

Chris Tipton: Financial Clarity, Complexity and Alignment

Matt: Welcome back to season three of the Robertson and Easterling podcast. We are brought to you by LifeWorks counseling. You can find them at lifeworks.ms. Today, we have a friend Chris Tipton joining us - Chris is a financial advisor with Navitas Wealth Advisors in Ridgeland, Mississippi. Chris, thanks for being here today.

Chris: Proud to be here, appreciate y'all asking me.

Craig: So, it's a little-known fact that I was an athlete many, many, many years ago. That's really how Chris and I got to know each other. We played ball with each other and against each other and I can remember Chris as being one of the hardest working athletes that I knew. And now he's one of the hardest working professionals that I know. So, Chris, we're excited to have you here today and talk about your family wealth advisory firm. So, for our listeners out there, help us understand what you do.

Chris: Craig, thanks for that introduction. I'd have to say I was probably one of the hardest working baseball players because I had the least amount of talent.

Craig: That's not true.

Chris: But that transferred over into my work life for sure. I guess to give a little bit of history about me, I really thought in college, I would go into public accounting and, came out of my graduate program, fell in the lap of four guys who were in the estate and business planning arena, and it accelerated what I was able to do and I'm very grateful for their involvement. Today, myself and four other partners have a family wealth advisory firm and we've worked with entrepreneurs, business owners, professionals in a lot of different areas, which I'll describe in greater detail.

Craig: Let's just talk about that, so a family is making money or has made money - where do you start?

Chris: I think first of all, let me back up and maybe dispel some perception of financial planning or wealth advisory firms. I really believe that there are a few things that are foundational in our business or beliefs that we have that may dispel some thoughts that people out there might have. One is that traditional estate and financial planning - we don't believe works long-term. And we believe it doesn't work for several reasons, frankly there's a lot of statistics out there that support this, but you may have heard the old proverb shirtsleeves to shirtsleeves in three generations. And that is what it sounds like that is when wealth does not end up transferring from one generation to the next. The statistics are that 65% of the wealth that families accumulate in the first generation is gone by the end of the second generation. And 90% of the wealth created in the first generation is gone at the end of the third. And why is that?

Craig: It's because of divorce, Chris that's how we make a living.

Chris: Certainly, it could be divorce, it could be communication, it could be a number of things, but generally speaking in traditional financial and estate planning, only the financial and legal aspects are addressed, but the non-financial aspects aren't. And we really believe that the non-financial aspects around planning matter a lot.

Craig: Well, let's talk about that. What do you mean the non-financial aspects of planning? Because this is starting to sound like a counseling session.

Chris: I don't necessarily want to go there, but there is some bleed over into that. I mean, certainly the non-financial aspects really only about 10% of the failure rate in transferring wealth from one generation to the next is due to a lack of planning. People do financial planning, they do estate planning, but if they don't have good channels of communication, and their virtues and values aren't transferred to the next generation and the next generation is not prepared to receive it, they can still be set up for failure.

Matt: Yeah, I'd always heard that it was, the first generation creates it, the second generation builds it and the third generation wastes it or burns it.

Chris: Yeah.

Matt: And then I guess the cycle starts all over.

Craig: Well, how does a family effectively do that? Because, you know, I've gotten in my mind this hardworking grandfather who built a business based on energy and creativity and sweat. And then, his son comes into an already successful venture and kind of worked side by side with his dad and kind of picks up where he left off. And then, because I had accumulated a little bit of a wealth, there's a little bit more privilege with the youngest of the generation and they don't have the same appreciation for what got them there to begin with. So, how does a family effectively transfer that idea of hard work and value and what's important foundationally?

Chris: I think they have to address three obstacles. One is a lack of clarity. You know, this is pretty common in most families where I may meet somebody for the first time and it's very difficult for them to clearly articulate what are their goals and dreams, what are they trying to accomplish? And I don't just mean at a surface level, certainly saving estate taxes would be something someone would commonly say.

Craig: The answer's gotta be more than making a lot of money and keeping it.

Chris: That's a given. The real goals are much deeper and they're things that they hold in their heart and it's hard to pull that out. And so, if we're able to help really dig in deep, help a client gain clarity, that's the first step. Second step is addressing complexity in their situation. A lot of families believe that, "Oh, if I could just get to this amount of wealth things will get easier". Not the case. With each additional level of wealth that families create, what we see is that the complexity increases and has a multiplication effect.

Craig: Help the layman I.E Craig Robertson understand what you mean by the complexity of a situation. Because it's kinda like mo money, more problems kind of thing.

Chris: Yeah.

Craig: Or Mo money Mo problems. Is that how you say it?

Chris: Well, I would say that, we all have this ceiling of complexity that we can deal with. I mean, I've always thought, Craig, that you have this innate ability to juggle lots of things at the same time.

Craig: I live at the top of the ceiling of complexity.

Chris: Yeah.

Craig: Oh, up there, baby, I'm on top of the ladder.

Chris: And you manage it extremely well.

Craig: Well, some days.

Chris: Lots of people can't do that. And so many people will freeze, they'll procrastinate, they'll not deal with problems or opportunities that they really need to deal with because the complexity is more than they can handle.

Matt: Right. I know the things, you know, in the financial world can be very intimidating to a lot of people. And especially when they don't have any type of background in it. And so even if it's not as complex as one might think, it's still just completely overwhelming and they just kind of put it in that closet and try to close the door and not pay any attention to it.

Craig: Well, there's a little-known fact, but my law partner here, that's where Matt, you started your career was in the financial advisory world.

Matt: It is, I had a beautiful little cubicle...

Craig: A spacious cubicle in downtown Memphis.

Matt: In a downtown office in Memphis, Tennessee. And frankly, when I went to law school, I had every intention of going back and furthering a career in wealth management and somehow, took a wrong turn and ended up at Craig's office.

Craig: I feel like this is where the music should get cued.

Matt: Got lost.

Craig: So, we're working on the title of our podcast now, and that is clarity, complexity, and what's the third component?

Chris: I would say lack of alignment. And this is getting to the answer of your question may be a long-winded answer, but when families lack alignment around common goals, virtues, values, communication - these tend to have fractured relationships. You tend to have families that are in conflict that never feel safe, that never feel like everybody's moving in unison. An example of that (and this is with families as well as advisors), if I went to Craig and I say, "Craig, I want you to go to your accountant, your attorney, your trust officer and I want you to ask them to tell you, what are your three prominent goals financially that you have". Chances are you're going to get nine different answers.

Craig: Right so, it's not just the family alignment. The alignment of those professionals that you allow to speak into your life and, and help you manage wealth and just manage your future.

Matt: So, you mentioned clarity, complexity and alignment and I find that really interesting because while there is certainly some overlap in what we do, and sometimes your world might touch our world as divorce attorneys, those are really almost like core relational concepts, because oftentimes, usually when we're working with somebody, the ship has already hit the iceberg. But I mean, you could talk about it. If you're sitting in my office,

there at some point has been a lack of clarity. Something has been too complex or too confusing for them to understand and definitely they're not aligned.

Chris: Yep.

Matt: And so, preserving anything, whether it be your money or growing it, or preserving your relationship or growing it, it's going to be near impossible to do it without those three things that you just mentioned.

Craig: Right and it seems like that's probably why Jesus asked this question so many times, but he would come across a person and he would say, "what do you want?" And it's very simple, but also very profound. What do you want? And then the second question would be, well, why do you want it? And so, Chris, help us all understand so, we've identified the problems being lack of clarity, that ceiling of complexity, and then the lack of alignment among the family - among the couple and among those professionals that are helping. So how do you get there?

Chris: Yeah, so you certainly start with clarity. Once goals are really set out and everybody's in agreement on the goals at a really deep level, once you have that clarity, it becomes really easy to make decisions.

Craig: Give us some examples of those goals - I'm thinking, you know, peace and contentment.

Craig: Yeah.

Chris: You know, what are the goals?

Matt: Security

Chris: Yeah, you're along the right lines. I mean, think about, if somebody comes into my office and says, "Chris, I want to make sure that we save estate taxes at our death because we've created this wealth. How do we preserve the family's farm that we've built and accumulated or acquired over time or inherited? How do we do that?" And I might say, "okay, tell me more about that. What is it that makes that important to you?" And you just keep peeling the onion.

Craig: And what is it that makes things important to people because you know, you start talking to a Delta person about their land, and then you're talking generation, you're talking my granddaddy, you're talking my daddy

Chris: There you go, those are the answers; my daddy, my granddaddy, my kids, my grandkids.

Craig: Legacy is the answer.

Chris: It may be legacy for some people, it may be that; maybe it's first-generation stuff. And they were working at 14, starting to accumulate this and their goals may be that they don't necessarily want future generations to have to do that, but they want to preserve it. And at the same time, they want to preserve maybe the work ethic that was behind creating that.

Craig: And I think that's the hard, challenge for a lot of folks who find themselves in a privileged position and those who did it on their own and work for it on their own. They did it through their own energy and creativity and, sweat equity, if you will, but it was hard to

get there and a lot of times they want to shield or protect their children from some of those trials and tribulations that they have, but it was those trials and tribulations that put them in a position to be successful to begin with. And so, it's a little bit of a combination of the two, because you want someone maybe not to have to carry that heavy load, but at the same time, carrying that heavy load is what's going to give them the perspective to maybe keep it.

Chris: I heard somebody put it well, a number of years ago. I want to leave my family enough that they can do anything they want, but not so much that they can do nothing.

Matt: I think it's Warren Buffet that said that about his children.

Chris: About his wealth.

Matt: That he wanted to make sure that, that they had enough to do anything that they wanted, but not enough to do nothing.

Craig: Yeah so, for me, when I start thinking about clarity and goals, I think it's freedom. I mean, that's what you say it is - just that is that freedom, the ability to live your life in the creative direction that you want it to be. But unfortunately, you know, this sounds great on paper and we've written these nice little notes, clarity, complexity, alignment, and shirtsleeves to shirtsleeves in three generations and these ideas, but, you know, in practice human beings sometimes get in the way.

Chris: Emotions get in the way among other things. And so, one of the things that we do to try to help gain clarity for people or help people gain clarity is we'll have a retreat with them and it could be with the patriarch or matriarch as well as kids. And we'll talk in depth about goals and dreams, and everybody gets in alignment on what those are. And once we have those, it makes it really easy to be able to compare what have they done today toward those goals and dreams and what have they done that's really out of line, that's fragmented, that's piecemealed in their planning, that really doesn't further what their goals and dreams are.

Matt: So, I mean, that's living with purpose and making sure that you are focused on the things that you actually want. I think too often, our entire society, we just sort of float through. And even when you talk about maybe something that you want or some type of aspiration or dream, I don't know why, but it's so easy to say, "Oh, I'll start tomorrow or I'll do this" and you push it back and push it back. And I know when I talk to people about finances, I think one of the hardest things for them is a way to get started, you know, like to actually get that plan in place. And not everybody is starting with a big pot of money, but it's true that you can start investing and building for the future now - you don't have to be wealthy to do that, right?

Chris: Without a doubt. Absolutely. And certainly, there are basic foundational pieces to anybody's plan that they have to start with without a doubt.

Craig: And what are those?

Chris: Well, certainly getting out of debt and starting to save money. Segregating what they're saving in different buckets, so to speak, emergency fund type money, long-term money that would be retirement oriented and then monies that people can get to between now and then would be foundational. Other foundational pieces would be having proper legal documents in place - wills, powers of attorney, things of that nature, as well as insurance to protect against risk in the future; Whether it be life insurance, disability,

insurance, the ability to protect against catastrophic loss. I mean, how do you adjust for when things go wrong? When you know, so you've got a woman who comes into your office, who is facing a divorce, and maybe she didn't want the divorce, but that's where she is. I mean, how do you counsel a person like that? Who you know, the world is falling apart?

Chris: So, you're talking about on the front end of the divorce, right?

Craig: Yeah.

Chris: So, we work with lots of people who are in transition in different ways, whether it be divorced scenarios, um, the loss of a spouse or a parent, and anytime there's transition in a person's life, it can create the ability to delay or procrastinate. For lots of people they're so afraid of making poor decisions, they don't make any decisions at all - they freeze and that is a decision. And that's a decision that can have consequences, positive or negative. But I think number one - person that comes in that is about to go through a divorce, always has fear on top of their mind. I mean, they don't know - maybe they don't know how they're gonna make it. They don't know what they need. They don't know maybe what is a good settlement. Maybe they have a settlement in front of them and they're trying to figure out, is this good? Can I make it on this? And I think helping people answer those types of questions, empowering them to be able to make decisions.

Matt: I mean, unless you've walked through a divorce or you know somehow attached to a divorce attorney, you wouldn't have any reason to know this, but every divorce you have to fill out what's called a rule 8.05 financial declaration. And in there, it includes information about your income, your monthly expenses, your assets, and your liabilities. And it never ceases to amaze me, usually how people, when they have to fill out this document, they become unnervingly aware of how little they know about their own circumstances. Like how much money do I spend on a monthly basis? Like how much does it take me to live? And when you sit there and you look at this long list of what your monthly expenses are and then they add it all up, I'm like, oh my gosh, how am I doing it? And then it's like, Oh, this all makes sense, but this is why I don't have any money or I always wonder where it all goes. And now I see it here in black and white. But again, that goes back to just having clarity and having a plan and, and figuring those first steps out before you can figure out how to move forward.

Chris: It doesn't just happen in divorce scenarios. It's rare that many people actually know what they spend on a monthly basis.

Matt: No, I get that. I mean, this is the first time they're forced to actually put it down. Like we tell them, "okay, you got to do this". And they're like, "Oh my gosh".

Chris: I agree.

Matt: And it's usually a very sobering moment for them. It's not uncommon that people that end up in our office, part of what is causing stress in their relationship are financial hardships or problems that they're having with money. How often do you run into people in your line of work that are going through these relationship issues?

Chris: You know, I would say quite a bit. And, I would say that you can usually tell pretty quickly when couples communicate well around finances, they generally have fairly strong relationship in their marriage. I would tend to say when they don't communicate well around finances, it's usually somewhat telling about how their relationship is.

Craig: Well, if someone who's listening right now, what would you tell them? What is an effective way to communicate with your spouse about money? Because notwithstanding popular opinion, Matt and I are very pro-marriage, we're both married. We like to stay married and, you know, society will keep bringing us people. We don't have to wish divorce on anybody. So, people who are having a hard time communicating with one another with regard to finances and money and wealth, what would you tell them? What's a good tool that they could use to have better communication around finances?

Chris: A few things; one I would say, get together on your goals. What are you trying to accomplish? What is the goal? Is it important enough to sacrifice for it and make some sacrifices collectively to accomplish those goals - whether it be educating your kids, retiring at a certain point in time, saving money to build a house, whatever the case. The other thing I would say is that, and this is a personal opinion, but I think it can be unhealthy to think about money as his money and her money. Now, whether that means y'all have joint checking accounts so everybody knows what's going on, or I think it creates unhealthy communication patterns around money to segregate it. I think it needs to be considered one pot when at all possible.

Matt: And even people that maybe out loud, they would say that it all is one pot. you still run into folks where there's very little transparency. So it might be our money, but you don't know where any of it is and like you said before, it may be in certain instances that says more about the relationship than what the effect of it is doing to the relationship. I mean, when I hear, okay maybe there's a little bit of a lack of trust, or it certainly creates a situation that makes it easier to keep secrets and to conceal spending habits and, you know, things like that happen all the time. When people come in that have secret credit card debt and that's bad, but then there was a big part of it was, they were cut off from all other finances so that's the only way they felt like they could do anything and it just creates this enormous mess.

Craig: You know, as you're talking Matt, I'm thinking that one of the first documents that we give someone when they come in for an initial consultation, is that 8.05 financial declaration and the numbers come from the Chancery court rule that requires that divorcing people do one. But what I'm hearing, our friend Chris Tipton say is that if people would sit down and do an 8.05 financial declaration as an aligned, married couple and create communication around income, assets, and liabilities, that it would go a long way to keeping everyone aligned so maybe they don't have to end up in our office.

Chris: Yup. That's exactly what I'm saying.

Craig: It's another point that I want to talk about and maybe it's because I've been a jaded, callous divorce lawyer now for 20 years, or maybe it's because I come from a big family, but almost as sad to me as when couples break up is when there's a death of a parent and

siblings are at war with one another. And I would imagine that is along the same lines as what you were talking about before with regard to siblings that are involved in financial dealings with one another. That might be a farm, it might be a manufacturing facility or a small business, but it's really sad when couples are at war, but also when brothers and sisters are.

Chris: Yup. Yeah, happens a lot. Especially when, as you described, you have one sibling that might be involved in the family business or in the family farm, and you have other siblings that are not, and it's a dilemma for the patriarch and matriarch. How do I address this fair versus equal thing?

Craig: Sure. I mean, I'm a father, I have two children and I can tell you and anybody listening who knows me or knows my kids, my kids are as different as night and day. And so, you know, that's what God does is he creates these unique, people from the DNA of their parents. And so, they're in other families as well, but the skill sets aren't always the same. So, it's not always practical that multiple siblings would be working in the business. I mean, sometimes it just makes common sense that one or two are. And so, what does a family listening right now that is thinking in terms of passing down a family business, what ideas would you share with them?

Chris: I would say first and foremost, collectively sit down as a family and talk about it. And talk through it in an open fashion. You know, if there's one sibling that is in the business or involved in the farm that would likely be the person to take over that business or farm, then certainly trying to figure out ways to ultimately get that business or farm to that child and try to equalize in some way - if that's the goal. But I think having open conversation about it prevents hurt feelings. It prevents a misinterpretation of what was done, and it's real common for families to put those types of things in place and never have that open dialogue.

Matt: And so, they don't know what the outcome was supposed to be until somebody has passed away and now, you're dealing with these revelations while also dealing with the death of a loved one. Maybe issues that have been going back all the way to your childhood that are relationship oriented and it's a perfect storm to destroy a relationship. And it's like Craig said, it's incredibly sad when you watch a family fight with one another. And the salt in the wound is that the person that just passed this on, likely it would just tear them apart if they knew that's how they're reacting towards one another.

Chris: And most of the time it's a misinterpretation of what took place. You know, daddy set up a trust for one child and the other child got a business. And that child thinks "well daddy put that trust there because he didn't trust me" or he favored the other child. When in reality, it might've been that daddy was doing it out of a very loving spirit - wanting to protect this child from himself, or others, or whatever the case may be and had that communication taken place during life, they might not have had that.

Matt: Yeah. And I think that you actually just touched on something that I think is important. Sometimes people get these plans or these documents in place, and they do them

once they get them in place and they think that they never need to be addressed again. And so obviously a trust might look a lot different if you're setting it up and you have two children and they are five and seven years old. Or at that point, one of them hasn't been working in the business, or everything is almost geared around, "If I died right now, who would help take care of my children" and stuff like that. Whereas once they grow up, it's time to readdress some of that stuff, and if you don't, if you make the mistake of thinking, "oh, well, we did that whenever, we've got that box checked". You need to make sure that those things stay updated, or at least let somebody look at it and say, "Okay, well, is this document still working? Is it relevant?" You know, because that can cause major problems.

Craig: That's right. Well, I've given a very simple example of siblings, but we all know, and Matt and I live in the reality every day that divorce does happen and families get fractured. And it sounds great for us to sit around and talk about beautiful communication between people, but the reality is that doesn't happen and there are hurt feelings associated with divorce and broken families. And that adds to the difficulty that people experience. What, what would be your best advice for someone who is in that situation, where there's a fractured family and, there might be new marriages and new children and bonus children? What type of advice would you give to those folks?

Chris: Well, you're exactly right in many ways in families, the communication doesn't take place that needs to. And the advice that I would have when they find themselves in situations that are difficult, is try to ride it with the people that you can communicate with. Start a new with them, if you're sideways with one child or one sibling, maybe you might get right with the others. I think it begins and ends with communication and if you can't do that, then you just have to take care of yourself and your immediate family, the best way you can, but don't let the difficulty or the complexity of the situation paralyze you and you do nothing. Make decisions, make good decisions and don't get paralyzed.

Craig: You know, as we're finishing up this episode, Chris, I've been reminded of meetings that I have with people that are very uncertain. And it's not that uncommon for me to look across the desk at someone during an initial consultation and just ask them, "What do you want?" And I get this, this deer in the headlights type of look from them. And I find that it's really none of my business to tell somebody that they should get a divorce. Now I have looked at someone and said that before, but it's the exception, not the rule. What I'm hearing you say is that may be one tool to avoid that process, or if they find themselves in a situation where that process is unavoidable, is that they would start taking a very close look at what they have and what they need and what their objectives are based on what they have and what they need.

Chris: And maybe even sitting down with someone, some advisor that can help them financially figure out what are they going to need financially in order to accomplish what they want to accomplish on the other side of this transaction?

Craig: Right! Because A lot of times we sit down with people who might have raised the children and it's both men and women who have decided to be a stay-at-home mom, for example and maybe they've been out of the workforce for a significant period of time. And

there is certainly after divorce, a period of transition. But it starts, I think with information gathering to understand where a person is financially and, certainly in transition, it's not always easy to predict where they're going to go.

Chris: I think a divorce takes a lot of stamina. And I think it is important to keep it throughout the whole process. Keep in mind if somebody has to go through a divorce, it's probably the most important financial transaction they'll ever go through.

Craig: Yeah, absolutely. So, say that again a different way. What do you mean when you say that?

Chris: I think it's important for both sides, whether it be the money side or the non-money side (if there is one), I think for lots of people, it's the biggest transaction they'll ever go through. But what I mean by keeping stamina through the process is the decisions that are made at the end when everybody's tired of dealing with it are the decisions that you'll live through - that you'll live with and they'll either make it hard on the back end or easier on the back end. But I think it's hugely important to stay engaged, stay involved, focus on the details through that process.

Matt: And, you know, in my opinion, one of the best ways to preserve that stamina that you're talking about is make sure to position people around you that can help you, that you can lean on in those moments when you're just completely gassed and you need somebody else to pull the load a little bit. Whether that's the divorce attorney that you're working with, whether it's reaching out to somebody in financial planning to help them and pull some of those different burdens that are on them at that moment in the hands of other people and say, "Okay, I'm going to be all right. I think Chris has got this licked or I'm going to just let this go and let Matt do this over here." And it's such a scary process and that's the biggest - like when Craig said you ask somebody what they want and it's almost like they never even thought about that. All they're consumed with at the moment is fear and the chaos that's happening in their life and the unknown. What's it going to be like?

Craig: Well, and I think this is a great point that if we had the license to play Guns and Roses song Patience, that it would come up in the background because I've been saying that now for a long time - that divorce is a chess match. Divorce is not a football game and the best mantra someone could live is with patience and with poise through the process because if they get in a hurry at the end, like I think our dear friend Chris is telling us, that the document that is signed is the document that someone will be living by and so it's advisable to take a very cautious, reasoned approach all the way through

Craig: And separate the emotions as much as you can when making these decisions.

Chris: Boy, that's easier said than done.

Matt: The last thing - when I asked you about how important are expectations in this process? Because sometimes I find that if people have expectations that are just

completely out of touch with their reality, that is a major recipe for somebody who is going to be very unhappy

Chris: I'm sure. And I don't see it through a process like this as much as you all would. I see the after effects of it; most of the time I see that somebody's either happy or satisfied with how the transaction took place or they're disgruntled about it. And most of the time, I'd say that had to do with expectations being misaligned from the beginning.

Craig: Well, guys, we've come to the end of our time again. Chris, I had no idea this was going to turn into more of a philosophical conversation about clarity and goal setting and alignment within one's home, among one's children, but it certainly did. It sounds like in closing, that really what I've heard you say is it just comes down to clear communication.

Chris: I would say that certainly is one of the foundational pieces, without a doubt and helping people achieve their long-term goals and transfer their vision, values and goals to future generations, if at all possible.

Matt: Chris for our listeners who may be needing some help finding that clarity and alignment and assessing the complexity - how can they find you?

Chris: Yeah, so our website is Novitaswa.com or they can reach us at 601-991-2830

Matt: Chris, thank you again for joining us today. And I hope we can have you backsoon.

Chris: Thanks for having me