

PAUL J. CARROLL, CFP®



THE UNITED PILOT'S  
FLIGHT PLAN  
—for—  
WEALTH



EFFICIENT WEALTH MANAGEMENT®

*Intelligent Investing with Integrity*

The United Pilot's  
Flight Plan  
for  
WEALTH

# The United Pilot's Flight Plan for Wealth

© Copyright 2014 Efficient Wealth Management, LLC. All rights reserved.

No part of this publication may be reproduced or retransmitted in any form or by any means, including, but not limited to, electronic, mechanical, photocopying, recording, or any information storage retrieval system, without prior written permission of the publisher. Unauthorized copying may subject violators to criminal penalties as well as liabilities for substantial monetary damages up to \$100,000 per infringement, costs and attorneys' fees.

The information contained herein is accurate to the best of the publisher's knowledge; however, the publisher can accept no responsibility for the accuracy or completeness of such information or for the loss or damage caused by any use thereof.

This book does not constitute investment and/or legal advice and its content should not be construed as such. The contents should not be considered as a recommendation to deal and the author does not accept liability for actions resulting from a reading of any material in this book. The reader should consult a registered investment advisor or registered dealer prior to making any investment decision.

Efficient Wealth Management • 8505 Technology Forest Place • Suite 104 • The Woodlands, TX 77381

Phone: (281) 528-1200

[Paul@EfficientWealthManagement.com](mailto:Paul@EfficientWealthManagement.com) • [www.EfficientWealthManagement.com](http://www.EfficientWealthManagement.com)

# CONTENTS

Introduction

1. Setting the Right Course
  2. Issues Facing Pilots Today—and Going Forward
  3. The New United Airlines: Complex Benefits in a Complex Industry
  4. The Standard Operating Procedures Successful Investing
  5. Let the Markets Work for You
  6. The Risk and Return Relationship: Take Only the Investment Risks that Pay Off
  7. Diversify to Reduce Volatility and Boost Returns
  8. Portfolio Construction Strategies
  9. Staying on Course: The Need to Monitor and Rebalance
  10. Advanced Cash Management™
  11. The Wealth Management Consultative Process
- Conclusion
- Appendix
- About Paul Carroll
- About Efficient Wealth Management

## INTRODUCTION

# MY STORY

---

I AM PASSIONATE ABOUT HELPING PEOPLE achieve the high quality of life they want for themselves and their families. My own journey has taught me how anyone can build a hugely successful and satisfying life if they work hard, make smart choices, and stay focused on their most important dreams and goals.

I was born in Dublin, Ireland. When I was very young, my family moved to London, England. Not long thereafter, my parents divorced and my mother, originally from Ireland, was left to fend for herself and three young children in a foreign country, with no legal rights to child support or otherwise. My father, from Dallas, Texas, returned to the United States.

After a number of years and extraordinary trials, my mother remarried and we moved to Manchester, England, with her new husband. Manchester is an interesting city; it is the birthplace of the Industrial Revolution. However, by the 1970s, the Industrial Revolution had moved on to more favorable business climates. The north of England was hit by a series of debilitating strikes by coal miners and others. The Labour Party had effectively dismantled any incentive to revitalize the area's economy. Youth unemployment exceeded 25 percent. My stepfather, a professional, spent a number of years during this period driving a taxi to make ends meet.

Manchester was a cold, wet, depressing city that offered nothing to a young Irishman: no job, no future and no hope. And for this I am eternally grateful. It burned into my psyche a desire to make something of myself.

Already motivated, I got direction during the summer of 1977. I was 15 years old, and my grandfather, whom I barely knew, invited me and my brother to visit him in Dallas, Texas. Despite the ongoing stagflation that had the United

States in its grip, to my eyes the streets of Dallas were paved in gold. Sunshine, opportunity and hope prevailed.

My grandfather, a stockbroker at a regional firm, was larger than life. He was a highly respected, honorable, old-school advisor who was doing well for himself by taking care of others and doing well by them.

I spent the next two years figuring out how I was going to return to this land of opportunity. The one valuable legacy my now-absent father had left me was a U.S. passport. I visited the local library in Manchester and found an old Peterson's college guide. I wrote a *lot* of letters to schools. Oklahoma State University accepted me provisionally, offering me a grant for tuition and a work scholarship for room and board. There would be no money left over. But I took it.

In 1979, I left Manchester and came to the United States with nothing more than \$200 and a toothbrush. I was just 17 years old when I got off that bright orange Braniff jumbo jet in Dallas—and I had no idea what I was doing. I'll never forget being at the Dallas Greyhound station, thinking to myself, "Maybe I didn't think this all through."

After three semesters at OSU, I was truly out of airspeed, altitude and ideas. The finances just didn't add up. So I decided to enlist in the U.S. Air Force as a way to continue my education.

While working full-time as an aircraft electrician, I also went to school full-time, taking night classes at the University of Maryland. I didn't sleep much in those days. Young people can get away with that. Every extra penny that I earned went to tuition and books. The military education benefits were not so good during that period: The old G.I. Bill had recently expired, and it would be about five years before it was put in place.

But I was motivated. The military was a means to an end: I wanted a degree and then I wanted to move on. As I approached the end of my tour in the

military, I graduated *summa cum laude* from Maryland with a 4.0 GPA.

Both of my college experiences were great, but I still felt very new to America and didn't know what my next move should be. So I did what a lot of college graduates in that situation do: I decided to go to graduate school.

My timing was fortuitous. Texas A&M was building a world-class business school, and I was actively recruited into its graduate finance program, thanks to my good grades and high GMAT scores. Texas A&M offered quite a package: food, housing and a job—all the things a person without much support needs in order to get through college.

## **LIFE LESSONS LEARNED**

Through-out these years, I learned a valuable lesson. Though I'd always wanted to go to the University of Texas at Austin—my father's and grandfather's alma mater—UT was not very supportive beyond accepting me into its graduate program. I made a strategic decision: Go where it's clear you're wanted.

In many ways I felt that I'd finally made it. The experiences of my youth had given me a burning desire to understand finance. I wanted to help people chart a financial course through life and to succeed while doing so.

The A&M Masters in Finance program was challenging, but I did very well. It had been almost eight years since I'd stepped off that Braniff flight in the fall of 1979. I was ready to take on the world! However, the world had other plans for me.

I graduated into a horrendous recession in Texas that was caused by a collapse in oil prices in the 1980s. Houston's economy hit bottom in January 1987. The region had 220,000 fewer jobs than it had five years earlier.

What's more, the country was about to experience Black Monday—October

19, 1987—when stock markets around the world crashed. The Dow Jones Industrial Average shed almost 23 percent in a single day!

Texas A&M really pulled through for me. The university's Association of Former Students let me know they would do what they could to help me find a good job. They introduced me to partners at what would become Accenture Consulting. These partners flew me to the then-booming Los Angeles office and offered me a job on the spot.

Though slightly off-track, I was very fortunate to be gainfully employed by a great company.

The economy continued to recover, and I went to work at a brokerage firm called Smith Barney as I sought to get back on my preferred career track. I was sent through the firm's rigorous training program. (If you've ever seen the movie *The Pursuit of Happyness* with Will Smith, you will know what I'm talking about.) I did extremely well, scoring a rare 95 percent on the Series 7 exam the first time through.

Finally! I was excited to start helping investors make smart decisions about their money. Unfortunately, Smith Barney had other plans.

My reward for my success in graduate school and in the Smith Barney training program was a phone, a phone book and a long list of products that I was supposed to sell. They called that "dialing for dollars," and it really was not what I had in mind.

I didn't want to be cold-calling my way to success. I had learned a great deal about theories of finance and had developed a passion for taking care of people and for solving their financial problems. Cold-calling and selling airplane partnerships were not part of the deal. I wanted to put all my knowledge into action.

**WHEN LIFE ALTERS YOUR FLIGHT PLAN**



After a while, I realized that the financial services industry was just not set up to allow someone like me to help people the way I truly wanted to help them. At the same time, my best friend from the Air Force had been taking flying lessons and introduced me to flying. After being caught in bad weather in western Kansas, I got my instrument ticket. I was hooked.

Disillusioned, I quit Smith Barney to become a jet pilot. But then my best-laid plans were torn asunder once again by the convulsions within the airline industry. Even so, with persistence—and after seven other lousy flying jobs—I was finally hired at Continental Airlines. In due course I would become a B737 captain. Unfortunately, the worst of the industry's storm systems had yet to sweep through.

September 11, 2001, was both a terrible day for America and a devastating blow for the airline industry. Soon after that terrible day I received a furlough letter from Continental. That letter changed my life. I did some soul searching as I thought about what my next step in life would be—perhaps creating or buying a business, I thought.

Going back into the world of financial services was definitely *not* on my list. The unpleasant memories of Smith Barney's sales culture were still fresh in my mind. Then one day, a good friend of mine asked me a question:

“Why not help people with their finances *on your own terms*?”

That was just the spark I needed. I decided that I would make a difference in people's lives by building a professional wealth management practice—not one that was sales-oriented, but a client-centric one that was built along the lines of a law firm or CPA firm. I envisioned a firm that would always put my clients' interests first.

And so I created a consultative business model that included working with a team of experts to help my clients protect their wealth, mitigate their taxes, take care of their heirs, protect their assets from being unjustly taken and maximize

the impact of their charitable giving. I started my firm, Efficient Wealth Management, in one room of my house, in 2003.

Today, we have a beautiful office in The Woodlands, Texas that consists of me and a talented team of professionals. We've been successful beyond my wildest imagination. Every day I get to come to work, talk to people who have become my friends, mentor them, and add value to their lives by doing what is best for them and by acting with integrity on their behalf.

I can't imagine a more rewarding career. I'm extremely fortunate that my firm's success has enabled me to focus on clients for whom I am best-suited—including airline pilots and senior executives in the airline industry. In fact, some of my closest and most loyal friends are aviators who have become clients.

## **WHY I WROTE THIS BOOK**

I absolutely love helping people improve the quality of their lives. That is why I wrote this book—to share my passion and to give airline pilots and executives a process for making the smartest decisions about their wealth. I hope you enjoy reading this book and find within it the tools you need to achieve all that is truly important to you and to the people in your life whom you care about most.

## CHAPTER ONE

# SETTING THE RIGHT COURSE

---

AS A LEADING MEMBER OF THE AIRLINE INDUSTRY, you have the potential to do extremely well financially for yourself, your family and others you care about most. That said, I can't emphasize enough that you also face tremendous challenges in your journey to a secure, comfortable and meaningful financial future.

This book is written with you in mind. Its entire purpose is to help you in your efforts as a highly compensated airline industry professional position your wealth so that you can achieve all that is truly most important to you.

In many ways, you are like the majority of affluent professionals who wonder whether they are making intelligent decisions about their wealth. Like them, you might feel uncertain about your investment strategy. You might get nervous when you read headlines that predict a bleak day (or month or year) for the financial markets. And you might chase after hot investments that you hear about from friends and colleagues—"sure thing" winners that you can't bear to pass up, lest you watch your peers strike it rich or retire years before you do.

But in other ways, you face unique issues due to your chosen career. Airline industry professionals must contend with a stormy sky full of turbulence—from changing global economic conditions and pilot contracts to a confusing array of benefits plans and uncertainty about the future of the airlines themselves.

When you think about all the airline-specific challenges you face coupled with the myriad general concerns that you share with the rest of the affluent community, it's no surprise that many of you desire a better way to build a stable and strong financial future for yourselves.

## A FRAMEWORK FOR INTELLIGENT FINANCIAL DECISION MAKING

What you need is exactly what is presented in the pages that follow: a framework for understanding how the markets truly operate, so that you can position your assets to work with those markets—not against them—and achieve a level of success you may not have thought possible.

This framework is built on a foundation of several key tenets of intelligent investing, such as:

- Take only investment risks for which you're fairly compensated.
- Leverage the power of diversification to increase returns and reduce volatility.
- Build asset class portfolios that capture each market's inherent rate of return.
- Monitor your progress to stay disciplined and committed to your plan.

This book will explore each of these key tenets in great detail so you understand not just the basics of each one, but also how to implement each one as part of a successful, holistic investment portfolio strategy.

As you will see, this framework is rooted in deep academic research conducted by some of the sharpest minds in the investment universe. These experts, and the ground breaking research they have conducted, have shown us a path to success based on what works in the real world. By implementing these proven techniques, you will position yourself for maximum success. What's more, you will enjoy a greater sense of security and the peace of mind that comes with the knowledge and confidence that you are taking the right steps to achieve a comfortable future.

The vast majority of investors are not aware of most (if not all) of these key tenets of successful investing—even though they have been rigorously tested and shown to work. The reason is that much of the advice that investors get

comes from big Wall Street firms and other financial services behemoths that take a fundamentally different approach to investing than we do.

These firms will tell you that their approach is far superior to the one in this book. Unfortunately—for them—the numbers and facts in this book confirm a very different story. If the approach detailed in this book was more widely known and used by investors, it would damage the fortunes of the large financial services companies. More investors would come to realize that the “advice” they’ve been getting for so long from the broker-dealers and wirehouses was meant to serve the best interests of the investment firms—not the investors.

## **A COORDINATED APPROACH TO MANAGING WEALTH COMPREHENSIVELY**

All that said, a framework for investing is only part (albeit a large part) of the solution you need. The benefits of intelligent investing can be truly maximized only when they are part of a larger whole—a comprehensive and coordinated plan for managing not just investments but also your entire financial situation.

This coordinated plan is what I call wealth management. It is a process for making sure that all the “moving parts” of your financial life work in concert with each other. From investing to tax strategies to retirement planning to asset protection and charitable giving, wealth management is designed to provide integrated solutions to the biggest challenges and opportunities you face as a successful airline professional.

Wealth management is characterized by three main components:

- 1. Investment consulting**—strategies for growing and protecting wealth by positioning investment capital in optimal ways.
- 2. Advanced planning**—strategies for addressing non-investment goals (including asset protection and estate planning) that play important roles in the lives of affluent investors.

- 3. Relationship management**—strategies for helping clients create investment and advanced planning solutions in partnership with a team of dedicated financial professionals who are managed by a personal Chief Financial Officer (CFO), your Wealth Manager.

What's more, wealth management is delivered using a well-defined process involving a series of formal meetings between investor and advisor. These meetings, outlined in chapter 11, are designed to establish a highly collaborative relationship between advisors and their clients.

The upshot: By the time you finish this book, you will understand how to invest better than the vast majority of investors out there today. And you will understand the right process for managing *all* of your wealth intelligently. At that point, you truly will have a flight plan for wealth that will enable you to reach your destination on time and in comfort.

But to get there, you have to be realistic about the challenges you'll encounter along the way. In the next chapter, we'll explore the key issues you face as an airline executive and the implications they are likely to have on your financial future. Armed with that information and with a sense of clarity, you can begin to formulate the right plan for achieving your goals.

[Click here to request your complimentary, full version of Flight Plan for Wealth](#)