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*Today is the third anniversary of 9/11. It hardly seems possible that so much time has passed. I can remember that day as though it happened yesterday, and yet we do not act like a nation at war. In our collective memories, 9/11 symbolizes bleakness and despair. Certainly that angst is reflected in our current national malaise. However, for the stock markets, the years since 9/11 have actually been OK. Check out the graph below. The S&P 500 went down and up and wound up with a minimal performance. The value funds that we favor have done much better. While 2004 has been a mediocre year for all investments, my perception is that sometime late in the year or early in 2005, these value funds will prosper yet again.*

Meanwhile, I've been contemplating something completely different...

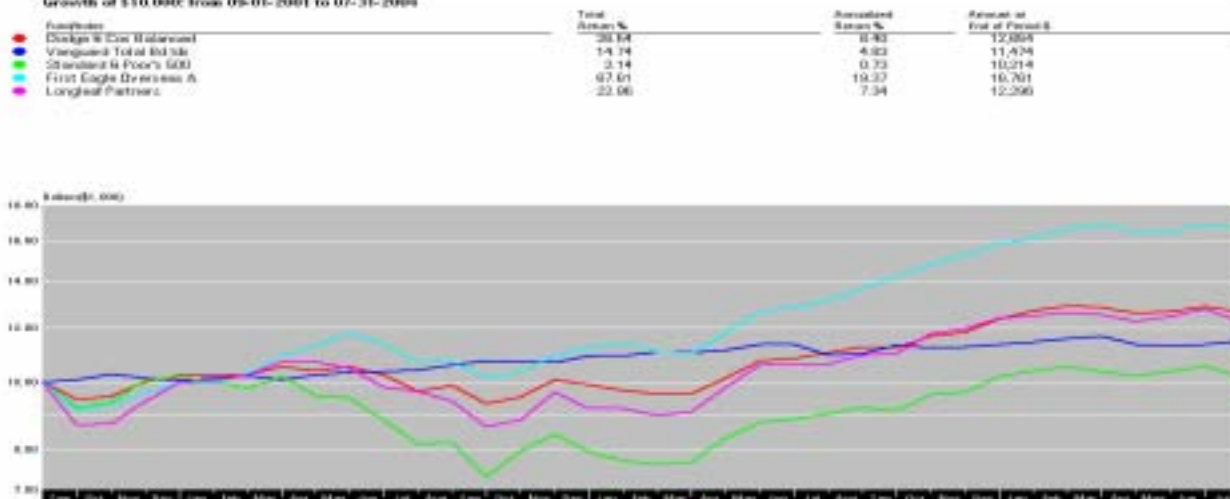
## THE PHENOMENON OF FAST MONEY

**Most people who have wealth, even if they grow it gradually, experience it suddenly.** Most financially successful people become wealthy (on paper) slowly over a period of years or decades. Yet most eventually have a windfall, either as an IRA rollover, a real estate sale, or perhaps the sale of a business. Even multi-millionaires frequently experience the tangible benefits of their success suddenly. However, many people who are wealthy at some point in their lives eventually lose their wealth. One study indicated that whether they received \$10,000 or \$1,000,000, most people completely spent financial windfalls, from any source, within seven years. *The myth is that rich people, once they become rich, go off and live like The Great Gatsby. The reality is that rich people have to be very disciplined to stay rich.*

“Let me tell you about the very rich,” F. Scott Fitzgerald famously remarked to Ernest Hemingway. “They are different from you and me.”

“Yes, they have more money,” was Hemingway’s rejoinder.

Growth of \$10,000: from 09-01-2001 to 07-31-2004



It is the dirty secret of wealth. Study after study indicates that most financial windfalls disappear fairly rapidly. Statistically, if you inherit money, your inheritance will be gone before the end of a decade. Surely this must indicate that sudden wealth is an unrecognized source of stress and anxiety for most of us. There is even a name for it, “affluenza,” often described by psychologists and sociologists as a distinctly American malaise brought on by sudden wealth.

One major reason for lost wealth is that people who suddenly realize their spending power will be tempted to spend irrationally. One recent study indicated that 80% of all lottery winners in this country filed for bankruptcy within five years of winning. Other studies indicated that the rate of bankruptcy filings by lottery winners was above average. Once people begin to spend, they seem to find it very difficult to quantify their behavior. The psychological experience of spending tends to take on a life of its own. People caught in this trap spend what they have and go into debt to buy more.

Another reason people lose their windfall is lack of planning. They either give their money away to friends and family or simply lose their money through bad or undiversified investments. Usually these people were lured into these investments by family, friends, acquaintances, or snake-oil salespeople lured by the scent of big spending.

What’s more, there is plenty of evidence that people who are accustomed to affluence can make these mistakes as well. Older or younger, richer or poorer, we are all susceptible to the same psychological pressures and needs.

So how do people who get a big lump sum of money keep it? We need to know. This is important not only for our own well-being but also for the education of our families. When we study successful “fast money” recipients, we see consistent universal behaviors which we can emulate. Here is what we suggest you do when you are suddenly blessed with money.

√ **Establish a “DFZ”.** Most successful suddenly wealthy individuals establish a “DFZ” or “decision-free zone”. **THE IMPORTANT THING IS TO TAKE TIME!** There is no new car in the world which will not be available in six months. There is no real estate on the planet for which an equivalent will not be found in a year. The stock market will wait, and so will your zeal for haute cuisine. For the sake of your future wealth, you must educate yourself and learn to be patient. Better still, you will teach everyone around you that you will not be rushed. Don’t quit your job. Don’t make major life decisions. Sit down, breathe through your nose, and learn.

√ **While you are in the DFZ, develop a success-oriented financial team.** If you are reading this as an Andresen & Associates client, you probably have done this already. It is worth reviewing. You want to gradually grow your team of fee-based financial professionals. Stick with people who are paid by the hour or by percentage of assets. Work with a good Certified Public Accountant, and have him or her focus on the taxes due on your windfall. Then get on with your own financial plan. Along the way you will need to pick up an estate-planning attorney. You should make a long term plan before you spend ANYTHING!

√ **Then, act on your plan!** Gradually, begin making decisions. You will know when it’s time, but usually you should take at least a few months in the DFZ. The goal is to develop the wealth-management skills necessary to enjoy a lifetime of prosperity, rather than just one short binge of conspicuous consumption.

√ **Treat your wealth like a business!** Some of my most successful individual clients view their wealth as a business. They may involve their adult children in meetings as though they were running a corporation, and the children are shareholders. They develop plans, goals, and agendas like any other small business, and they communicate those goals and plans clearly.

√ **Put yourself on the payroll!** A business-like approach to managing your wealth will help you control your spending. Pay yourself a yearly dividend based on asset size. *I often council spending a pre-arranged, fixed percentage of your invested wealth annually.* By doing this, you will get to enjoy your long term wealth, and you will have the comfort of a workable long term plan.

Managing wealth is often difficult. The struggle between needs and wants, emotions, and financial objectivity is always a challenge. However, I’ve also observed that not having wealth is harder.

Design your plan, follow it, and you are likely to enjoy a lifetime of wealth and security.

“My mother used to say to me: ‘Son, it’s better to be rich and healthy than poor and sick.’ I think that still makes a heck of a lot of sense, even in these troubled times.”

— Dave Barry