

CHAPTER 5

UNDERSTANDING SUCCESS: AN INTRODUCTION TO THE REAL WEALTH EQUATION™

BY MALCOLM ROSS

*Measure your wealth not by the things that you have but by
the things that you have which money cannot buy.*

~ Abraham Lincoln

I was born in Africa, the youngest of six children, into a family of privilege but not one of significant wealth. My father, a career civil servant, served much of his life in rural areas working with the African communities to build schools, clinics, and roads, specializing in community development. Later in his career he was a principal advisor to the government before the ravages of cancer steadily destroyed his health and claimed his life after a valiant four-year fight, the last part of which we nursed him as a family at home. Growing up, I was repeatedly reminded by him of the privilege and opportunity into which I had been born and I was acutely aware of the special family relationship that he developed with my mother, my siblings and me. While he was invested as Grand Officer of the Legion of Merit, the country's highest honour for his service to the nation, he was far more proud of the achievements and character of his children than of any award bestowed on him by the government. It gave him considerable joy to see his children fulfill their talents whether in being the youngest ever District Commissioner

like my brother; artistic, ballet and academic success like my sisters, or representing province and country at sport as my sister and I did. When I was 17, a week before he died, he shared this with me: “Your mother and I can teach you a love of God, a love of family and we can give you a good education. After that it is up to you!” This was a true legacy, the value of which was only later fully evident to me.

Over the next few years, the civil war in Zimbabwe (then Rhodesia) claimed the lives of my older brother and of my brother-in-law, and I too saw combat action and narrowly escaped death from a land mine. I went to university in South Africa and was blessed with a good education. I trained as an accountant and by the age of 24 was made Financial Director and a minority shareholder for a group of engineering companies. I met and quickly married my wife Melanie (before she saw the real me!) who taught Agricultural Marketing at the University of Zimbabwe and together we built a wonderful life at our lovely 2.5-acre garden property with tennis court and pool, along with our share in a 440-acre mountain farm with 120 jersey cows and 40-acres of apple orchards. I remember on the day of my appointment as Financial Director, a close friend and mentor said, “Remember Malcolm, from those to whom much is given, much is expected!”

Later, when I had helped establish a Hewlett Packard Distributorship in Zimbabwe, the scourge of corruption steadily engulfed both government and business. As this became a daily reality and challenge, my wife and I determined that for the sake of our principles and for the future wellbeing of our children we would accept a two-year contract in South Africa and then move to Canada. This may sound a simple choice now, but it involved us leaving Zimbabwe with \$300 and our furniture, making two international moves in twenty four months and leaving family and friends half-a-world away in Africa.

A year after arriving in Canada, the mining industry, in which I was involved in selling software, collapsed. Essentially broke, the other side of the world from family and with no real community, we were forced to rebuild our lives, relying heavily on the legacy our parents provided: ***our faith, our family and our education***. It was a significant test when we lost my sister to cancer and my mother to a broken heart within our first two years in Canada.

To provide for my family, I joined the financial services industry and early in that career I was fortunate to hear two speakers who, at different moments, helped me shape my career. The first speaker was best-selling author Robert Kriegel of “If it ain’t broke, break it!” fame. His inspirational story of Dick Fosberry “raising the bar above the competition and then flying over the bar” motivated me to raise the bar in my field. In the few minutes I spent with Robert Kriegel, he challenged me to be an educator and not a salesman, and to become the kind of professional that people would seek out when they wanted wise counsel. Although this was not easy as a “rookie” in Canada, many of the innovations I have helped develop in the planning field were sparked by challenging entrenched practices, something I learned from Kriegel’s irreverent advice: “Sacred cows make the best burgers!”

An equally important influence for me was a co-author in this book, Brian Tracy, who retold the story of his journey as a young man by vehicle from Britain through Africa. Of particular significance was of crossing the sands of the Sahara beacon-to-beacon “one oil barrel at a time.” For me this meant persistency, building my business deliberately and not expecting immediate success. Rather, his story helped me to understand that success could be a journey rather than just a destination.

My journey, through the loss of family, and my own encounter with mortality, made me want to believe that there was greater purpose in life than simply our transition through it. After having achieved our own relative financial success, only to then give that up for the future of my family helped me realise that finances were not the measure of real wealth. It was at this point that I started to develop the concept of Family Wealth Optimization™.

Upon arriving in Canada, I was quick to learn that taxation is often the largest ongoing expense and the most predictable investment risk for most affluent people. Any financial plan that does not fully factor in the impact of taxes is therefore almost certainly deficient. Generally, the people providing the tax advice rarely worked with financial products and the financial advisors rarely fully understood taxes. This is where I set about to differentiate my business. In 2002, I was recognized as the *Advisors Edge Magazine’s* Advisor of the Year for British Columbia and the Territories.

Family Wealth Optimization™ is the process by which client families actively set about to structure their personal and financial affairs to fulfill their values and purpose in the most tax effective manner. In order to achieve Wealth Optimization, meaningful discussions about the driving values must occur. To facilitate this discussion, I evolved a formula which I call *The Real Wealth Equation™*.

Real Wealth (RW) is the **product** of Personal Fulfillment (PF) multiplied by Family Harmony (FH) multiplied by Financial Contentment (FC) multiplied by Social Contribution (SC). This can be depicted as follows:

$$\underline{\mathbf{RW = PF \times FH \times FC \times SC}}$$

SOCIAL CONTRIBUTION

To get a better understanding of this equation, let's reverse engineer this formula and start by examining the last element – Social Contribution. We do not own the planet, its environment, its communities or its neighbourhoods, but if we don't look after them and leave them better off after our passing, then we leave it worse off for our kids and grandkids. Is that what we want? Almost universally the answer to this question is a resounding "NO!" This therefore introduces the concept of Stewardship. Making *stewardship* choices about how we manage and consume the earth's resources, caring for the disenfranchised in our streets and in slums, coaching a football team, all contribute to our *social contribution*.

FINANCIAL CONTENTMENT

The next element is Financial Contentment. John D. Rockefeller, when a reporter asked him, "How much money is enough?" responded, "Just a little bit more." If we try to put a number on a scoreboard of how much is enough, we will never be content and we will always be striving for more, especially as we live in an intensely competitive world. No matter how much we get on the scoreboard, we will always be looking to see how much others have. Comparing ourselves to those who have more, though, may actually reduce our level of contentment. The key, therefore, is to take a step back and ask, "What is Financial Contentment?"

Coming from Africa, I can attest to the fact that some of the most content people I have ever met were rural farmers, people who were

not continually bombarded with advertisements for products that satisfied needs and wants they didn't even realize they had. They were fundamentally content with their lifestyle and with what they possessed. The secret to *Financial Contentment is not having what you want, but wanting what you have!*

Among these people, Financial Contentment is about understanding *sufficiency*, and this awareness manifests itself in the sense of hospitality those communities have, and their commitment to sharing resources to support community and family relationships.

FAMILY HARMONY

This brings me to the next element in our equation, namely Family Harmony. We all know that, “if mama ain't happy then no-one is happy.” But then, “if papa ain't happy no-one is happy,” and if the kids are being bullied at school then no-one is happy either. Because of these dynamics, investment in family *relationships* is essential, and this involves developing a real understanding and respect of the unique drives, passions and interests of each of the family members. Building communication and trust is often presumed in families, but regrettably, unless they are intentional, the distractions of work, social commitments, sport, peer pressure and addictions can fracture Family Harmony.

Many conflicts in spousal and family relationships relate to money. Many families reach the peak of this conflict when there is an estate settlement and perceptions of fairness and equity are examined when the will is read. How can this tension be avoided? Developing and establishing a common system of values is vital to building and sustaining family unity. There is no single right way to do this, but effective communication around money-related matters is essential.

PERSONAL FULFILLMENT

The first variable in the equation and the last we will examine is Personal Fulfillment. This naturally relates to the individual and to whatever the individual defines as Personal Fulfillment for themselves. Fulfillment implies a sense of purpose and so it is necessary to look at the individual's *sense of purpose*. For some people it is a spiritual question and relates to their faith and a sense of who they were created to be, whereas for others it is much more a unique/tangible definition of purpose aimed

at particular goals. Either way, if people are subordinating their own purposes and always compromising their personal fulfillment for another person or system, there will ultimately be a lack of satisfaction. This, in turn, may well play out in seeking compensatory fulfillment in different ways. Yet personal fulfillment is something that we must empower in our children and families as well as in ourselves. *It is important we enable our children to seek their own purpose and to develop their passions and talents in the fulfilling of that purpose.*

LIFE IS NOT A ZERO SUM GAME

For much of our lives, we grow up believing that life is about give and take. We have an innate sense of equity and fairness. There comes a point, however, when we each come to understand that life is not fair, and the decisions we make may often have unintended consequences. I illustrate this in the Real Wealth Equation as follows:

Assume we have 40 units of energy to expend and that we assign 10 units of energy to each of the four components. Since the result of the equation is the product of the four components:

The result is 10,000 units of satisfaction = $10 \times 10 \times 10 \times 10$

However, if I have an imbalance in the way in which I apply my energy, for example if I take away from my Personal Fulfillment to pursue Financial Contentment, then look what happens to the equation:

The result declines to 7,500 units of satisfaction = $5 \times 10 \times 15 \times 10$

The more out of balance the resource allocation becomes, the lower the score. Moreover, mathematics teaches us that as soon as one component becomes zero the result of whole equation is zero.

0 units of satisfaction = $10 \times 0 \times 20 \times 10$

So, for example, I may achieve significant financial success, but if it is at the expense of compromised family relationships there may be little joy to be found.

WE ARE THE PRODUCT OF OUR DECISIONS

We are each unique with different talents and from different circumstances. I appreciated the Harvard Commencement address of J.K. Rowling where she said that if you are old enough to take control of the wheel, you become responsible for the decisions that follow. Often, we forget that by making the decision to do one thing, we are also choosing *not* to do something else, and the consequences of that exclusion may be very unexpected. For this reason I believe that the Real Wealth Equation has value in expressing the perspective that **our lives are not the sum of our choices but rather the product of our decisions!**

BALANCE – THE WINNING WAY

Understanding the Real Wealth Equation helps frame purpose, family relationships, financial sufficiency, and stewardship for ourselves, our children and our grandchildren. Communication about purpose, values, passions and dreams empowers families to grow into a better understanding and respect for each other, and develop lasting legacies built on common values. Our values are more enduring than the value of our assets - my parents' legacy is a simple example of that. In our materialistic, instant gratification, make-over driven society, taking stock of **WHY** we do things is essential. Through balance of purpose, relationships, sufficiency, and stewardship, we may optimize our family wealth and find a truly winning way!



About Malcolm

Malcolm Ross is a sought after Family Office Advisor to business owners and successful families. He helps navigate the difficulties of building successful businesses, preparing for business succession and the challenges of family wealth transfer. His belief is that Family Wealth Optimization™ is the process of aligning the client family value with that family's values.

Malcolm is a multiple-award winning Canadian Certified Financial Planner (*Advisors Edge Magazine* 2002 and 2013 Five Star Wealth Advisor™), a Chartered Life Underwriter, a Registered Trust and Estate Practitioner, a Certified Family Business Advisor, a CAFÉ trained Family Board and Council Facilitator and the Founder of Canada's first Virtual Family Office™. With over 35 years of international business experience Malcolm is unique in his ability to address family business and succession from farming, manufacturing, technology, hospitality, transport, retail sales, construction, industrial services, professional services and real estate. He has been selected as one of America's Premier Experts™ for his client-centred, process-driven, collaborative advisory approach for advising business families—which is at the core of the successful Virtual Family Office™ model which he pioneered in Canada.

He is an author and engaging international public speaker who has spoken at conferences for Canadian National Christian Foundation and Advisors with Purpose, Canadian Association of Gift Planners, Society of Trust and Estate Planners, Canadian Association of Financial Planners, Vancouver Board of Trade, Opal Canadian Family Office Conferences and the First South African Family Business Conference. In addition he was the Founder of the Financial Advisor Network FAN Program which has provided professional development to over 750 professional accountants in British Columbia, Canada in the areas of tax and estate planning, family business succession and family wealth optimization. He speaks regularly on the subjects of Family Wealth Optimization™ and of structuring business for sale, succession and purchase.

Malcolm believes in involvement in local and global community service, having been a Past-President of Vancouver Arbutus Rotary Club, a former member of the Professional Advisory Committee to Sauder School of Business UBC Business Families Centre, lectured in Advanced Financial Planning at Trinity Western University, is a past Treasurer of St John's (Shaughnessy) Anglican Church, and Chairman of African Enterprise Canada. He is a proud husband of Melanie (who has supported him for over 30 years), and father of Shaun (and Nicki) and Kathy, adult children who are a constant inspiration for faith, relationship and service.

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