

Chapter 1

How We Got Here and How We'll Get Out

For the dozen years leading up to the financial crisis of 2008, we experienced unprecedented growth, which created unrealistic expectations. We thought that the sky was the limit and the only way was up. Prosperity seemed permanent, and the old rules of cause and effect no longer applied. We believed in our entitlement instead of our responsibility to ourselves, each other, and the world. And then it all came to a screeching halt.

“Over the past two years, we have faced the most severe financial crisis since the Great Depression. The financial system failed to perform its function as a reducer and distributor of risk. Instead, it magnified risks, precipitating an economic contraction that has hurt families and businesses around the world,” wrote Timothy F. Geithner, U.S. Treasury Secretary, and Lawrence Summers, Director of the National Economic Council, in a *Washington Post* commentary.¹

Trillions of dollars disappeared from the North American economy, and financial markets dropped more than 44% from their highs. Banks went under, companies big and small declared bankruptcy, people lost their jobs and their homes.

How did it happen? The misguided behaviour of businesses, advisors, and individuals combined to create a perfect storm. As President Obama noted in a *Wall Street Journal* interview, “We had a massively overleveraged consumer, a massively overleveraged corporate sector, and a financial system that did not have much restraint.”² Individuals became enmeshed in a vicious cycle of greed and fear. As our prosperity grew, so too did our fear that we’d somehow lose it, so we became greedy for even more.

Ironically, people began suffering even before the crisis took hold. We were seldom able to experience fulfillment because our cravings for more became insatiable. We came to believe that it was our right to have a home, a cottage, two cars, a boat, and on and on. We lost touch with our core and what we truly wanted, and focused on the illusion of what we thought we wanted—always more, more, more. We didn’t take the time to stop and savour what we already had accomplished or attained. We all were seeking happiness, but became misguided as to what constitutes happiness.

Organizations fared no better. They also fell victim to the trap of continually wanting more—more profits, more revenue, more market share; maximization became king. One of the greatest strategic flaws that led us here was the maximization of shareholder value, which gained popularity over the past 15 years. Businesses came to believe that stock price was paramount, and optimizing market value took precedence over the needs of stakeholders. As public interest in investing and financial markets grew, stock analysts gained greater and

greater power, and soon management teams found themselves focused more on monthly results than long-term strategies. A positive comment from an analyst meant that share prices would go up, and shareholders would be happy.

Soon enough, the situation devolved into a type of free-for-all. Management and board members were benefitting greatly from increased share prices, and their stock options were priced and in some cases repriced as the situation dictated. Generous bonuses were granted for short-term achievements. This flawed compensation strategy perpetuated unfortunate outcomes. People are smart; they quickly learn what behaviours are rewarded and follow suit so that they can benefit as well. This led to a disconnect between clients, employees, and management—anyone who wasn't a shareholder. For a long time this appeared to be the norm and institutions who didn't follow this strategy were viewed to be out of step and potentially not competitive.

Said President Obama, “I don't think I am alone in believing that the incentive structure in many companies has not been to reward high performance; that you had huge compensation packages for people who ran their companies into the ground, and that there was very little oversight from either shareholders or compensation committees on the board. We also had a situation in which, as a consequence of some of these huge incentive packages, financial firms in particular were taking some exorbitant risks to feed the short-term bottom line that weakened the system as a whole.”³

Investment advisors weren't immune either. As clients and advisors watched the market confidently surge ahead, and recover quickly from any temporary downswings, their thinking about how they ran their lives and portfolios changed. Many fell victim to the "I don't want to be left behind" mindset. Advisors received calls and emails from normally conservative clients. The clients berated their advisors for modest returns and demanded to take more risk so they could realize more returns. Brokers in the U.S. began to face lawsuits for not generating high enough returns for their clients, a sure sign that things had gotten out of control. Advisors began to fear that if their approach was too conservative, they'd lose clients. This was unthinkable in a rising market where their colleagues seemed to be making money hand over fist. As a result, many advisors bent to client wishes and abandoned their model and skill set in order to chase the higher returns.

Even advisors who maintained their focus and stayed the course felt the effects of the downturn. They were guided by analyst reports that were based on an incomplete picture—presenting favourable short-term numbers provided by companies eager to maintain shareholder confidence—rather than a more meaningful balance, reflecting the short- and long-term perspectives.

While many are eager to place the blame on big businesses, greedy investment dealers, or unscrupulous individuals, the truth is that all parties had a hand in creating this economic

crisis. For the most part we were all misguided. Individuals and organizations were greedy and fed off one another. We forgot how to be of service, and wanted rather to be served. We forgot how to be responsible, and instead became entitled. Not everyone fell into the trap, but globally enough did that there were widespread repercussions, and now we must find our way back. We are all capable of creating a better situation going forward. In fact, the crisis is deep enough that it requires a unified effort for lasting progress to be made.

THE HOUSE OF CARDS FALLS

The financial crisis of 2008 should have been predictable; after all, it had been in the making for over a decade. As individuals yearned for more material goods in their lives, seemingly at any price, institutions willingly complied by providing financing even in less than ideal situations. As the economy continued to grow, individuals were employed and at least were able to keep up the pretense of prosperity by maintaining payments on their loans, even if only the interest portion. However, when things started to fall apart and unemployment ballooned, loan payments became out of reach; cheap credit suddenly seemed very expensive. It was a symbiotic relationship—the more individuals spent, the more they were lent. In turn the lending institutions made more money, management made bigger bonuses, more stock options were issued, and everyone seemed to have more money. Until they didn't.

As we lost touch with reality, ourselves, and the world around us, we became unclear about our motives. We became ill at ease with what is, and wanted what is not. People came to fear being seen as failures—failing to accumulate as much as others as fast as others. We became slaves to stuff and it seemed we could no longer function without conditions of plenty. We became our own worst critics when the market failed to give us what we wanted.

We ran into trouble because of our attachment to endless gain, our fear of having less than others, our delusion that the prosperity could go on forever, and the fact that our pride and self-worth became intertwined with material goods. Falling prey to these hindrances made the economy a house of cards.

Soon the blame game began. When times were good we spent extravagantly and felt good about ourselves. The more we accumulated, the more our minds, and our neighbours, told us what we were worth. When it all came crashing down, we blamed others for compromising our prosperity and forcing us to wake up from the dream. The crisis seemed to shatter our very identities. Who are we without all the stuff? We essentially became controlled by our minds.

A BETTER WAY

The practice of Mindfulness can transform lives by enabling us to experience peace of mind and fulfillment in everyday life. It's scientifically proven to be effective in the management

and reduction of stress, and regularly practising Mindfulness meditation actually rewires the brain for greater happiness. Don't panic, Mindfulness meditation is secular and requires no chanting or patchouli. Tiger Woods is well known for meditating to focus and stay calm, and his success is undeniable. Phil Jackson, the coach of the L.A. Lakers—and noted as the coach with the greatest number of NBA Championship titles—is also well known for his meditation practice. Many business leaders practise meditation as a way to become more effective—including Bob Shapiro, former Monsanto chief executive; William George, supervisory board member of Goldman Sachs Group Inc.; William Ford, chairman of the Ford Motor Company; and Bob Stiller, chairman of Green Mountain Coffee Roasters. Even Google Inc. began offering its staff Mindfulness meditation classes in 2007.

Since 1991 Maria has been applying Mindfulness to every aspect of her business, including developing strategy, creating joint ventures and mergers and acquisitions, and negotiating deals around the world. And as you can see in the following example, you can do it and benefit from it anytime, anywhere.

In 2006, Maria was asked to speak at a conference in Banff. After giving her presentation on the link between organizational health and financial performance, there was a question and answer period. Someone asked Maria to give an example of Mindfulness meditation, which had been one of her key recommendations for improving financial performance in organizations.

She had not intended for meditation to be part of the presentation. She thought the conditions were probably not ideal for a demonstration—500 busy business leaders and professionals being asked to sit quietly and meditate with no advance notice, at the end of a three-day conference, with flights to catch and a one-and-a-half-hour drive to the closest airport. Maria began to guide the group in a simple, 15-minute meditation. To her astonishment there was complete silence and stillness in the room for the full 15 minutes.

Afterward, Maria was mobbed by a crowd. There were so many questions and so much interest. Numerous people commented on the fact that they had rarely experienced such calmness and relaxation so quickly and wanted to introduce Mindfulness to their companies.

We believe that Mindfulness is an easily learned skill that will help you to think more clearly, make better decisions, focus on your true goals, and find success. After all, surely replacing greed and desperation with calm and focus when considering your finances greatly enhances your chances of success and happiness. As Louis Pasteur said, “Chance favours the prepared mind.”

Our goals in writing this book include:

- Introducing you to ways to reduce and manage stress
- Teaching you how to bring focus, clarity, and equanimity to your life and finances

- Helping clients and advisors reach a new level of understanding between them that will improve their relations and enable both sides to listen clearly and end up as allies on the same side of the table

Maria will introduce you to the basics of Mindfulness meditation, including its history, techniques you can apply immediately in your life, and five common hindrances to success. Graham will review solid financial planning principles for you. And together we will show you how to apply Mindfulness techniques to financial planning so you can achieve greater financial success and peace of mind.

When we don't know ourselves and don't create our own strategy for our lives, by default we follow someone else's. Finding fulfillment and happiness this way isn't possible. Practising Mindfulness allows us to focus on what we really want, which is to know who and what we are. It enables you to proactively train your mind so that you can control your mind. Don't get us wrong—we value money and enjoy what it can give us. But we also value balancing the long and short term, optimization, making decisions that support a life well lived, being clear about our objectives, changing what we can change, and accepting what we can't.

Mindfulness is about being engaged and awake in the world and your life. It's about decreasing suffering and increasing fulfillment. When you are mindful, you can make money work for you, rather than being worked by your money.