



Frye Financial Center Business Update

Weekly Commentary

What Warren Buffett knows (And you should know too)

I think we can all agree that Warren Buffett has proven himself to be a very smart man. So why on earth would this investment management icon want to donate some \$30 billion to the Bill and Melinda Gates Foundation? Why doesn't he behave like most other billionaires and wait until he dies and then give his money to his heirs, or alternatively, give the money to his own foundation? The answer to the question is very simple---Warren Buffett is a very smart man.



I am sure Warren has been affected by the rancor and ugliness surrounding many high profile estate battles. The disastrous fallout from attempts to settle the estates of uber-wealthy individuals such as Howard Hughes and more, recently, J. Howard Marshall (late husband of Anna Nicole Smith) must have played a role in compelling the wise Buffett to take action now.

- What Warren knows is that after he dies there is a likelihood that his heirs could end up in a dispute that would not only destroy the family harmony, but could also diminish his estate and fatten the pockets of more than a few high priced attorneys.
- What Warren also knows is that there is a great probability that as he grows older and older he will lose some control over his faculties. It is conceivable to him that a mentally diminished Warren Buffett could also take up with an Anna Nicole Smith type and promise away his fortune. As a matter of fact, Mr. Buffett joked about losing it all to Anna Nicole Smith when he signed the letters initiating the transfer to The Gates Foundation.
- What Warren also knows is the transfer of large sums of money to the next generation is not necessarily in the best interest of the heirs. Early on, he signaled to his children his contempt for the concept of inherited wealth and the way it can destroy motivation and balance. Indeed, his son Howard Buffett said, "It was always clear that we were not going to get a lot of money."

- What Warren also knows is that regardless of how much he respects his own children's intelligence, it is wise to remain objective when making decisions that impact other people's lives so profoundly and that involve such huge sums of money. It is obvious that in this case he holds the financial and philanthropic talents and experience of Bill and Melinda Gates in greater esteem than those of his own children who have their own foundations.

WHAT WE SHOULD LEARN FROM WARREN

The principles followed by Warren Buffett are appropriate not only for Billion Dollar estates but for all estates no matter how small.

1. Don't procrastinate----take care of your Estate Planning now, while you are still 100% in control.
2. If you can afford to do so, distribute your assets while you are alive to avoid disputes later.
3. Move your money into Irrevocable Trusts now to protect your assets. Don't wait until you pass away.
4. Recognize that while you are healthy now, there is a good probability that you or your spouse will one day have diminished capacity and may not be able to make the best decisions.
5. Try to evaluate your children as objectively as possible. Are they capable of being your Trustee, Guardian, money manager, etc? Are there other individuals or Institutions more suitable for the job?
6. Think long and hard about whether your children will actually be better off with a lot of inherited wealth. Will they be able to collaborate successfully in running a family business? How will the knowledge that they will be inheriting this wealth down the road affect the decisions they make in their lives... Could it have an adverse affect on their relationships with each other at some point, as we at Frye Financial Center and the Law Offices of Austin A. Frye have seen in so many previously close families.
7. Think about leaving some money to charity or your own Family foundation. Also, consider a family foundation for significant current tax savings if you are a regular charity supporter. Consider making your children, or others, Trustees of your own foundation and leaving a portion of your wealth to that foundation.

Warren Buffet is a very smart man. Learn from his actions.

WE ARE HERE TO HELP YOU BECOME LIKE WARREN

Speak to our Lawyers. Speak to our Investment professionals and Certified Financial Planners™. Most importantly, plan ahead...

Until next week,

Austin A. Frye, MBA, JD, CFP®

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