

## The “50 Things” List

When was the last time someone asked you what you want to be when you grow up? Can you recall? While it seems like a question one might only ask of children, it is a fundamental question, a profound inquiry as to what you want to be in the world.

In our experience, it’s a question worth asking on a regular basis. Life is dynamic; you don’t map out your life’s dreams at age 10, 15, 20 or 30 and then stick to that program forever after. Each day brings new opportunities and challenges; in response you find new directions and make new discoveries about yourself. Your goals and objectives evolve.

As you change, your answers to life’s basic questions change. With that in mind, we ask our clients all sorts of questions, some over and over again. Prior to your initial meeting, we asked you what your primary financial concerns were and we surveyed your level of satisfaction on a variety of different quantitative and qualitative issues. Each year we repeat that survey and pose even more questions. We ask you to complete a “wheel of life” to annually assess your satisfaction with the key parts of your life.

These are not idle exercises. The time and energy you devote to examining, refining and conveying your hopes and aspirations directly influence the quality of the advice we provide. Your answers to the questions we pose drive our process. With clarity about what you want, we can help guide you towards your goals. Unless you are clear about what you want, it can be all too easy to diverge from your wealth plan when the going gets rough. This is natural, but carries dangers. Our experience during the recent downturn was that those clients who had a clear sense of their purpose and plan in life were able to stay invested and ride out the turmoil. Some of

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## Consistency Matters

By Craig Israelsen, Ph.D.

Age and experience have the tendency to refine our perspective. What might be “boring” to the young is praised as “consistent” by the old. I must be old because I really value consistency.

Let’s take a look at the performance of the seven major asset classes over the past four decades: 1970’s, 1980’s, 1990’s and 2000’s. The 1970’s consists of the ten year period from January 1, 1970 to December 31, 1979, and so on. The asset classes we will examine include large US equity, small US equity, non-US equity, US bonds, US cash, real estate, and commodities. In addition to these seven individual asset classes we will also study the behavior of a multi-asset portfolio consisting of equal allocations (14.3%) in all seven assets. We’ll then rebalance this multi-asset portfolio at the end of every year.

What would happen if we made annual investments of \$1,000, simulating how most people actually invest in their retirement accounts—that is, they invest periodically rather than simply making a single lump sum investment.

As shown in the chart at the end of this article “Winners by Decade,” the 1970’s was the decade of

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those who had not done the hard work of personal inquiry weren't able to "stay the course".

To rediscover your "heart's desire" it is best to start with a beginner's mind and a light heart. One of our favorite exercises is the creation of a list of "50 Things I Want to Do" also known as a "Bucket List". As with most activities there are lots of ways to go about creating this list but here are some guidelines to make the most of the experience.

### **Go It Alone**

We strongly recommend that your first draft be done without the help of your family, friends, or Google. This list is for you and you alone; Others' ambitions for you do not have a place here. For many, their lives represent a compilation of others' aspirations for them. Begin by dreaming this dream alone.

### **50 is a Minimum**

No kidding! The purpose of this exercise is to have you learn something new about yourself – you are supposed to dig deep and struggle for the last 10 – 15 items on the list. And please note: a list of 50 places you want to go doesn't cut it – this list should be about big life goals and aspirations! If travel is important find a way to include it in the list without making destinations BE the list.

### **Let the List Marinate**

Unless you've been compiling a list in your mind already, this list will take a few sittings to complete. Let your unconscious simmer and you will be rewarded with many tasty morsels to savor. That said, too many cooks spoil the broth so simmer time should not be

consulting time. Be judicious in considering whom to consult. When you do ask for ideas, suggest they think of things they've heard you express before. Until you are satisfied with your list, hold off on discussing it with your partner/spouse.

Once you have your list of 50 or more things that would be important to you to do or be in your life, the next step is to share the list with your spouse, partner or a close friend. The purpose of this initial sharing is to witness each other's dreams and aspirations. Witnessing is far deeper than show and tell. Give each other space and time to share your respective discoveries and the meaning they have for you. Take turns, but be sure to give each other enough time to discuss and expand on each of the items. Approach your partner's list with curiosity. Be willing to be surprised by the motivations or desires behind each item. Be sure to honor the vulnerability and courage it takes to share these desires – some of which may not have been recalled since childhood or young adulthood. Take your time in sharing...it's worth it!

Once you have shared your lists consider coming up with a joint list of things you can do together along with a separate personal list that you can support each other in completing. Once you've created the "mine, yours and ours" lists devote some time to making them come alive. Ideally you will create descriptions, develop visions and determine time-lines for completion. Keep in mind that you have the rest of your life to complete this list, so don't let it become another "To Do" list. Work with your partner; hold each other accountable for fulfilling your separate and joint dreams. Make it fun and enjoy yourselves!

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## **How to Find Medical Information**

With so much information available, finding anything on the web can often be overwhelming. An important resource for a number of questions can be the Federal Citizen Information Center ([www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)).

If you have a medical question, the National Institute of Arthritis and Musculoskeletal and Skin Diseases recently started offering a free guide on that site called

"How to Find Medical Information". It suggests ways to use the internet to do medical research, what to look for in your local library and what reference sources are good to have at home." Use the site search by entering the name of the article and click on "go".

If you find other sites that would be useful to others, please let us know so we can share them with others.

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small US stock and commodities. Real estate was next, and then the multi-asset portfolio. Large US stocks and cash had the same ending outcome, followed by US bonds. Nevertheless, all seven individual asset classes finished above water—meaning that the ending account balance was larger than the total amount of \$10,000 invested. The horizontal black line represents the total investment of \$10,000 during each decade. A multi-asset portfolio consisting of equal allocations in all seven asset class (and rebalanced at the end of each year) was a solid performer. In fact, the multi-asset portfolio outperformed large US stocks, non-US stocks, bonds, and cash.

The 1980's was the heyday of non-US stocks. The MSCI EAFE Index dominated all other six asset classes. Large US stock did well, as did commodities. But, once again, the boring multi-asset portfolio turned in a stellar performance. It outperformed small US stocks, real estate, US bonds, and cash.

During the 1990's the spot light turned to large US equity. In second place was small US stocks, followed by non-US stocks. The multi-asset portfolio was solidly in fourth position, ahead of real estate, commodities, US bonds, and cash.

Finally, with the most recent decade of the 2000's finally in the rear view mirror, we note that every asset class struggled to finish in the black—that is, to have an ending balance that exceeded the \$10,000 total investment. The

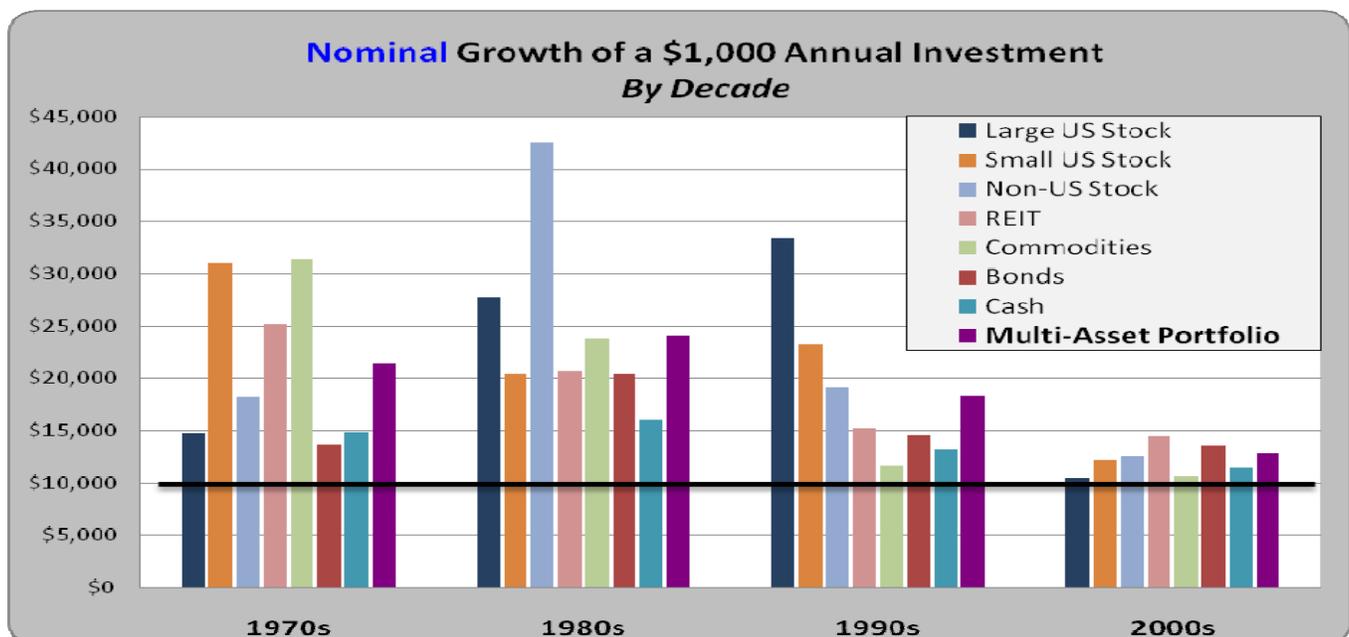
winner was real estate, followed by US bonds. In the 3<sup>rd</sup> position was the multi-asset portfolio.

These four decades reveal a pattern—broad diversification in portfolio design can produce performance that is more consistent. By creating an equally weighted portfolio you won't hit the home run (such as being fully invested in small stock and commodities in the 1970's, non-US stock in the 1980's, and large US stock in the 1990's) but you can achieve the type of solid performance that ends up winning the batting title. Of course, this research is based on historical data and there is no certainty that past performance will produce future returns.

Is there a theme here? There sure is, and the color of it is purple. An equally weighted, multi-asset approach to building investment portfolios is the model of greater consistency through booms and busts. Older investors will value it. A multi-asset portfolio represents the essence of well designed investment plan. At the very least, an investment portfolio should have a multi-asset core. Beyond that, it's up to the investor and/or advisor to appropriately overlay particular investment assets that meet the specific needs of each person. It's the old "core and explore" concept—but with a clear message that the "core" should be broadly diversified.

Here's the real beauty: the notion of consistency does not have to be preached. Old people already get it.

*Author: Craig Israelsen, Professor of Finance at BYU and part of Mosaic's Investment Committee*



Source: Morningstar Inc. (raw data) / calculations by the author, Craig Israelsen

## AROUND THE OFFICE

**At the Podium...** While not at the podium, **Susan Morse, Doreen Davis-Owen and Natalie Victorio** worked behind the scenes to ensure the success of Mosaic's recent event on "Death of a Loved One: Are you Prepared?". The event included an individual involved in Palliative Care and End of Life Issues, a Funeral Director, a CPA and our own **Norm Boone** who spoke on the financial planning needs associated with end of life issues. Wine and hors d'oeuvres along with the beautiful venue of the Olympic Club made a challenging topic more easily heard.

**Exotic Travel...** **Susan Morse** and her husband, Frank, travelled to Bryce and Zion National Parks and did lots of hiking. This is an absolutely beautiful part of the country and highly recommended. Over the past quarter, **Sabrina Lowell** travelled to Cuba exploring the city of Havana, art, and music and then spent a week SCUBA diving in Belize off of Ambergris Caye. She's already plotting her next trip!

**Education...** **Geoff Zimmerman** is taking a 12-week course in Leadership and Communication. **Chris Vind** attended an industry technology conference in Ft. Lauderdale, Florida, helping keep us up to date with new technologies designed to help us better

manage assets and serve our clients as well as to share best-practice ideas with other industry firms.

**Giving Back to the Community...** **Sabrina** has been finalizing donation packages for the San Francisco Junior League's 85th Annual Fashion Show Gala in April celebrating the League's community leadership in the areas of giving, service, style and fashion. **Sabrina** was recently asked to join the Junior League's prestigious board of directors. **Geoff's** term as President of the Rotary Club of Lafayette will end in June; he will continue his Rotary service next year as the Director of Club Service.

**Furthering the Profession...** **Norm Boone** continues as president of the San Francisco Estate Planning Council. **Geoff** continues to serve on the Board of the Estate Planning Council of Diablo Valley.

**Family Matters...** **Norm and Linda Boone** enjoyed a family reunion in LaJolla in January, celebrating his parents' WWII service. His dad, Elton (91), served as a Marine dive bomber pilot in the Pacific Theatre while his mom, Barbara (90), served in radio operations in NYC and Treasure Island. A plaque commemorating their service was installed.

## "Employee" Spotlight: Craig Israelsen, Ph.D

**Craig Israelsen** is an advising member of our Mosaic investment committee. Craig is an Associate Professor at Brigham Young University in Provo, Utah where he teaches Personal and Family Finance to over 1,200 students each year. See his article on page 1.

Craig's experience, expertise and outside perspective helps "hold our feet to the fire," helping to make sure that we have thought through critical issues and reached conclusions that make sense. Our investment committee meets semi-monthly to address current investment issues and concerns and is the place where Mosaic makes its overall policy decisions (including decisions about our global allocations, the use of alternatives and approval of specific investments in our portfolios).

Primary among Craig's research interests is the analysis of mutual funds and the design of investment port-

folios. He writes monthly for *Financial Planning Magazine* and is a regular contributor to the *Journal of Indexes* and *Horseshmouth.com*. His research has been widely published in a number of professional journals and he has been cited frequently in the press.

Craig also offers his real world experience as a principal at Target Date Analytics LLC. He is the author of three books, the most recent of which is titled "Twelve: A Diversified Investment Portfolio with a Plan" (John Wiley & Sons, 2010).

He is married and has seven children. Hobbies include running, biking, swimming, woodworking, and family vacations. He has competed in the Boston Marathon 5 times (but has never won).

## Estate Tax Law Changes

Late last year, Congress passed a comprehensive, if temporary, fix to the Estate Tax Laws. Doing so narrowly averted the “sunset” of the Bush era tax cuts and a return to the higher tax rates last seen in 2001. These new laws will sunset again, at the end of 2012, but they do provide a degree of near term clarity and a basis for future changes. Here are what we see to be the highlights:

***Estate tax exemption and rates set for two years.*** The estate tax “exemption,” which is the amount that an estate is effectively allowed to pass to heirs estate tax free, is now \$5 million (“mm”) per person or \$10mm per married couple (in 2009 the amount was \$3.5mm (\$7mm per couple). For estates over \$5mm, the law’s maximum tax rate is 35%.

***Portability of unused estate tax exemption.*** What is even more interesting is that a deceased spouse’s estate can now transfer any *unused* portion of their tax exemption to their surviving spouse at their death. Under previous law, couples had to have complicated estate plans to utilize their entire tax credit. The new law allows the executor of a deceased spouse’s estate to transfer any of the \$5mm tax exemption that was not used after the death of the first spouse to the surviving spouse without such planning.

***Estate and gift tax systems unified.*** The estate and gift tax systems are once again unified, this time at \$5mm, creating a single graduated rate schedule. As a result, the \$5 million estate tax exemption could be used to offset taxes due on lifetime gifts and/or bequests. For example, if a “taxable” gift of \$4mm dollars was made during a taxpayer’s lifetime, no taxes would be paid. Instead, the taxpayer could use the \$5mm estate tax exemption to offset any gift taxes due, and the taxpayer would have \$1mm remaining to offset estate taxes at death. Estate planners generally believe taking advantage of this new higher lifetime gifting limit is an important strategy to consider.

There is no change in the annual exclusion amount for gifts, which is currently \$13,000 a year per donor per donee.

***Value of assets at death – cost basis rules.*** Property inheritance after December 31, 2009 will receive a basis step-up to the date of death fair market value. This is the same as the law prior to 2010.

Before you take any action on estate planning matters, we strongly suggest you obtain legal advice from a qualified estate planning attorney. There are many details and complexities to consider.



*“Worst-case scenario? The renovation goes three years and two million dollars over budget, one of you bludgeons me to death.”*

## Thoughts to Live By

"We have no more right to consume happiness without producing it than to consume wealth without producing it." -

[George Bernard Shaw](#)

"Seek first to understand, then to be understood." -- [Stephen Covey](#)

"If you can't change your fate, change your attitude." - [Amy Tan](#)

"A man's true wealth is the good he does in this world." -- [Muslim Hadith](#)

"Remember that the six most expensive words in business are: 'We've always done it that way.'" -- [Catherine DeVrye](#)

"The person who sends out positive thoughts activates the world around him positively and draws back to himself positive results." -- [Norman Vincent Peale](#)