention to my finances when I was younger. You may regret specific investments, or money spent on people you thought you loved. None of us has always made the best money decisions, but you have to learn to move on, look forward, and not obsess over what did not go right in the past. Part of attaining wealthness and becoming a black belt investor is feeling confident in your long-term plan and not acting based on current or past regret.

As a society we fanatically commit to certain diets and exercise regimens and seek out the advice of self-help gurus promising to better organize our lives and make us more efficient with our time. So why are we not creating the same space to deal with financial happiness that we do for nutrition and attacking our body image? Little effort, unfortunately, is exerted on achieving financial happiness, and nowhere is this dichotomy more noticeable than in the wellness movement. Today's popular mindfulness movement is focused on being appreciative and thankful in the present moment. But money is often the distraction jerking people out of the present moment and having them think about the future, what I call, the future moment of money. Instead of enjoying the money they have, instead of possessing peace of mind that they are well off and do not face any imminent financial troubles, people obsess over future plans for their money, both good and bad. Days can be spent calculating retirement plans and trying to gauge the impact of every future monetary decision, but there is a difference between planning and obsessing. This type of distraction, more than anything, detracts from one's present happiness, yet it's common in the wellness movement, on the whole, to ignore this subject of one's relationship with and attitude toward money. In the yoga and meditation communities, there is little to no acknowledgment of the link between a person's happiness quotient and his or her level of financial contentment.

The extent to which the money factor has been ignored in the wellness movement touches on the story told in the introduction of the yogi's dismissive attitude toward money. Part of the problem is that wellness people tend to not have the motivation to attain a lot of money and most of them don't. In fact, they see it as a badge of honour to be able to live well without much money and dismiss having more money than you need as being materialistic, or having misguided priorities. By almost completely excluding or ignoring the subject, they are attempting to send the message that money is superficial and should not be considered intrinsic to one's happiness. The Buddha's teachings challenge one to overcome cravings for money. This is a worthwhile aspiration if money is a negative source of emotion for someone, if the thought of money conjures feelings of guilt, jealousy, or regret. But what if that same person had the ability to turn money into a positive source of emotion? To paraphrase the late economist Jude Wanniski: The history of men is a battle between creation of wealth and redistribution of wealth. In other words, money makes the world go 'round. Our days are spent making and spending it. All of us are contributing wealth to the world. It is fundamental to our way of life. Therefore, we should be striving to feel we have control over the process and the ability to determine that it is going toward good purposes. We should believe money has the potential for a generally positive outcome. This recognition can be a wonderful source of joy and contentment.

Such reticence surrounding the deeper issues of money and happiness are not limited to the wellness community. In the financial community, it can be challenging for many advisors to talk with clients about emotions surrounding money. They see themselves, first and foremost, as money managers, not psychologists. They will talk about how to save and invest money and the best strategies for generating strong returns over time, but will usually limit any discussion of emotions to how a client should react to volatile markets and losing money. If an advisor notices suspicious activity like excessive withdrawals or exorbitant payments, chances are the advisor will keep his mouth shut out of fear of creating discomfort in the relationship, which is understandable because discussions of addiction, infidelity, or other personal issues can be extremely uncomfortable for both parties. Clients are known to dump advisors if they are not told what they want to hear, or are told things they don't want to hear, and most people, it is assumed, don't want to be told they have a problem. Besides, advisors are not psychiatrists or gurus, and the parameters of the relationship do not call on them to dig deep into the personal lives of clients, which is not to say that the relationship would benefit greatly from such openness. Additionally, in this male-dominant field—fewer than 20% of advisors are women—the role of the financial advisor, traditionally, has always been to create wealth and help the client reach financial goals. Advisor success and competence in this world are measured primarily through numbers—the amount of assets under management and returns generated.

Most advisors probably don't address these deeper issues, because like most people, they incorrectly assume that having a healthy relationship to money is a question of personality. We read that there are different personalities when it comes to money, and sometimes it is thought that Person A is predisposed to be happy about her money while Person B is not. Nobody's financial outcome is predestined. Just because you may have had trouble saving money in the past doesn't mean you'll never manage to save money. You can't take a defeatist attitude when it comes to empowerment over money. You have influence over what's happening to you, especially since there is a clear recipe for success. Like mastering anything in life, though, it requires effort. It requires discipline, too, and the steps are outlined in this book, each belt a different rung on the ladder to mastering your finances and to becoming happier in your relationship to money. One thing is certain: Even imperfect and incomplete dedication to the practice will make you better off than having done nothing at all. Like in the practice of karate, there is no perfect. There is only the constant striving toward perfection.

The achievement of hanging my second Dan black belt on the wall in my office signified, not simply, years of mastering the positions required to obtain that next belt. In karate one is constantly going back to the basics. Whether you are a yellow belt, blue belt or third Dan black belt, the master sensei will always demand you redo everything you learned from the beginning. You are always doing the white belt kata (choreographed movements). In Florence, I remember seeing a quotation on a restaurant door that perfectly illustrates the spirit of karate discipline. "Nothing is ever finished. Nothing is ever perfect. Nothing lasts forever." In karate, you can never be perfect, and you are never finished practicing. One is always sharpening the saw, so to speak. Everything worthwhile in life requires, at the very least, a basic level of discipline. There are no shortcuts around this truth. For me to become a black belt it meant going to the dojo at every opportunity, not giving into laziness, and practicing at home whenever possible. In other words, practice, practice, practice. Soon this high-level of discipline kicked my karate into a higher gear and became part of my character, seeping into all areas of life, from my advisor job to the management of my household.

A complete focus on wellness entails trying to be the best person you can be with the tools at your disposal, and using these tools to keep your body in good working order, feel good about yourself and practice meditation toward the goal of realizing you can have control over your thoughts. Then, you can put in place a practice of healthy money, which means building wealth for the purpose of creating a fulfilling life. Money should never control you. Money, rather, should be of service to you and the ones you love. This is wealthness.