

**Brian Luster** Contributor*I cover multi-generational wealth management strategies.*

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The Irony of Intelligence

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by Brian Luster and Steven Abernathy

“If you’ve been in the game 30 minutes and you don’t know who the patsy is, you’re the patsy.”—[Warren Buffett](#)

Can one person rise to the very top of his or her game in more than one area of life? Exploring various interests to enhance our personal development is generally considered admirable. Such pursuits might offer the average Joe knowledge and experience in diverse areas—musical composition and a weekend football league, perhaps. A vast majority of people (who attempt to do everything on their own) may gain the skills honed through regular practice, however; they are not sharpening their competitive edge in any given area. So our average Joe is a cool guy with varied interests—not an amalgamation of Beethoven and Peyton Manning. He is keenly aware that no amount of practice, even if he devoted a full workday to either of his passions, would advance him to professional heights in musical composition or in football. But that doesn’t stop many people from trying—particularly if they have proven results from mastery achieved in one area. This is a particularly slippery slope within wealth management where many competent individuals continue to confuse recreational interest and professional mastery.

The smartest, most successful, highly effective people understand how to distinguish and separate that which is critically important (and in their control) from that which ultimately won’t make a critical difference—or, is outside of their circle of competence and control. It’s an important distinction: *highly successful individuals guard their time so as to excel at high level decision making in the areas where they have mastery.* This allows them to delegate other, often critically important activities, to experts. Their goal is to have great results in all areas of life; so they build and employ teams.

What about when someone is simultaneously the average Joe and the smartest who has risen to the top? Medical doctors are known for this. Typically disciplined learners, they often try to do everything themselves, but, at their

own peril. We have seen physicians attempt to create corporations using documents from a website. While it would seem this simple act saves a few bucks, it is ultimately a costly mistake—one avoided by hiring a competent attorney to write the document correctly at the onset. A recent [article](#) in Entrepreneur Magazine underscored the importance of hiring an attorney to write up a contract properly, and, in an earlier piece, the magazine covered [5 Mistakes to Avoid When Incorporating a Business](#). When business owners try to wear too many hats outside of their circle of competence, costly mistakes can occur. One medical doctor's corporate documents did not fit his actual business. The result was a liability totaling hundreds of thousands of dollars in hard-earned, after-tax dollars. This “shortcut” cost approximately ten times the amount it would have taken to go through specifics with an experienced attorney incorporating the business appropriately.

When trust documents are created by non-experts, this is also a recipe for failure. It is impossible to foresee the multitude of outcomes which might occur when writing instructions for the trustee(s) of a trust encompassing millions. Not to mention the options of the trust's structure, purpose, application, and actual use. The same could be said for general financial decisions. The internet has made everyone smarter, however, if everyone is smarter, this does no one any good; *it's the amount of information you have relative to others that allows you to win.*

If you are invited to play in a poker game with four other people who have just begun learning to play, assuming you have played a bit more than the others, it's likely you will win. However, if you are invited to a poker game with four others who have competed in the “World Series of Poker,” walk away immediately. Getting smarter will not help you if others are getting smarter at the same rate; it will generally be more effective to find a new game.

So is there a recipe to make consistent, well-informed, successful decisions? Perhaps avoiding statistical failure is the first step. A recent [article](#) by Damian Fowler in The New York Times, *The Dangers of Private Planes*, compared pilots' errors:

“The National Transportation Safety Board found that in 2011, 94 percent of fatal aviation accidents occurred in what's called general aviation. That category includes private small planes flown by amateurs. . . . By contrast, commercial aviation had no fatal accidents that year. Statistics from the N.T.S.B. show that general aviation aircraft average nearly seven accidents per 100,000 flight hours, compared with an average of 0.16 accidents per 100,000 hours for commercial airlines.”

Amateur pilots are licensed under general aviation standards and Mr. Fowler's article makes a case for raising them. A commercial pilot must fly in inclement weather; an amateur pilot is likely to have taken flying lessons on

clear days. S/he might confront inclement weather for the first time while in the air. It's not a drill; precise, quick decisions are required to keep the aircraft aloft and the pilot and passengers safe. Think of hero Sully Sullenberger's emergency landing in the Hudson River versus the tragic deaths of pilots (and passengers) who lacked experience to make quick, precise judgments while in the air.

Homeowners are also known for trying to cut corners to save a few dollars—and ultimately it's neither cost effective nor safe. In the United Kingdom, according to lifehack.org, 41,000 are admitted to the hospital for “improvising without a ladder.” This does not include the 87,000 people who visit an emergency room for other DIY-related injuries! And of the 2.5 million people who shock themselves with electrical voltage, 350,000 are serious injuries. And the average cost of DIY mistakes is £138.70 (\$224.44) per household—a whopping £3.05 billion (\$5.12 billion) annually across the United Kingdom. And it's no better in the United States. In 2011, the National Safety Council released a report on [Injury Facts](#):

The injury total of 21,100,000 means that 1 person out of every 14 in the United States experienced an unintentional injury in the home in 2009 that was serious enough to consult with a medical professional. Medically consulted injuries are more numerous in the home than in public places, the workplace, and in motor vehicle crashes combined. The National Health Interview Survey estimates that about 43% of all medically consulted injuries occurred at home.

Despite the statistics DIY home projects are still embraced—and a cottage industry of super stores, lifestyle magazines, reality TV, and ongoing misperception, (“With a little patience and the right tools, I can do anything!”) is supported.

While do-it-yourself tax preparation may look like an area to save a little money (and stay clear of harm's way unlike the earlier examples), it's a poor idea. [Yahoo finance](#) writes, “Career and financial success can lead people to think a little too highly of their financial prowess.” Just because someone has earned money based upon their talents does not automatically mean s/he has the experience to properly manage it—or plan for his or her retirement and family's future.

According to Accounting Today, among the [Ten Biggest Estate Planning Mistakes](#) are ignoring details. “The fine print in estate planning documents can be the difference between retirement in the Bahamas or in a trailer home.” Also, if inheritances are involved, titling assets and structuring trusts appropriately creates clarity for the next generation—and can potentially avoid contesting of the will.

What remains clear is this—the newer the task is to the person performing it, the higher the likelihood of mistakes. Whether in aviation, corporate formation, home improvement, tax preparation or estate planning—it is best to hire an experienced professional. Experts who wish to best serve their clients will do this in their own way—whether that means keeping them safe, protecting them from litigation, completing projects according to safety codes, or saving them time and hard-earned money. We wouldn't take on extra risk in our personal or financial lives; we don't recommend it to our clients, and we don't recommend it to the public at large. Smart, talented people may do slightly better than the average Joe; however, brilliant people consistently outsource what is outside of their circle of competence to seasoned experts. So do we.

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