

# THE WALL STREET JOURNAL

August 13, 2011 – WEEKEND INVESTOR – GETTING GOING By Karen Rosenthal  
**Lessons on Investing From America's Richest Family**



**Sam Walton, who died in 1992, was famously frugal, driving an old pickup truck and flying coach.**

After the stock market lost 20% of its value in October 1987, Sam Walton, then one of America's richest men, was unfazed.

Given the wrenching swings of the past two weeks, many of us may wish we could be so sanguine about our own losses.

Just like us, the rich want to maintain their lifestyle, preserve wealth and have money for their heirs or philanthropy. And when it comes to investing, there are several ways the rest of us should take a cue from them:

The very wealthy have a plan. The very wealthy live below their means. The very wealthy value cash flow. The very wealthy focus on risk, not return. The very wealthy hang on.

## **Comments August 13, 2011**

**The very wealthy and the somewhat wealthy should have a plan.** The plan should include some basic legal documents, including a will, living will and power of attorney. If you live in a state with an estate tax (e.g.: New Jersey and New York) consider additional legal documents to protect your estate, such as trusts. Estate taxes, which can easily be avoided, can destroy generations of wealth. A financial adviser can provide an unbiased plan free of the emotion family and friends are likely to carry.

**The very wealthy and the somewhat wealthy should live below their means.**

The best way to determine if you are living below your means is to craft a budget. There are many free tools available on the internet or you can simply ask your financial advisor to provide you one.

**The very wealthy and somewhat wealthy should value cash flow.** Whether it's a transition between jobs, an early retirement or an unexpected medical expense, you should have a reserve of cash or similarly liquid assets. With access to these liquid assets you can avoid selling stocks and bonds right at their weakest levels and potentially right before they bounce back.

**The very wealthy and somewhat wealthy should focus on risk and return.**

Although the markets are never 100% efficient, despite what many academics proclaim, risk and reward go hand and hand. Ignore risk by chasing the hottest investment of the day (i.e.: internet stocks or gold) and you have a recipe for disaster.

**The very wealthy and somewhat wealthy should hang on.**

The stock market swings from former crises (e.g.: Nixon's resignation, Black Monday 1987, September 11, 2011 tragedy and the Great Recession 2007) have all resulted in strong performance in the long term for investors who patiently waited out the storms.

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