

## **Advice to my grandchildren:**

I've learned lots, sometimes from school, sometimes from other people, sometimes from the media, sometimes from making a mistake, and sometimes from just plain luck. Here are the things that I think are important:

Time, reputation and good health are your most valuable assets. Money doesn't hurt either. And there is more!

### **Time Management**

I used to teach a time-management class. It's surprising how much more efficient and effective you can be if you make sure that you really do the important things and not waste time on trivia. At the Sloan School of Management they taught us the principle of "selective neglect," that is, don't spend time on things that won't matter in the long run. It's too bad that selective neglect isn't taught before children get a cell phone with internet capability. They have no idea how much they are missing in more important opportunities.

In my own case, I decided that the things that were most important to me were (in no particular order) health, work, church and family. For quite a while, I even kept a To-Do list in my pocket with each page equally divided between those four areas.

Plan ahead. This would include something as simple as a planning calendar with your commitments for events this week, this month and the year ahead. More important is to plan your approach to do big things whether they are financial, an important future event, or a goal that will be a significant milestone in your life.

Planning includes pro rating of your time between the things you must do as well as the things that you would like to do. It also includes thought about the things required whether they are instructions, supplies, equipment, people, or whatever it takes to achieve each particular goal.

Be punctual. Come to events a little early and never late. Be well prepared for them. Consider the time it will take to prepare or transit, the things you will need at the event, and your appearance. It irritates others when you delay proceedings whether they are social or work related.

### **Reputation**

It is hard to emphasize how much reputation counts. It is represented by the things you do (or don't do), the friends you have, the organizations you belong to, and even the way you look, dress, listen, write and talk. Boeing spent a lot of money defending me and some other executives in a case that went all the way to the Supreme Court to protect our reputations.

Always keep learning. The world continues to change so you must learn new skills and gain knowledge from those who have discovered new things or learn from those who have discovered important principles in the past.

Use good English. Bad grammar and swearing will hurt you in many ways while good grammar and politeness will mark you as someone who is educated, thoughtful and, more often than not, kind. For example, it sounds bad to say "Me and Jim went to the park" instead of "Jim and I went to the park." Poor language skills can have an important effect on your future growth. Spend some time with an English grammar book.

Dress appropriately. Don't dress down. If your goal is to be a manager, look like a manager. At the same time, don't appear extravagant or out of place.

Be courteous to your boss and employees. Do some extra things that are not expected to please them. Always give a full measure of work to every hour you are employed.

Never try to take advantage of your employer, co-workers or friends. Do not pad expense reports or do anything that an audit would embarrass you.

Be mindful of the kind of friends you have. Those associations not only influence you, they are interpreted as things you represent.

Preserve a good sense of humor. Read some humorous things. Keep a smile on your face. It's hard not to like a smiling person. I remember Rosanne Munson said that her ski instructor said that the most important thing to remember in making a turn on skis is to smile. Then the instructor flashed a huge smile showing lots of teeth.

When you have a difference of opinion, keep calm and do not raise your voice. I was on our debate team in high school. Using facts instead of emotion earn a lot more points.

When you are wrong, admit it. When there is a problem, it is better to overstate it than to understate it—as many politicians and employees have learned. As you solve the problem, you can report the improvements—and not have to continually report that the problem is getting worse. You want to be a hero for solving a problem, not a pervasive bearer of bad news.

In most instances, it's better to listen than to talk. You can voice your opinion after hearing the thoughts of other participants. Your remarks will be better structured, show more perspective and appear wise.

I'm often asked to write reference letters for people seeking jobs. Besides being technically qualified, a couple of things I like to include are reputations for hard work and high ethical conduct. All employers seek employees with these characteristics. They don't like clock-watchers and people who are likely to get them in trouble.

## **Money**

Be frugal. You don't have to keep up with the Joneses. A humble life is better than an extravagant one, and, in the end, will be more rewarding. Frugality is not just keeping within a budget, as important as that is. It means living on less than what you can afford. It's impossible to foresee all of your future needs or the needs of people you might ultimately like to help.

The amounts you have to save for retirement are brutal. That's because a person has to save enough from about 35 years of work to have enough Social Security and savings to live for at least 25 years without any earned income. If you are lucky, you'll get a pension, but pensions depend on how long you have worked for the same employer. If you work for several employers, each of which offers a pension, the amounts you get from all but the last will be very small because each will be based on your employed time and wages when you quit--and will be in dollar values that are worth a lot less when you actually retire.

To get about 50% of your final working wages from savings alone, you will have to save more than 10% of your gross wages in your first year and another 0.5% for each year thereafter, so in your tenth year of work you should be saving 15% of your gross wages. A planning program can give you insight for retirement or how much to save each year for a new car or to eventually replace your roof. There is no program or book that will tell you how much to save for surprise events in your lives. You'll need some extra savings for these surprises, so keep some money that's readily accessible.

## **Debt**

When you first start work, you will have to buy a number of things on credit. It's really bad news to have to pay an overdue credit card because the interest rates and charges are so high, so don't buy anything on a credit card that you can't fully pay at the end of the month. You likely will have to get a loan to buy your first automobiles, but for each subsequent purchase, you should increase the down payment amount substantially. Before you retire, you should only buy a car with cash from savings. Two to three year old cars are often the best buy. That's what I bought for most of my working career. I even bought a very old car for \$40 when Boeing sent me back to school.

One of the major decisions is whether to buy or rent housing. A house is easy to buy and hard to sell. Early in life, it's much better to rent because you have job mobility and generally can rent more inexpensively. If you save enough for more than a 20% down payment, you can avoid having to get mortgage insurance. Except in a highly inflationary environment, it's good to fully pay your mortgage before you retire. It's not just that it reduces your retirement costs; it provides security and the possibility of getting a significant home equity loan if needed for an emergency. It's not a good idea to consider a home as part of your retirement investments. At the most, a house as a retirement investment is really only worth the incremental amount you might get from downsizing to a less expensive place.

## **Investing**

Be conservative with your financial planning and how you invest your money! My father offered good advice when he said, "Don't invest in anything that eats or takes maintenance." I know there are exceptions, but that advice helped me many times and hurt when I ignored it. From my own experiences, I would add that it's important to be extraordinarily cautious about options (bets on future stock performance), leveraged (debt backed) investments, partnerships and time-shares. Always think about what will happen when you want to get your money back.

Always consider the bias that you may get from a securities sales person or a financial publication. Most financial seminars offer overstated performance promises. If you are offered a complex investment, reject it. Complexity favors the seller, not you.

Diversify your savings so that some money is in stock funds, some in bonds, some in real estate and some in cash like money markets with checking privileges. A rule of thumb that I followed throughout most of my years has been to have no more in fixed income investments (bonds, CDs, money markets, and bank savings) than my age as a percentage—and no less than 10% under that. So, at age 40, the amount of my fixed income investments would be between 40% and 30%. That leaves 60% to 70% for stocks and equity (market price less debt) in real estate. I rebalance within these limits only once a year. If you don't like to rebalance your savings every year, consider low cost target funds.

I like John Bogle's advice: Invest in broad index funds that have low costs, not individual stocks. When subject to high income taxes, I like tax-managed index funds for stocks. Good fund companies are Vanguard, Fidelity, T. Rowe Price and TIAA-CREF. All have indexes for the total stock market, the S & P 500 (a large company stock index), a small stock index, and international stock indexes. You can get more of my views from *Getting Started in a Financially Secure Retirement* (Wiley 2007).

For fixed income investments, I like to invest in actual (highly rated) bonds (including AAA municipals, AAA corporate bonds, TIPS and Savings Bonds) instead of mutual bond funds. The reason is that the principal in bond funds goes up and down with the prevailing interest rates. Until a bond matures, the principal is worth more when prevailing interest rates are low and worth less when prevailing interest rates are high. If you hold an actual bond to maturity, you won't lose your principal to interest rate changes as you will in a mutual fund.

## **Making good financial decisions**

When faced with a financial choice, always try to quantitatively compare alternatives. For example, compare early with late starts for Social Security or a pension. Consider tax differences in comparisons. The government can take a large part of your savings if you are not careful. And consider RISK!

## **Insurance**

Be smart about insurance. You always need home and health insurance, but when you get older, you may not need life or disability insurance. The law requires you have auto insurance, but you likely can benefit from high deductibles. Perhaps a larger down payment on a house will mean that you don't have to get

mortgage insurance. Long-term-care insurance is very controversial. Consider whether you'd rather be self-insured or depend on Medicaid late in life or if a relative might be able to help out if you are disabled.

## **Health**

Pay lots of attention to staying healthy.

- Eat lots of vegetables, fruit and fish. Avoid sweets and fattening foods.
- It's better to eat at home than in a restaurant, particularly a fast food restaurant.
- Take vitamins if necessary to supplement your diet.
- Exercise—LOTS.
- Have your teeth cleaned regularly by a dentist.
- Get an annual health exam at a doctor's office.
- Don't touch smoking and recreational drugs.
- And challenge your mind to keep sharp.

Your weight may be a good indicator of your health. Excessive weight is hard on organs and bones. It also makes any operation much more risky.

Never be without health insurance. Take care of your teeth (with frequent brushing and flossing), eyes (by wearing sun glasses outside) and ears (by avoiding loud noises and boom boxes). Dental, eye and ear costs are seldom covered by retirement health insurance policies and can be very costly.

## **Finally**

Keep your family first in your life. Other achievements may seem important at the time, but if you neglect your family, you will always regret it.

Be honest and moral throughout your life. It will pay great dividends and leave you in a much more comfortable state.

Always remember that you owe everything that's good in your life to God. Go to church to continue to learn more spiritual things, be reminded of what is moral and what is not, and show your thanks for your blessings. You can keep your standards well tuned with regular church attendance and reading scriptures.

It's a good idea to periodically think about the fundamentals. For example, adherence to the 10th Commandment (Exodus 20:17) will give more benefits than just spiritually if you consider that it also means "Thou shalt not seek the lifestyle of the Joneses!"

Finally, prayer is extraordinarily important. God has often answered my prayers and helps me with the things that I do. Express thanks for your many blessings. We live in a world that is much more comfortable than that of our ancestors. We should be grateful for being here at this time and place.

I hope that the lessons I have learned will contribute to a successful life for you, your family and those that follow you.

Grandfather

Henry K. (Bud) Hebel

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