

The Life Cycle of Wealth



THE FOUR PHASES OF YOUR FINANCIAL LIFE

AARON KOLKMAN

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Overview

In the digital era, we receive an overflow of information about how to handle the pieces that complete the puzzle of our financial lives. Eventually handling the big picture becomes nearly impossible without three key ingredients: 1) clarity, 2) knowledge, and 3) perspective. Clarity means understanding of what's generally most important to you, knowledge refers to the information needed to make great financial decisions, and perspective refers to the viewpoint from which those decisions are made.

The value of *The Life Cycle of Wealth* is that it provides both clarity and perspective. However, this book is not a technical manual on personal finance, or a “how-to” guide for the intricate details in a financial plan. Indeed, the complexities of proper planning are best managed in a conversation with your trusted advisor(s) - the right people who *insert* the technical expertise necessary to improve your outcomes.

For those privileged to have attained their own version of the American Dream, this book offers important insights into the challenge of leaving a legacy. And for those who have not yet reached the summit of their life goals, *The Life Cycle of Wealth* offers a glimpse at the terrain ahead, and a simple approach to navigating your financial landscape with confidence. Above all, *The Life Cycle of Wealth* provides a fresh outlook. Its application allows you to recognize the predictability of your financial situation so you can finally tune out the overflow of information, and tune into your own unique calling to greatness.

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About the Author



Aaron Kolkman is a retired securities principal and co-developer of *The Life Cycle of Wealth* model. He previously worked for 3 major U.S. financial institutions before founding a privately-held risk management firm during the 2008 financial crisis, now part of the renowned planning company, Private Wealth Management of St. Louis. He is considered a leader in the area of comprehensive risk management and now works primarily for families with closely-held business interests. Aaron is CERTIFIED FINANCIAL PLANNER™, and an ACCREDITED ASSET MANAGEMENT SPECIALIST™. He is a member of the Committee for the Fiduciary Standard, the International Association of Advisors for Philanthropy, and the Financial Planning Association. Kolkman lives in Minneapolis/St. Paul with his wife, Jacki, and their three children.

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Foreword

If you believe that wealth is a universal concept across cultures, geographies, politics, religions and businesses, then you can begin to appreciate the incredible influence it has over the decisions we make, the relationships we maintain, and ultimately the kind of lives we lead. If you cannot accept wealth as a universal concept, this book is not for you. Also, if you steadfastly believe that wealth-building as an end in itself is a worthy pursuit (independent of other objectives), or if you are interested in a short-term method of furthering your financial status, this book is sure to disappoint you.

“There is no shortage of wealth in the world, only a shortage of perspective about it.” - Anonymous

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Preface

The pursuit of wealth for its own sake can be destructive. It can de-prioritize faith, relationships, and community. It can create a culture of takers, versus a spirit of giving. It can pretend that financial resources alone can fix any problem and deliver one to a better place.

On the other hand, pursuing wealth as a secondary consideration is typically noble. If you chart a career path, follow it long-term, and fill it with hard work and determination, any wealth you create in the process is probably the fruit of your labor. Stated differently, if you use your gifts, education and experience to make a contribution to your community, any net financial gain you realize is usually a result your contribution.

Some critics of this book will say that wealth-building for its own sake is a positive pursuit because it leads to other positive outcomes in life. What are those other outcomes? If having wealth leads to other desired outcomes, then building wealth must be a means to an end. Being wealthy, then, is a secondary objective. When treated as such, building financial resources becomes a *consequence* of you employing your talents, pursuing your dreams, and following your chosen path with discipline.

In his book *Simple Wealth, Inevitable Wealth* (Nick Murray Company, Inc., 1999), renowned Financial Advisor Nick Murray, said “*Wealth is an income you cannot outlive, the absence of financial worry, and a legacy for your children and grandchildren.*” Mr. Murray’s work is based on the long-term financial outcomes derived from *Phase II* (Chapter 5) - our income-earning years - and propose a method of growing wealth by systematically investing for growth over a

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lifetime. Mr. Murray also stresses principles of behavioral finance requisite to investor success with these types of investments.

Appropriately, Mr. Murray's wealth definition centers around the need to live life fully by being *financially established*. For the remainder of this text, wealth will simply mean becoming *financially established*. So how does one become financially established? Consider the many excellent publications written about developing wealth in a systematic fashion: *The Millionaire Next Door*, *Rich Dad, Poor Dad*, *Winning Friends and Influencing People*, *Think and Grow Rich*, and *The Greatest Salesman in the World*, to name a few. These books provide tremendous wisdom around building wealth through excellent habits, strong relationships, and sound decision-making. Many of these books have even influenced the ideas presented in the *Life Cycle of Wealth*.

However, *The Life Cycle of Wealth* is quite different. It is not based on any particular investment approach, personal habit development, or investor behavior management method. Instead, it speaks to the viewpoint we must hold in order to develop the regular habits and execute a risk management strategy. It allows us to engage in superb decision-making – a common characteristic of those who achieve lasting wealth in their lives. So instead of providing a pre-determined solution for success, *The Life Cycle of Wealth* offers us a way of *thinking* about the process of living a healthy financial life.

With the *Life Cycle* model, we can see the process of becoming financially established is not only possible, but predictable. This process unfolds in a specific pattern that, when accepted,

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offers freedom from the directionless existence that can dominate our complex, modern-day regiment. Unlocking that freedom is the primary reason for *The Life Cycle of Wealth*.

The *Life Cycle* framework is intentionally just a picture - a picture of what it looks like to successfully work through the process of becoming financially established. The picture is flexible and forgiving. It is holistic and complete. It is simple and open. And while its meaning and utility are different for everyone, its value is the same. The *Life Cycle of Wealth* invokes perspective. With that perspective comes an incredible peace.