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JIM: I’ve heard it said that it’s good to learn from your mistakes but even better if you can learn from somebody else’s and in today’s society where we want to spend now, pay later, a lot of people find themselves behind the eight ball and, today, I have a special guest and friend that is going to share his family’s story where his grandfather started a company and it became the 140th largest company in the world and, by the time he was a young adult, the family fortune was gone so, today, he is hoping to help others by sharing his story so you don’t repeat his mistakes of the past and his family’s mistakes of the past so I’d like to welcome Don Chamberlain. Welcome, Don.

0:41

DON CHAMBERLAIN: Thanks so much, Jim. I’m really excited to be with you today to kind of talk about my story, as you suggested, and just start off the New Year on a good foot.

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JIM: Hey, I really appreciate your willingness to share and I know we hear the fairytales of rags to riches and we hear all the news stories of riches to rags, especially when we talk about entertainment figures or sports figures where they make a lot of money in a short period of time and then they start getting used to spending it like they’re making it and then one day it’s gone. I think a lot of people could learn some real valuable lessons because you’re one of the people that was really kind of fortunate in life and you grew up around money but it didn’t turn out so well for a period of time but you’re one of the people that have been able to pick yourself up from your boot straps and really make a success and the passion you have in helping others is just awesome. I’m very humbled and I’m also very happy that we’ve gotten to be such good friends. Why don’t you share with our audience a little bit about your background growing up and what was that riches story.

1:43

DON CHAMBERLAIN: Well, thank you, Jim, that’s very kind of you. I had a pretty fortunate life growing up. I grew up in a community in the Detroit area where many of the automobile moguls or families lived in that area so I had a very nice childhood. My dad wasn’t a big golfer but he belonged to our exclusive country club. I went through pretty much public school up until I got into high school and then I went to a very exclusive local prep school and many of the students there were from families you might know. I went to high school with the great granddaughter of Henry Ford, many of the General Motors founders’ children were in my class. It was just a really nice way to grow up and I was very, very fortunate, so it didn’t really surprise me necessarily when, in high school, my dad had to sit down with me and said you have a trust and I’m like, oh, that’s great. I’m not sure what that means. I’m a teenager. I guess I’ve got some money coming in the future but I kind of shook it off and thought that will be sometime for my future, I’ll have that available to me. I ended up going out of state to college, getting married out of state, and then moving back to Michigan with my new bride and I sat down with my dad and said, now that I’m moving back here, I’d like to buy a house, can you let me have some money from the trust in order to put a down payment on a new home and he said it’s gone. I said what do you mean it’s gone. He said, well, we spent that all on your college education and so there’s no money there. I started to realize that the lifestyle that my parents had and that the rest of my family had was really not a true lifestyle. It was something that they were just trying to keep up with, just barely paying the bills and getting by. It was interesting trying to get around that because I had been taught certain things that I didn’t need to worry about money, that it would kind of always be there, but it wasn’t really the true facts of the situation. To give you an example, Jim, the way that I would know that I needed to put more money in my bank account was I would get, in the mail from the bank, an NFS statement saying I was bouncing checks and then I’d have to go ask the family to put more money I the bank for me to cover that so that’s kind of the way I was taught that things worked and that you would kind of stretch everything out as much as you possibly can so that you could have a better lifestyle. We were taught not to withhold taxes or your insurance on your mortgage, not to have an escrow account to do that and pay it out but just to do that yourself so, consequently, I would end up after two years and they’re ready to sell my taxes on the court steps for my house, going down the day before they’re going to do that to have that tax sale and paying the taxes. That’s the kind of things that I ran into and it was a real moment in time when I really learned what was happening truly. I happened to read a book called “The Millionaire Next Door”. I don’t know, have you read that book before, Jim? Are you familiar with it?

4:53

JIM: Yes, I am familiar with it.

4:56

DON CHAMBERLAIN: Great. It actually came out in 1996 and it was a couple of individuals that went out in some of the major brokerage firms at that time, stock brokerage firms, went out and said we want to figure out what the average millionaire in this country looks like, who is that, so they could maybe better target that type of market so “The Millionaire Next Door” came out of that research. What it found was there are really two types of people out there, under accumulators of wealth and prodigious accumulators of wealth, and these are people that either you’re not saving enough or you are saving enough. I would recommend that any of your listeners, Jim, look up this book or at least go to Wikipedia and put in “Millionaire Next Door” and look at that because it’s really an interesting thing to learn about. Under accumulators of wealth are people that they just don’t save enough. Many times, they grow up in households where they never were taught those things, like what happened to me, and people that come from wealthier families are more likely, based on the research, to be these under accumulators of wealth. The prodigious accumulators of wealth are people that they found they don’t live in the wealthy communities in this country, they don’t drive luxury automobiles, they live in an average home, they stay in that home for 20, 30 years, 40 years sometimes, and I see this with my clients in the financial industry now that that’s what’s happening. Those people are able to save more money. They drive a used, usually a domestic car. When the book was written, it was like they would buy a used Ford LTD or I guess, today, it would be like maybe a used Chevy Impala or something so that’s what they’re driving because they want to save money. They’re not just having a high lifestyle. A formula came out of this as to what the average accumulation of wealth should be and the way that it works is you take your age, you multiply that times your income, which is your pretax income combined for your household, and then you multiply that times 10 so, for example, if you’re 55 years old and your combined household pretax income is $200,000, you would multiple that times 10% and your assets that you should have saved should be around $1.1 million. If you want to learn more about this, you could get it in the book. This formula is actually on the Wikipedia page as well but that’s what I started to learn was this was me. I was one of those under accumulators of wealth because it had been taught to me at an earlier age to do it that way. It wasn’t really something that I wanted to do intentionally but it was a taught behavior.

7:30

JIM: Well, Don, I think what we’ve got to share with our audience, now, your parents weren’t the ones that created the wealth, they were the benefactors of wealth, and I think we see this all the time, the second and the third generation. I know with the Vanderbilts, I saw something when it was the 100th anniversary of Cornelius’s death, the one that made all the wealth, and they had a family reunion and there wasn’t a single millionaire among them and, here, he was one of the wealthiest captains of industry and, when you adjusted for inflation, just unbelievable wealth. They didn’t have income taxes back then and, man, they were able to accumulate a ton of money and that wealth didn’t succeed because those lessons that you’re talking about weren’t passed along and you’re not alone. There’s story after story after story. I’ve heard a saying that kind of goes and sums up kind of what you’re talking about there. Those that don’t save will work for those that do, so when you go in to your restaurants in the afternoon, you see a lot of retirees working the tables. When you go into Wal-Mart, who’s there to greet you during the day? I don’t think a lot of these people aspired to say, you know what, when I retire, I want to get a job at Wal-Mart greeting people or I want to be able to ask people if they want fries with their burger. I don’t think that’s what people wanted to do. I think they got in that position because they didn’t save and I think a lot of people listening might say, well, geez, I didn’t get born with a silver spoon, they don’t understand, or whatever, but one thing I do know is you had that family that would just put money in the checkbook but we saw the same thing with credit cards. People would spend money on their credit cards out of control, then they’d make the minimum payments, and then, all of a sudden, they’re playing the credit card game where we can shift to this card or that card and get the 0% and they were spending money they didn’t have so whether you’ve got a family that’s bailing you out or a credit card until you can’t anymore, we’re all dealing with those same issues. Talk a little bit about how your parents came into this wealth and then what was the aha moment, where did you make that decision that you weren’t going to go down this path?

9:32

DON CHAMBERLAIN: Right, right. It’s interesting you brought up the whole thing about credit cards because that ended up happening to me. I never knew how to handle credit cards and when, as a young person, they started to give me credit, I had no idea how to handle that and I just went and started getting a lot of credit cards and that spiraled out of control. You mentioned the 100 year anniversary. We actually just had a 100 year anniversary of our family, one of the historic moments in our family’s company because my great grandfather invented the truck trailer. I’m sure, Jim, you’ve heard the term semi-truck.

10:04

JIM: Yeah.

10:05

DON CHAMBERLAIN: He actually coined that phrase semi-truck. His name was August Fruehauf and his story was that he actually had a horse cart little shop in Detroit and, one day, a friend of his, actually a customer, too, who owned a lumberyard, said I’m having a hard problem getting my boat up to Northern Michigan so that I can put it on the lake for the summertime and it takes these horses like three or four days to get it up there. What can we do? My great grandfather said well why don’t I take this Model-T, I’ll strip it down, and we’ll put the cart on the Model-T and we will haul it up north. It took them less than a day to do it so, at that point, obviously, the lumberyard owner wanted his carts on Model-T’s after that and every lumberyard owner in Detroit did and then it spread throughout the state and eventually throughout the country and Henry Ford even said I’m going to void anybody’s warranty on Model-T’s if they attach anything to it now after he started doing all of this so that was kind of our family. My dad was actually on the Board of Directors of that company from 1972 to 1986 and, during that time, I looked it up recently because it was the 100 year anniversary of that, when I was in high school that company was number 140 on the Fortune 500 in this country and it was actually the largest trailer company in the world at one point and it was basically on all continents of the globe. We thought that was going to be something that would last for generations that I could pass onto my kids but there’s a saying that I think it’s kind of universal, it’s shirtsleeves to shirtsleeves in three generations, and I’m the third generation and, so, I ended up not seeing any of that money but being taught that that’s the lifestyle I should have and that I should be able to keep up with that lifestyle, so I’ve seen issues with family members. Two of my siblings filed bankruptcy because we were taught in different ways how to do this. You asked when did I figure out that I needed to change that and it was really what I discussed with you a little bit earlier with the book, “The Millionaire Next Door”. I read the book and then I had my wife read it and I said that’s us, we’re doing that. We’re the under accumulators of wealth. We’ve been taught by people the higher lifestyle. I mean I love my parents, they’ve been great parents. They didn’t know any better. I figured it out and I determined that I needed to leave Michigan and kind of start out on my own and go to a different city so, in 1996, we actually moved to Chicago and that’s when I kind of started off on my own, I got things going, and it really did, it changed our life because my wife was really helping that because her behavior was not the same as mine. Her situation was she grew up in a family where they did save money and it was a treat for her if she was going on a road trip with her parents and they stopped at McDonald’s drive-through to be able to order fries with her burger. Usually, they only got the burger and a small Coke so that was kind of her help with me on that. When she goes shopping, instead of just buying whatever she likes, she would look at it and say, well, I don’t know if I really need that or I don’t know if that piece of furniture would really fit in our house so let’s not get that. Even though it’s a great deal, let’s not really focus on that, so that’s where I really had real good help from my spouse and anybody you talk to that knows about saving money can help you to change those behaviors. It’s very helpful in your life.

13:36

JIM: Well, Don, let’s take a short break. When we come back, let’s talk about what you’re doing now to help people and I think you hit a key point there. You can’t do this stuff alone.

13:45

DON CHAMBERLAIN: Right.

13:46

JIM: We emphasize on this program again and again, you need people that can help keep you accountable, whether it’s a spouse, whether you’re using a financial professional. I mean you don’t know what you don’t know and too many people try to do it themselves and I think they find themselves in trouble because, when you make mistakes, it’s real easy to justify to yourself, well, I deserve this and it’s simple, easy payments and all of that, and people get in that trap real easy, but please stay tuned.

14:11

BREAK

14:29

JIM: Welcome back as we continue to visit with Don Chamberlain. As I mentioned in the beginning of the program, Don and I met a few years ago and we’ve gotten to be pretty good friends and, just recently, he was sharing his life story. It’s always very interesting to me how people get to where they are and I think your story is somewhat less common coming from a family that was very well off but not so common, by the second or third generation, the money is gone because of a lot of financial literacy and I think anybody can learn the lesson and I think the lesson was much more expensive in your family situation because, with maybe a little bit of planning, there could have been much different results for the family but what I find so interesting and intriguing is you’ve taken that. Now, a lot of times, you hear the stories where people will wallow in their grief, woe is me, and they end up having pity parties, but you took this as a motivating factor to help others. Share with the audience how you got to that point. I know you run a tax firm now and you do a lot of education. I know you’re very successful in your own right. Share with the audience what is your passion and how did you get to where you are today.

15:36

DON CHAMBERLAIN: From what I learned in my story, I just decided I don’t want that to happen to any other families in America. If I know that I can help people to save better, to avoid debt, to reduce their taxes, I want to get fully involved in helping to educate the community to make sure that what happened to me doesn’t have to happen to people out there, their children, their grandchildren. What I’ve really been motivated to do is to help others in this area. I’m very inspired to educate people and that’s what we do in the community. We go out and we have workshops where we’re teaching people. One of the biggest subjects we’re teaching about right now is social security. So many people don’t know about how social security works. I’ve been interviewed on television about how to reduce debt and how to save money at the end of the year and things of that nature. I decided to get a designation just to kind of learn more about this and how I would approach it so I’ve become a Certified Financial Educator. It’s interesting, Jim, because teaching people that are adults is far different than teaching people in our normal traditional education system when they’re younger. It’s definitely something that is a skill that needs to be learned and I’ve actually reached out to an organization called the National Financial Educators Council and I’m going out and getting a lot of people in our organization certified financial education instructors to help go out and really teach people the basic things that they need to learn. There is no place in the educational system, the formal education system today, where they teach basic financial principles for individuals. They’ll teach accounting or teach business finance but they don’t teach these principles so you’re going to learn most of it like we learned in the book, “The Millionaire Next Door”, from your parents. If they have been taught incorrectly or they had some set of circumstances in the past that applied to them, those may not apply to you and your generation so we have to educate people. What we’ve really focused on is helping independent advisors to develop more holistic practices and what I mean by that is by having tax, legal, income planning, asset planning, and insurance all under one roof so that we can get a more comprehensive education for the individuals. Why would we do this? Well, think about it in your mind. How many professionals do you really have that you work with? Most people have an accountant, they’ll have an attorney, they’ll have someone that does insurance for them, they might have a broker, they might have an investment advisor, and they may have many other type, someone that does long-term care, someone who does property and casualty, so you could have a number, as many as six to eight individual advisors advising you but you have to ask yourself the question, do they ever really talk to each other.

18:28

JIM: And you know what, Don, what I would say to that too because we’re definitely on the same page, what I’ve found is it’s okay for people to do one or two of those things and I find that a lot of times the consumer or the individual, they always have this wall up because they’re afraid to really completely share and it’s just kind of like going to a doctor. I mean there’s specialists that do different things but if you don’t tell your doctor that, hey, I went to the chiropractor or I went to the acupuncturist or I tried this medicine or I’ve taken this over-the-counter stuff, it’s just like in your medical. If they don’t have all of the facts, they can’t work in your best interest and one thing is you have to be willing to communicate. Don’t pit these people against each other. Have them communicate together with you to come out with the best result and I find that holistic approach definitely is the best way and you don’t necessarily have to use a firm that does that all inside. If you don’t have a firm like that, you should work with the advisor that’s sending you this program and say, hey, look, would it make sense for my accountant and you to talk and my attorney and you to talk? You can put that altogether yourself because, at the end of the day, you’re the one that benefits from it.

19:36

DON CHAMBERLAIN: That’s absolutely true because there’s very few firms that you’re going to find that actually has all of that in one place so the key thing is having communication between all of the advisors and having them working together on the same page. The medical example that you gave, Jim, is very appropriate in that, if you have a specialist working for you, you want to have him communicating with your general practitioner because, if they’re prescribing different medications and they don’t know, there could be real issues with prescribing things that don’t go together and that’s the same thing with your financial history. You want to have your accountant talking to the people who are handling your insurance, your assets, that type of thing, because there’s tax consequences to almost everything you do and it’s particularly more important when you get into retirement and your social security could be taxed or it may not be taxed based on the amount of income that you have. When you hit age 70-1/2, you have to start taking out required minimum distributions from any type of qualified plan. When you do that, it’s required, that’s why it’s called required minimum distributions, so you may not need that income. If you don’t need that income, that may throw you into a higher tax bracket so by having those people talking, making sure that you have a real plan that’s together and cohesive, very critical for the future.

21:01

JIM: Proactive versus reactive. You’ll end up with much better results. You know, Don, we could probably talk for an hour.

21:07

DON CHAMBERLAIN: Yeah, I think we could.

21:09

JIM: I’ve really enjoyed this conversation today. One thing, this really struck me a while back. I heard someone say, you know what, all of the information we need is all on the internet. Anything we want to know, everything that’s been known in the history, almost everything is on the internet, and people have a tendency to think, you know, I can do it myself. I will tell people you can get all of the information you need, you could do it all yourself, okay. However, the advantage of working with professionals is they have the wisdom and the wisdom that they have is in dealing with hundreds of real life situations and a lot of times they’ll have situations that might be similar to yours that they’ve worked with where the results have been good, the results haven’t been good, and they can share that wisdom with you and be almost like a coach to help keep you in the right direction. I remember a book that I read a while back called “Leadership and Self-Deception”. When people are left on their own, it’s easy for them to go off the track and justify why they’re off the track and how they might fix it someday but, when you have someone by your side that has your best interest at heart, they can keep you on track and get you back on track when you deviate off the road. Don, I really want to thank you for sharing today. This has been awesome. I hope people have learned some lessons from your wisdom.

22:23

DON CHAMBERLAIN: Yeah, I’m happy to do it.

22:24

JIM: Not too many people are willing to share stories of failure but you’ve taken failure, created an opportunity and, now, you’re making such a difference in so many families, it’s awesome. I appreciate you sharing today.

22:34

DON CHAMBERLAIN: Well, thank you.

22:35

JIM: Thanks for joining us this week and tune in again next week as we explore another phase of the Real Wealth process and, remember, if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also, if you feel that any of this information would be helpful to a friend or family member, just click the Forward to a Friend button.