

# WEALTH WITH PURPOSE

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A Common Sense Guide to Wealth,  
Investing and an Inspiring Life

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DAVID ANDREW



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To find out more about Capital Partners Private Wealth Advisers, you can visit our [website](#)

Thank you,

David Andrew

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# Acknowledgements



Our wonderful clients teach us new lessons every day. This book would not have been possible without the trust they have placed in us over so many years to help them solve complex problems, and accompany them on their life's journey. They have taught us that family and relationships, not money, are the true source of happiness.

Very little is achieved in this world without friendship and collaboration. This book is the result of almost 20 years working with my business partners Michael and Chris whose capability, professionalism and wisdom has guided our business to continually strive for higher standards - they are true industry leaders.

My sincere thanks to Carl Richards whose *Behavior Gap* sketches help make complex ideas simple. Also to Jane whose coaching has been invaluable, to Lesley whose editorial skills are extraordinary and finally to my family who encouraged me to complete this seemingly endless project.

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# Introduction

## Wealth with Purpose

*“Life is the sum of all your choices.”*

Albert Camus

Since the 1970s, an entire industry has spawned around the management of other people’s money. Today much of the focus is on the manufacture and sale of financial products and very often the fundamental needs of investors are overlooked in the haste to generate a profit. Advice, sadly, is something of an adjunct to the sale of the product, making real comprehensive advice even more difficult to find.

Much of the financial industry is having the wrong conversation with the investing public and through this book; we want to put that right. By changing the focus from *product, price and performance* to *values, goals, planning* and *outcomes*, we believe investors will not only achieve better results, but will also be more inspired and fulfilled. In the end, real success comes from having **Clarity** around what you want to achieve, gaining **Insight** so you can make smart decisions, and building **Partnerships** with the right advisers at the right times so they can help address the challenges we all face as we progress through life.

## Wealth with Purpose

For many people, money decisions are a burden. Financial matters can be complex, full of jargon and require a level of research most people aren't equipped to deal with. Most of us just don't have time, as we focus on things like career, family and friends.

In our business we have an unshakeable belief that real and comprehensive wealth management can positively change people's lives. Having lived this belief for over 20 years, we have observed what happens when people have a framework for making smart decisions with their money: it relieves them of the burden of having to worry about their financial affairs, it delivers greater certainty about where they are going, and it gives them greater confidence.

This book is about sharing the insights gained with my business partners and our team, to help families like yours grow and protect their wealth, share it with others and build lasting legacies. Many of the concepts in this book are common sense, but the challenge for most people is in the 'doing'. We all lead busy lives and finding the time to invest in yourself and in your family's financial future often falls well down the list.

Whether you have grown your own wealth, inherited it, or are still working at growing it, the concepts in this book will help you gain real clarity around your position and what you want to achieve. It provides a step-by-step pathway to achieving the things that are most important to you.

Many people dream about being wealthy – by winning Lotto, by growing and selling a successful business, through an inheritance – and then living the life to which they have always aspired. The reality is that most people grow their wealth by patiently and diligently nurturing their resources, achieving their goals along the way.

## Introduction

So often we see situations where people's decisions have been ad hoc or based on events as they arise. This does work sometimes, but it can also lead to financial ruin. A far better approach is a well thought out plan that is then methodically implemented and monitored.

Imagine how different your life could be if you had a clear pathway to financial success with written goals, a clear strategy and every aspect of your financial life in control and up to date. This book will show you how to achieve this. I hope you enjoy the journey.

David Andrew  
Founder and CEO  
Capital Partners Private Wealth

# 1. The Challenges We Face

*“Life throws challenges and every challenge comes  
with rainbows and lights to conquer it.”*

Amit Ray

One of the biggest challenges we face today is the vast amount of financial information available to us. Every day we are bombarded with information from the press, social media and television. What’s more, much of it is conflicting. Chances are, you too find it difficult to make sense of your increasingly complex financial life. When you combine this with increasing demands on your time and constantly changing rules on tax and superannuation, the big picture isn’t always easy to see.

Just imagine if your long-term financial security was no longer a concern.

The problem is, we all face challenges and we’re not really sure *how* to take control of our financial futures. Let’s begin by looking at some of the challenges we all face, so we can plan accordingly.

**Increased life expectancy** – In Australia, a man born between 1881 and 1890 had a life expectancy at birth of 47.2 years. For the lucky few who made it to 65, the remaining life expectancy was 11.1 years.<sup>1</sup> A lot has changed since then. Infant mortality has plummeted as medical advances have been made. A far greater proportion of the

## Wealth with Purpose

population is still alive at 65 – more than ever thought possible back in 1889 when the first age pension was designed in Europe.

Over the next 50 years, medical advances will not be incremental but exponential. We're just getting started with stem cell research, our knowledge of cancer treatment improves weekly, the printing of 3D body parts is real ... things that were the stuff of science fiction are happening today.

**Increased self-reliance** – When Otto von Bismarck, the first German Chancellor, introduced the age pension in Germany in 1889 the life expectancy for a Prussian male was 45. His objective in introducing the benefit was that “those who are disabled from work by age and invalidity have a well-grounded claim to care from the state”. His initial proposal introduced the benefit from age 70, (Bismarck was 74 at the time and still running the country), but in 1916 the German parliament brought this forward to age 65.

Back in those days very few people ever received a benefit because, with a life expectancy of 45, relatively few people made it to pension age. State-sponsored retirement was designed to be a brief sunset to life for a very small number of survivors. Today, most people reach retirement.

But while it is true that ‘we are all getting older’, few governments, employers or individuals have yet come to terms with the implications of a longer retirement.

So what will self-reliance mean to us? If we're healthier for longer, perhaps we will work longer than our parents did. Governments have little money to spare, so we'd better have some of our own if we're going to live our ideal lives in retirement.

## The Challenges We Face

**Rising health care costs** – The combination of longer life expectancy and improving health care means health costs are increasing at a rate greater than inflation. Who knows where this one is heading? As the cost of health care rises, private health insurance premiums will rise, along with the gaps between what we pay and the government benefits we receive. There's little doubt that individuals will be picking up a greater share of the healthcare tab in the future.

**Shrinking tax base** – There's another ramification of our ageing population – the tax base that funds government services is shrinking. The proportion of the population of working age, and contributing taxes is decreasing and as the baby boomers retire, this funding issue will only deepen. Ultimately something will need to give, and the mix of tax and benefits will need to change. Australia's political parties will slog it out over exactly what should happen but one clear implication is that, as individuals, we will all need to plan for our own financial security. We will need to put the financial resources we do have to work as effectively as possible.

**Long-term Inflation** – Inflation has been relatively benign over the past 30 years compared with the high inflation of the 1970s. Still, the average inflation rate of 3.6 per cent a year since 1983 means a basket of goods that cost \$1,000 then would have required \$2,928 some 30 years on. Similarly, inflation erodes our capital. A lump sum of \$1 million would be needed today to have the same purchasing power as a lump sum of \$350,000 three decades ago. Inflation may be stagnant now, but we should not be lulled into a false sense of security.

**Helping our children** – Interest rates may be low but high property prices mean housing is increasingly unaffordable in Australia, particularly for first-time buyers and those on lower incomes. For the lucky few, help from parents and grandparents will gain them a foothold in the market. For the vast majority, staying at home for

longer could be the only option. It might be time for parents to reassess those plans to downsize!

**Looking after our parents** – With life expectancy rising, many families will need to assist their ageing parents. Competition for institutional care will rise dramatically as the boomers age and those with money will get the best care. Wealthier individuals will use their financial reserves to have aged care services come to them, rather than entering institutional care. While we reduce our lifestyle spending in our senior years, access to priority health care will come at a cost.

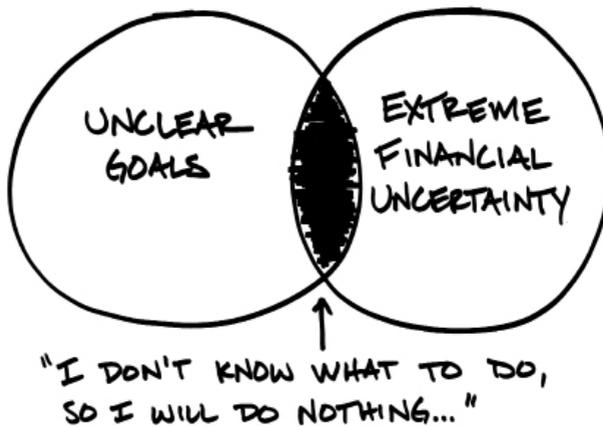
**The inheritance generation** – As the baby boomers reach the end of their lives, the next generation will become the beneficiaries of the largest transfer of wealth in history. Never before will as much money have passed between generations. This should not be taken lightly and appropriate legacy plans will need to be in place ahead of time. Some people unused to such circumstances will suddenly be the recipients of significant new wealth. This will need careful management.

**The seduction of debt** – Consumers today face a very different world to the one their grandparents grew up in. In the 1950s the post-Depression and post-war generations enjoyed significant growth and prosperity. While earlier generations saved in order to buy something new, greater prosperity meant it seemed possible to have everything. The consumer debt culture has grown since then and has become the norm – to the point where many people have everything that opens and shuts, but have no investment assets to show after years of hard work.

Yet the evidence suggests that all the stuff we have has little or no impact on improving our wellbeing. The immediate reward we get from buying something shiny and new is soon overshadowed by the hangover we feel when we review our financial situation.

## The Challenges We Face

All of these issues point in the direction of greater complexity in our lives and, as a result, an increasing need for a simple, planned approach. More than ever, a 'she'll be right' approach is likely to leave us well short of the ideal lives we picture for our families and ourselves.



## 2. The Solution

*“Fortunate are those who take the first steps.”*

Paul Coelho

The term *wealth management* means different things to different people. If you asked 10 individuals to define wealth management you would likely get 10 different answers. Indeed, ask 10 financial advisers and the answers would probably be just as diverse. Most of the answers will be around the management of money and investing. While this is important, it is just one part of the puzzle.

Success leaves subtle clues, and my experience over many years suggests there are five things successful people are concerned about when it comes to money. These major concerns are:

1. To make smart decisions with their money and invest wisely. Money is too hard to come by just to allow it to be frittered away on poor planning and silly errors of judgment.
2. To enhance and optimise their position so everything they do is consistent with a better outcome. This includes their cash flow, debt management, remuneration structures, tax management and so on.
3. To protect their families and those they care about and provide the best opportunities they can through lifestyle and education. They also want to pass wealth from one generation to the next in a fair and equitable way.

## The Challenges We Face

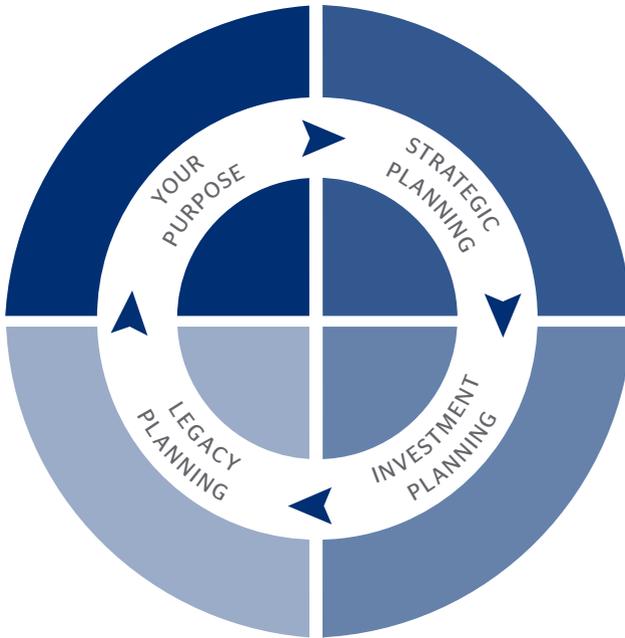
4. To protect their wealth from claim and unforeseen events. This includes protecting assets from legal claim and protecting loved ones from financial hardship.
5. Perhaps most importantly, they want to make a contribution to their community by sharing their time and skills, and through charitable giving.

To frame wealth as being just about money is too narrow a definition. In this book I'm going to define wealth differently. We believe your *real wealth* is defined by the richness of your life and the lives of those you care about. Rather than measuring wealth by how much money we have, we should try measuring our relationships, lifestyle, sense of purpose, meaning and, above all, satisfaction and enjoyment of life. So while the organisation and stewardship of wealth is central to this book, it is the *purposeful* stewardship of wealth that results in the greatest satisfaction.

To deliver these outcomes we will step you through a unique wealth management model that places you and your outcomes centre stage. This is a proven model that has helped many families over many years – I can confidently say that if it is followed, it works.

Your opportunity is to implement the process for your own benefit. So let's walk through it together.

## Wealth with Purpose



First we will start with **Purpose**, to help you establish strong foundations for your financial plan. There's no point having a plan to go somewhere if you don't really know where you are going. By completing this section you will be absolutely clear on what you want to achieve, when and why. It will also provide you with the inspiration you need to do the work required to be successful and remain disciplined and on track.

Next you will need a **Strategic Plan**. A comprehensive and flexible wealth plan is a step-by-step approach to everything you need to do to optimise your position. It is designed to help you get the most from your financial resources. Good cash flow management, tax planning and structuring can protect and help you grow your wealth. This is also the area where the right advisers can add enormous value by

providing the right insights at the right times, and by helping you stay on track.

From here you will need an **Investment Plan** to help you achieve your financial goals. Legendary investor George Soros once said: “If you are having fun investing, you are probably not doing a very good job. Good investing should be boring”. The investment approach outlined in this book will enable you to harness evidence-based principles and avoid speculation. It will give you an edge normally reserved for institutional investors.

Finally, you will need a **Legacy Plan**. Your legacy represents who you are, your place in the world, the contribution you make to others and how you will be remembered. Careful legacy planning ensures every contingency is thought through: no matter what happens in your life, there is a plan in place to protect you, your family and your wealth. Your legacy plan will ensure your wills and estate are in order, your personal insurance is adequate and, if it is a priority to you, your charitable giving is properly planned.

This model enables you to benefit in several ways. First it is **consultative**. Whether you appoint a family wealth adviser or not, you can engage in more meaningful conversations with your family and loved ones about the things that matter most – to you, and to them. Then your future financial decisions can be made with purpose – that is, in line with your values and key objectives.

Second, it is **comprehensive**. Rather than focusing on one narrow part of your financial life as the need arises, you can view your financial position as a whole. All the complexity is considered, rationalised and resolved in a coordinated way, with your tax, accounting, legal and investment advisers working together to ensure all areas of your financial life are in perfect order.

## Wealth with Purpose

The last component is that it is **flexible**. It's a wonderful feeling to know you are organised, on track, up to date and in control of every aspect of your financial life. But without occasional course corrections and adjustments you will soon be off track.

This comprehensive wealth management model is a pathway to being in control of what you have, being clear on what you need, and to having more time, confidence and freedom to enjoy the things in life that matter most to you.

### 3. Taking Control

*“You are what you do, not what you say you will do.”*

Carl Jung

The answer to dealing with the challenges I have outlined is quite simple – you need to take control of your financial future. Taking control requires leadership, and this begins with you. This leadership is important to protect your financial interests, achieve your goals and to reinforce a positive money culture in your family. It also sets clear boundaries around dealing with the seductive marketing to which we are subjected.

As with just about any other area of our lives, we must accept personal accountability for managing our wealth and be responsible for the outcomes. In any field of human endeavour, leadership increases the chances of success. My strong recommendation is that every family should have a *Family CFO* (or Chief Financial Officer). This person is the primary wealth manager in the family.

As well as a CEO, every corporation has a CFO who is primarily responsible for making sure that the numbers add up, that progress and projects are monitored, and that capital is invested wisely. If it makes sense for a corporation to have this discipline, it makes sense that we adopt this thinking for our own money.

Some people will read this and think, ‘there’s no way I can do that – I don’t have the time, the inclination or even the skill’. But everyone

## Taking Control

needs to have some organised focus on their financial success. This is where a reputable financial adviser may be useful and finding and appointing one may be an appropriate thing to do. We will discuss this later.

Whether you are your family's wealth manager or you have someone you have appointed to do the work, you will need a decision-making framework that starts with documenting your values and goals and recognises your personal strengths and weaknesses when it comes to money.

As investors, we are presented with more and more complexity every day. Economic news is continuous, good and bad, geopolitics are concerning and financial markets are volatile, so it is no surprise we are left wondering what to do next.

The answer to this problem lies in identifying what actually matters and what we can control. There is about as much point in trying to control China's economic growth rate as there is in spending your precious time worrying about things that just don't matter.

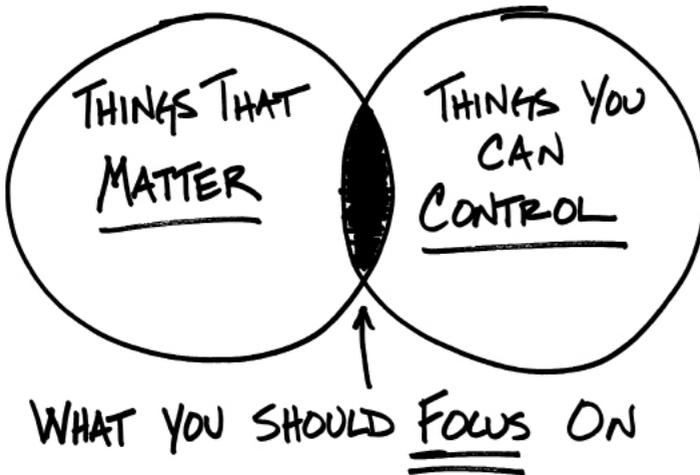
The Global Financial Crisis was fueled by excessive debt and spending and the ultimate outcome was the near collapse of the financial system. My intuition tells me that we cannot have an event as momentous as the GFC without some long-term consequences, and so we should expect uncertain financial conditions for a few years to come. With that uncertainty will come the possibility of lower investment returns.

The economy will always be uncertain, and financial markets will always be volatile and at times even a bit scary – we just need to factor this into our plans. The next 20 years will present economic and financial challenges and opportunities that only the purposeful will meet.

## Wealth with Purpose

A clear plan for your future based on your family's values, your inspiring goals and a step-by-step action plan to get you there will be your best chance at real and lasting financial success. The remainder of this book is devoted to showing you how to achieve this.

The sooner you take control the sooner you will enjoy the results of your planning.



"David has a deep understanding of finance, but his insight and years of experience are highlighted when the behavioural aspects of finance are explained in the context of a higher purpose for every reader. Every investor should invest their time to read this book!"

Alex Potts  
President and CEO, Loring Ward Group  
*Author of *The Wealth Solution**

"There's so much information available today about investing, it's hard to know where to start. But if there's one book that Australian investors should read, it's this one. David's starting-point is the end investor, what's important to them and what they're looking to achieve. His investment philosophy is based not on his opinion but on independent, peer-reviewed and time-tested evidence about how best to invest. In 20 years' time most Australians will invest this way."

Robin Powell  
Editor, *The Evidence-based Investor*

“The investment industry’s penchant for jargon, the ongoing blurring of the line between selling and advising (and the odd financial scandal for good measure), have created an environment where trust has been eroded. The time has come for ‘less words, more action’ to place clients at the heart of everything we do. I commend David Andrew’s new book ‘Wealth with Purpose’ to anyone seeking to learn more about starting the financial planning process with the destination in mind - an alignment of values, goals, planning and, most importantly, improved outcomes.”

Dr Michael E. Drew  
Professor of Finance, Griffith University  
Director, Drew, Walk & Co.

“This book provides genuine and reliable insights, that if followed, will see you make great decisions with money for the rest of your life. If your goal is to live a happy and fulfilling life, making smart money decisions and investing wisely, you should find the time to read this book.”

Peter Mancell  
Chairman, Global Association of Independent Advisors  
Geneva, Switzerland

“This is a practical, common sense guide to effective wealth management. Wealth with Purpose successfully ties ‘money to life’ in a way that puts people first, and it will enable you to have the right context around our money decisions.”

Barry LaValley  
President, Retirement Lifestyle Center, Nanaimo, Canada  
*Author of So You Think You are Ready to Retire?*

“With what seems to be an endless stream of financial pornography coming at us every day, it feels impossible to figure out what to do and where to start. The book you hold in your hands is the answer, but it is also a map to a place we all long to be: clarity!”

Carl Richards  
*Author of Behavior Gap and One Page Financial Plan*

## About the Author

David Andrew is founder and CEO of Capital Partners Private Wealth, the largest independently owned and non-aligned advisory firm in Perth, Western Australia. His belief that real wealth management fundamentally and positively changes people's lives, lies behind the comprehensive approach Capital Partners takes in advising clients.



He believes that we are all presented with opportunities that enable us to significantly improve the quality of our lives, and the way we approach our relationship with money is one of these opportunities. By starting with your purpose - your values, goals and priorities - he believes you can lay the foundations for a happier more fulfilled life.

He has guided Capital Partners to a number of firsts which include:

- achieving the globally recognised fiduciary standard CEFEX, the highest standard of investment governance an advisory firm can attain;
- founding membership of GAIA, the Global Association of Independent Advisors; and,
- establishing Smartinvestor.tv, an online video resource to help investors better understand investing.

David lives in Perth with his wife Robyn and three sons.



If you get to the end of this section and find you want to know more... please email Capital Partners and we would love to send you out a copy of *Wealth with Purpose*.

To find out more about Capital Partners Private Wealth Advisers, you can visit our [website](#)

Thank you,

David Andrew