



### Lost Opportunity Costs...

If you are not considering them in your financial decisions, you are missing a big contributor to your capability of building, enjoying and retaining wealth.

In my latest BLOG, I address the issue of **Lost Opportunity Costs (LOC)**. This is perhaps the most overlooked element in traditional financial planning. It is another reason that I refer to traditional planning as “Black Box” financial planning. The method of “Black Box” planning is this: deposit money in a box and predict how much it will be worth in the future by applying a rate of return assumption using linear math along with the amount of money you will be adding along the way.

No consideration is given to the behavior of money which means the use of linear math is virtually useless. It also certainly does not include any thought for the true costs of a financial decision. What do I mean by this? Let’s say you decide to buy investment property. Usually an analysis will include the cost of the property, taxes, insurance, etc. Other true costs may include upkeep and closing costs. Then consideration is given to rental income and if the investment will produce a reasonable return on investment.

No consideration is given to the LOC associated with the financial move and what that same investment money could have

done if a different financial decision was made instead, with its own set of upside potential and LOCs.

Not only does the upside have to be calculated, but also all of the true costs, and the compounding impact of those costs, in comparison to other alternative strategies.

For example, in the book Economic Evaluation And Investment Decision Methods by Franklin J. Stermole (professor emeritus at the Colorado School of Mines), he applies LOC to evaluating one mining project to another. When this is done, true costs and the compounding impact of those costs are considered. It is one thing to simply apply an analysis to the upside of an investment, but it is an entirely different analysis to compare one option to another when LOCs are factored in.

If LOC is applied in sound business planning, then why not apply it to personal financial planning? Perhaps because it is more complicated and the financial industry wants to feed us with partial information because it is “easier to sell”.

In my BLOG, I complete an analysis of the true cost of purchasing 10 year term life insurance. This is what is talked about in the advertisement by the business TermProvider, where the fictitious agent talks about getting a million

dollars of life insurance for Big Lou, who is “only on number two” (referring to his 2<sup>nd</sup> wife). The fictitious agent goes on to claim he got Lou a million dollars of life insurance for only \$200 per month, “even though he’s on meds, too”.

Check out the BLOG to see how by using a Macro Economic calculation, we can determine that the true cost may actually be thousands of dollars a month, depending on which time period evaluated for the “life of the project”.

Go to [Incisic.com](http://Incisic.com) & click on the word **BLOG** to find.

**Business owners...** Are you applying a Macro Economic approach to your business decisions? The “big boys” do. This is why there are billions of dollars of Business Owned Life Insurance (BOLI) on the books for “reforestation”. In finances, the concept of reforestation refers to the idea of replenishing each business generation with new wealth, just like you do when you plant new trees for the next generation. Want to know more?



**In 1980** the U.S debt as a ratio of our Gross Domestic Product (GDP) was roughly 30%. It has steadily risen to over 125% today.

Mark the date:

*Come learn, enjoy good wine, good food, good music and good company!*

Where: Blue Mountain Vineyards  
4480 Hoot Owl Drive, Berthoud

When: Thursday evening  
September 23<sup>th</sup> at 6:00 p.m.

Heavy Hors D' Oeuvres will be served.

Please RSVP by Thursday, September 16<sup>th</sup>

Call: (970) 593-0619 or  
email: [info@LongsPeakEducation.net](mailto:info@LongsPeakEducation.net)  
on-line: <https://sep23ventbrite.com>

*This is a no-pressure educational and social event.  
There will be no particularized offers, solicitations  
or recommendations for professional services.*

- Independent professionals Maria, Thomas and Dan will speak briefly on the topics of risk management, estate planning and financial education.
- Wine-Tasting & Food-Pairing Presentation
- Entertainment by Concert Pianist Maria Kurchevskaya

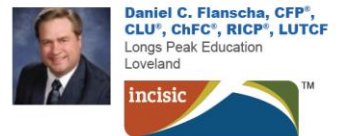
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*Come relax for an evening!  
The atmosphere will be casual.*

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Incise Insight Newsletter



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