

The measure of wealth

Several elements are incorporated into the equation

"It requires a great deal of boldness and a great deal of caution to make a great fortune, and when you have got it, it requires 10 times as much wit to keep it."

Ralph Waldo Emerson said this more than 100 years ago, and it is still true today. Ask anyone who ever had "enough" money, and I assure you they will agree.

With an aging population, one that is increasingly controlled by women in terms of economics and management of personal wealth, this quote will gain meaning with each passing year.

How much is enough? What would make you wealthy? That is simply a mathematical calculation with numerous assumptions. Start with the cost of your current lifestyle.

Most Americans, age 50 and older, would agree they would be pleased to maintain their present lifestyle (maybe add a reasonable sum for annual travel or other hobby/leisure activities). Now you've got it. "Enough" is that money required when adjusted for taxes and inflation, including all sources of income ensures that your money lasts as long as you do.

A lot of math and educated assumptions go into the equation. If you do not know the answers to these "enough" questions, I recommend you have a Certified Financial Planner professional assist you with the calculations.

This professional advice will also lead you to suitable investment recommendations to ensure you are properly invested. Really, how would you know how to invest without this information?

So, what are the biggest risks? No, they are not recession or stock market volatility. Economic cycles come and go (recessions when they rarely happen are typically very short lived), and the stock market will always go up and down. The true obstacles are inflation, taxes, and your rising expectations of what is "enough."

As for inflation, think about what you paid for your first house and your most recent car. Also, taxes may be your largest single expense. You cannot control tax rates. You can only plan for them by making smart choices. But your expectations, now that is

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where you are in control.

Think about the multi-million dollar lottery winner who is broke within a few years. Contrast that with the "Millionaire Next Door" as described by Tom Stanley in his great book about a frugal unassuming saver, one who quietly amassed a fortune while no one noticed.

Those are two extremes, but they illustrate polar opposites of the management of expectations about what is "enough." One must be very careful to know how much is enough to maintain a lifestyle before shopping for jets, mansions, expensive motor homes and the like.

One last thought, do you want to know something that truly is not "fair"? To approach retirement, a time when you would like to see economic calm and serenity, and what you have is a climate of unprecedented volatility and very low interest rates.

As you have aged, financial variables have become more volatile than at any other point in your life. Just the opposite of what you would like. That requires a science of sorts, that of matching income and capital preservation with prevailing economic conditions.

That's what Certified Financial Planner professionals do. Make an appointment with one and then go enjoy yourself. It is primetime, and you will not pass this way again.

Tommy Williams is a Certified Financial Planner, practitioner. He is a member of the Ark-La-Tex Chapter Financial Planning Association, a source for professional guidance, whose members contribute to this column weekly. If you have questions or topics you would like to see addressed in this space, send inquiries to Financial Fundamentals c/o The Times, Money/Business, P. O. Box 30222, Shreveport LA 71130-0222 or e-mail shreveportmoney@gannett.com.