

# CHAPTER 1



## Rediscovering Purpose

*A Hike, a Moment of Clarity, and Walking Away When It Doesn't Feel Fun*

MELA.

Net Worth: \$18–20 Million

Income: \$250K

Started Investing: 30

Attained Millionaire Status: 40

Quite a few of our millionaires had the trickle-down influence of parents who grew up during the Great Depression, and Mel is no exception. He grew up hearing stories about his grandfather, his namesake, and an entrepreneur. The man who led the family from their Iowa farm and then worked to build several businesses. The same man who lost most of it during the Depression. Mel describes looking up to him. “I remember him being kind of out there, willing to try anything and look after people.”

When Mel was young, his father lost 90% of his eyesight, but still managed to maintain his income tax business. He remembers his father bent over, holding a piece of paper six inches away, viewing with a magnifying glass, always working tirelessly and never complaining. That was just what you did back then.

It was an era of not having much, and saving what you did have. There was no debt, and he cannot remember family fights about money.

Since Mel's blind father was eventually unable to fully support the family, his mom went back to work and took over management of their small real estate holdings.

"We never lacked, but we never had much. I remember we went out twice a month for dinner. That was a big thing in high school. If we even got pizza for takeout, that was an activity. There was camping, everyone loved the outdoors. My Mom would just let us explore and backpack while she was in a tent or little hotel building nearby.

"I had my first horse when I was 10. An Arabian Palomino named Abner. He was too much horse for a 10-year-old, but still could be amazingly gentle with a kid. I took care of him by myself for five whole years. I really enjoyed that and, you know, 'responsibility.' That was a significant part of my youth. Back then, I could get on the horse and ride through the hills all the way to Oakland. I could be gone all day as a 12-year-old kid and no one thought twice. Those days were good. I just really never thought about us having less money or lacking."

When Mel was younger, he got mediocre grades in school, but there was one teacher who saw his potential and put him in an advanced class.

He was convinced he was going to be the "dummy of the class," but his mom wouldn't let him give up. Her encouragement challenged him to dig in and study. This had the effect of ingraining in him that, despite what he was convinced of, he actually *could* do it. He went on to make good grades in high school and developed an interest in engineering. "It was the 1960s; we all saw a man on the moon and a lot of focus was on engineering, math, and sciences, so that was the direction I leaned." After graduating high school, he was accepted into UC Berkeley to study engineering.

It was the tail end of the Free Speech Movement in 1964 and 1965 and the beginning of the Vietnam War protests. Berkeley had long been a hotbed of radical thinking. In his first year at Berkeley, Mel was tear-gassed by riot police, and he remembers you could buy heroin on the corner if you wanted.

His wife's mother didn't allow her to go to Berkeley because of all this happening. In contrast, his mother had attended Berkeley in the 1930s – the time of people literally standing on soapboxes, communists professing dogma and theory. "Because of that, me going off to Berkeley in '68 didn't faze her at all," he said with a chuckle.

That first year he took a job at Edwards Air Force Base as part of a work/study program with the engineering school. "While I liked



engineering, I looked at these guys that had been doing it for 10–15 years and they looked, well, kind of bored and locked in. They didn't go anywhere, just to some family commitments, and that kind of spooked me. Being an engineering major, I realized that was all I would focus on, and I had always wanted to take some English and maybe go to law school. That spook had me ending up transferring to a major in business as the prep for law school and I did actually minor in English Literature.”



He only pursued the minor because he wanted to broaden his exposure and improve his writing. He is the first to admit that he was taking classes with English majors who were clearly much better at it than him. “I was just happy to be there, and if I ever got a B, I was typically happy.”

While in college, Mel led mountaineering trips in the summer. He would take people out for 2–3 weeks at a time to experience nature, which also seated in him a respectful orientation to the environment. He looks back at those trips as one of the most formative times of his life, teaching him the joy of doing something he was really good at.




He interviewed for jobs in his last two years of college and realized, yet again, he couldn't see himself working a nine-to-five job. So, of course, he decided to do what he was good at and lead more trips. That winter he lived on the Southside of Chicago. “At that time, I had the smallest apartment. I'll always remember that you could open up the sofa bed and it touched the wall on the other side, but I wasn't there a lot, so that worked fine for me.”

One September, when all the camps had finally closed and all the kids had gone home, he decided to take one more hiking trip. “I still remember it was a distinct experience and realization. I came back and asked myself ‘Why am I doing this?’ I had already hiked 1,000 miles that summer. I didn't *need* to hike another 30. I realized the reason I liked doing it was working with people and being with groups of young kids. That is what gave it a purpose. That realization made me start thinking what else I wanted to do in life.”

A friend suggested business school to explore more directions. “Maybe it wasn't an immediate answer to what I wanted to do, but it was a good way to do something that would lead to another step. I remembered that I had taken a real estate class years before; there had been a case study on a project in New York and the professor asked, ‘Who would like to do this?’ I kind of snuck my hand up. What I had liked about that project was that it was a combination of designing.

It combined engineering, quantitative math, some architecture and legal activity which appealed to my interest in law.


 “That moment had stuck in my mind. I called up that same real estate professor and told him what I was thinking. He suggested three or four business schools. So, when I went to business school, it wasn’t so I could get a job that would make me a lot of money; it was just following what I liked to do.”

Mel’s college tuition for one quarter was \$150 and another \$150 for room and board. His mother had some real estate that she had inherited that helped cover some of that. In business school, that real estate was able to fund the tuition portion, and he got a job to pay for his room and board.

While he was at Wharton School at Pennsylvania University, he took a job at a Fortune 500 company that owned trucking and shipping companies. They were building LNG tank carriers from the aftermath of the high oil prices in the early 1970s and the oil embargo. He worked in the fairly small corporate planning department.

“It ended up being quite interesting. The guy I worked for had been a professor at a PhD program for economics. He was like having a private tutor for the next year.” It was through this relationship that he discovered what he truly wanted to do. He decided to pursue his interest in real estate, specifically development activity. He connected the dots from his earlier thought in life that he might love the development and project management side of business.

His love of having topography around him, wanting mountains at the door, pushed him to look west. He found a position back in Los Angeles to do corporate banking for real estate lending and the energy sector.


 During this time in business school, Mel met his wife, who was in the same business training program through UCLA. “We are grateful that our children grew up when we didn’t have a lot,” Mel reflects. “My wife clipped coupons, and we went camping for vacations. What we realize *now* is that if you work hard enough, are effective enough, and take those chances when they come up, you can succeed,” he says, echoing his Mom’s encouragement from childhood.


He went to work in corporate banking, handling construction lending to small companies regionally. He soon realized they were

lending 90% of the monies these construction companies needed in order to build, *but* they were only getting paid “prime plus a kiss.”

“We thought, why don’t we lend a little bit more and get a piece of the equity transaction?” He got approval and began allocating \$100 million to go into industrial buildings and then into residential buildings. He built up a small team to do profit participation loans. They went through the first \$100 million in nine months and felt they were on a pretty good track, got approval for another round, and continued that course, growing his team to 25 people.

This was at a time when real estate in California was extremely lucrative. “That was pretty much the crux of our activity, and it grew until we had done about \$2 billion in lending activities.” Then the recession of the 1990s was upon him, and they wound down that activity. He utilized the range of experience he had gathered in developing in a move to be responsible for the REO (real estate owned) activity.

Like many of our millionaires, Mel had the instinct to leave his job when it stopped being fun. “I could have stayed on, but I was offered a package that let me walk away with three years of income, so that’s exactly what I did. I left the comfort of the big company that never paid huge amounts, but was comfortable, and I got a decent bonus. The job had been safe, I guess, but it was not something I wanted to do anymore.” He considers his “best mistake” to be leaving the corporate world. 

When he left the banking industry, he was worth \$1 million, had debt of \$600,000 from remodeling his house, so was liquid only \$250,000. 

At that time, he and his wife *still* didn’t have a long-term savings plan. They maxed out their IRAs every year but didn’t save much above that.

Mel decided to take out \$150,000 of what he had to start a small business.

He ended up losing it entirely. Every penny. A friend was doing specialty marketing manufacturing and had some ideas for licenses to a big company for limited edition watches. He wanted some help and Mel signed up with his \$150,000.

Off to China they went. “In that whole experience, while unprofitable and not successful for a variety of reasons, the key lesson learned

was that the quality of the product and the idea doesn't make any difference if you can't get what I would call 'distribution' – if you can't get the product in front of people.

"It was an eye-opening experience into how things worked. I came away realizing if you wanted to make anything and do it in mass production, not necessarily the highest quality, you had better want 10,000 of them. This was due to the manufacturing setup and the assembly line to crank them out was not worth it below that number to the manufacturers. The whole experience itself was worth the money I had invested, which was a lot at that time.



"Now, for a number of years I regretted that, but in hindsight it gave me a different perspective from people in the corporate world. It taught me to be entrepreneurial, to be solely dependent on what I could do for myself. That attitude helped me greatly when I went out and started my own investment management business."

Let us remind you that Mel hadn't been paid during that year and a half venture, where he also lost his shirt. The women in his life came to the rescue. Mel's mom once again stepped in and covered about 70% of their mortgage payment, and Mel's wife was able to cover the day-to-day expenses, food, and utilities. They didn't spend much and vacations were camping trips, just like when he was a kid. "We just kind of got by and always seemed to have enough for the next thing down the road."

Through his previous relationship with the employer he considered a mentor; it came full circle, and he was asked to join a new venture. It was the right time in the market, as CalPERS (California Public Employees' Retirement System) had initiated a real estate investment program in previous years and they were looking to expand by adding a land development program where they felt there was a need for capital support in California.

This had been primarily done through the savings and loans through the 1980s, and now those S&Ls were gone and couldn't provide that. They ultimately got approved by CalPERS for a large equity capital allocation. Then relationships with other entities formed and so they started their own capital firm.

The first year, he and his partner couldn't pay themselves, yet again. "We each contributed \$5,000 to the company to pay our secretary and cover the next three months. We figured if we could get through the first year, we'd make some money. We got paid in fees, we basically got an

origination fee and spread that over the life of the project. In hindsight, it was pretty attractive. We would leave the excess profits in there to run the business. The origination and management fees and the profit incentive fees were what we would take out. And we just kept doing that.

“We were trying to hit singles; we weren’t trying to hit a home run or take any big risks. We were trying to do solid deals. I remember when we would do a typical home building transaction, we would get \$300,000 of the origination fees, and if it did well, we might get a projected \$300,000 of incentive fees. I was like, this is a lot of money for two guys who were just kind of scrapping things together.”

From that business that was just trying to hit singles, Mel ended up making about \$40 million. After paying \$18 million in taxes, he had approximately \$22 million take-home. “I probably got a little carried away at the racetrack, as I was doing a little racing on the side, and I lost some of that money on that ... a bit foolish.”

He invested a large chunk of his money but currently still has \$10 million in cash and owns his house outright, and also a second home they bought with the profits. He also has about \$2 million in stocks. Even with a net worth of \$18–20 million, he and his family live on \$150,000 a year (after taxes) and are comfortable with that. “That salary won’t let me do some of the things I would like to do, but it’s adequate. Occasionally, I’ll take out profits to do something unusual, like a trip to Africa.”

“I am conscious of protecting what I have. I will probably always keep 20–30% in relatively liquid investments. I am deciding on how much to direct myself. I found I love doing real estate investments – rolling up my sleeves and getting into them. I don’t have the same satisfaction of studying companies and looking for value. It is just not as much fun. To the extent that I can have an investment advisor that will direct some of that side, it is useful.”

His kids grew up in the early years before he made most of his money, and because of that they are very grounded and not materialistic. Like their father, his kids are well read and like to think about things. “I have raised them to make their own decisions. Instead of working for a ski shop, how about owning your own ski shop, son?”

Mel said he could retire if he wanted too, but he doesn’t. “I mean, if I retire, I would probably go find something else to do. I like real estate. I have a lot to offer people.”



Mel never lost the love for the outdoors he developed leading treks in his younger years. He enjoys skiing, snowshoeing, and hiking, as they provide him tremendous peace of mind and tranquility. He also reads 60-plus hours a week – titles ranging from nonfiction to biographies on Lincoln and other presidents. “I read this interesting book called *God and Gold* studying how Anglo-Saxon cultures in particular did better economically versus France and Italy. It struck me as interesting. I remember in the Berkeley bookstore I was in the economics section, and I picked up this 700-page book. It was about tracking economics and military advancement over the last 500 years, analyzing why some cultures did better than others. It was fascinating, but I have also read all the Harry Potter books too,” he said with a laugh.

When asked why he focuses so much on nature and literature, he quotes Laurance Rockefeller: “In the midst of the complexities of modern life, with all its pressures, the spirit of a man needs to refresh itself by communion with unspoiled nature. In such surroundings – occasional as our visits may be – we can achieve that kind of physical and spiritual renewal that comes alone from the wonder of the natural world.”



Mel is proud of what he’s accomplished so far. “If I could pass down something to future generations, it would be that we don’t control most things in life, but we can control our own consciousness. We can control how we let outside events impact our thinking and mental equilibrium. Knowing this, we have a great deal of control over our own happiness and mental well-being.”



## SIX YEARS LATER ...

### Net Worth Increased to \$23 Million

- JOHN:** Let’s talk about where you’ve been. You are 64 now; give us an update on the last few years.
- MEL:** Well to start, we had a real estate investment company that, unfortunately, we haven’t done a lot of new business in.

It was definitely in a market that was headed down. We got our investors a 20% return on their money. It wasn't 30%, but 20% was pretty good, and they got all their money back.

I looked at a variety of opportunities in the downturn. They were mostly in real estate. I had a couple of properties in escrow that didn't close because they were too speculative. They were quality properties with very low cap rates.

I also own a shopping center with some family. I looked at selling it, but I can't find anything I would rather buy. I am more retired than I was.

I am looking at buying an interest in a boutique hotel that would be a longer-term family business with my two sons. I need to make sure I am not doing it for emotional reasons, though. I realize people buy hotels sometimes for emotional reasons. I want to make sure it is a reasonable investment. The idea of having a cash-flow-producing, operating business has an appeal to it, as opposed to more passive investments. There are some new developments where we could expand it from 40–60 rooms and upgrade it. It is something that spurred my interest a long-time ago.



**TIFFANI:** Let's go into that, because I have a quote from you where you wanted your kids to make their own decisions. "Instead of working for a ski shop, how about owning your own ski shop?" You are going with them into a hotel? How have they turned out?

**MEL:** Years ago, we took a family vacation and stayed at this hill-top hotel in Tuscany that a businessman from Milan had bought and fixed up. He was semi-retired, and he just did it because he wanted to do something to keep his income up. I looked at that and thought it was interesting. It was a nice way to meet people, as you can kind of visit with them. I am basically a shy person, but if I had a reason to talk with someone, I could go talk to anyone. So that is what piqued my interest. I always liked the mountains, and I liked skiing, so that got me focused on location.



I started taking some classes at Cornell and my wife said, “Make sure you are doing this for yourself, and don’t saddle your sons with something that they don’t have any interest in.” So, I went down the road of looking at my own motivations. I wanted the hotel to be something that was in my own interest. If they wanted to come along at some point and get involved, if they were qualified and had the right education and training, then they could do that.

The boys have actually been working at ski resorts. One has been on ski patrol at a place for a number of years. Neither planned to do it this long, but once they started it was hard to leave, so they have continued. They have both worked in restaurant businesses in both resort environments and in Boulder. Both went to school there, and one spent his summers there.

**TIFFANI:** Is your point in doing that hotel to have your kids be more financially independent versus being at a ski resort? Or is it just something to do for family reasons?

**MEL:** They did think about owning a restaurant and doing it together. That was not with any of my involvement, but they probably realized dad would pitch in and help if they could do a good job at it. So, I really started the hotel without their involvement.

I would love to see them have a business and be more independent. I would rather see them owning a business and not just getting paid day to day. I think they have matured, and they are both really interested in that. So, I started negotiating some things and doing some due diligence. I asked if the boys wanted to come along, and they did.

I have gotten a lot of pleasure out of that, as this is the first time I’ve ever done anything business-wise with them. I have appreciated their insights and thoughts and input. I value that, and it’s a lot more fun to do something with people you enjoy working with than to do it on your own. Given that they are family, and we have a really good relationship, I certainly get gratification out of doing something with them.



**TIFFANI:** I personally understand the fulfillment that comes with that. When we first interviewed you, you said your net worth was \$18–20 million and your income was about \$150,000. What do you think it is today?

**MEL:** I would say the net worth is probably a little higher. Some of the real estate assets have gone down, but my securities have gone up. I have some real estate that I have kind of written off in my mind that could potentially have a windfall to it. I have taken those write-downs in my mind since 2007. Real estate went down about \$5 million, but stocks probably went up by something similar.

**TIFFANI:** That was another thing I was going to ask you. You said you were keeping 20–30% liquidity. Is that something you still do?

**MEL:** I probably have \$9–10 million in a variety of liquid things. From private debt to a bond portfolio to stocks. I probably have \$10–12 million in real estate. That doesn't count my family real estate. Probably \$8 million in homes and another \$6 million in shopping centers.

**JOHN:** Were you worried during the last six years, after the 2008 crisis?

**MEL:** Oh yes. I was under contract to buy a high-end piece of real estate in Hawaii. I walked away from a \$75,000 deposit because I didn't want to close on it. That was probably the best decision I made, despite the \$75,000 loss, as the project ended up going bankrupt. That would have been worse, because I would have owned a condo in a bankrupt project. In the two years after our interview, we canceled some trips. We were going to Antarctica, and we canceled that. We kind of hunkered down. Then I saw what happened in the residential land business. In California it had just gotten way overpriced, which I had known in 2008, and it just crumbled. People are always looking for deals and I saw some people buy some things as the market came down and they still paid too much because the market kept going down. We used to have over a million housing permits a year and we are not even remotely close to that. We have an aging house stock, and at some point, you have to think of replacement housing too.





**TIFFANI:** What has your income been like?

**MEL:** I don't like spending principal. I have had enough income – from dividends and income and particularly my family property – that I don't think about income much. The family property happens to be doing really well. It generates a decent cash flow. That is why I looked at maybe selling it, but by the time I paid taxes and redeployed it and thought of the loss of that cash flow ... it is just easier to keep it.

**TIFFANI:** You are taking your dividends and income off the top, but not touching principal. Why are you saving your principal?

**MEL:** It was just the function of how I was raised. You just never spend your principal.

**TIFFANI:** That is quite a lot of principal. Are you waiting to pass it down? You are old enough now where you could start using it.

**MEL:** Yes, it is. We kind of live a lifestyle, and it is a comfortable lifestyle. We are leaving for Austria to look at Austrian hotels and then we are doing a walking trip through southern Italy. We have done biking trips all over: Normandy, Czech Republic, Vienna. We have been traveling more. If that happens to take in a little principal, that doesn't bother me. I have a couple of sport cars I race. I just bought a 1935 Bentley so I can do longer cross-country rallies. That is a couple hundred thousand dollars. You could think of it as consumption, but I view it as an asset. I took money out of my stock account to do that.

**TIFFANI:** How are you protecting that money? Do you have a trust?

**MEL:** I basically have everything in a family trust. Most people should unless they are going to generate some liabilities. A trust helps from a tax standpoint. It is only if you are out there, particularly on the real estate side, where you get into personal guarantees or partnerships you are involved with that people have liabilities they haven't thought of. That would be the only excuse for people not to get a trust.

**TIFFANI:** So, regardless of the fact that you are retired, you told us before that you would have to still find something to do, and you now have the hotel project. Your wife is keeping busy even though technically she is retired. Both of you – retired or not – are making sure you are doing stuff.

**MEL:** I am sometimes not as busy as I would like to be. In the last six years, there were probably transition periods where I felt like I wasn't being productive and doing things. It was one of the things about the hotel and why I decided to pursue it – it would help keep me busy. It gives me an outlet of activity, and it's something I could be occupied with and still have someone to professionally help run it, and I could be as involved as I want.

**TIFFANI:** Can you give us one more story from Berkeley? You remember tear gas and heroin on the corner; do you remember another story from that time that has stayed with you?

**MEL:** There is one event that sticks in my mind. I started in 1968, and they had an event they called People's Park. It got national news, and it was a pretty silly thing in hindsight. The university owned a vacant lot near campus, and local people – not students but more of the hangers-on, as I would call them – had started growing things there. The university decided they wanted to put a building on it, and there were these riots to protect People's Park. They tried to find solutions, and ultimately the University gave up. Five years later, some young people that I happened to be standing with said there was a riot to mark the anniversary of People's Park, and they wanted to go watch. It struck me that it had become entertainment. I still have this vivid vision of this guy, might have been 18 or 19, walking down the street. He had a rock in his hand and he was smashing the glass on parking meters. He was blocks away from the activity, as if this was his contribution to the riot. I was just shaking my head. Their involvement was an act of frustration and had nothing to do with the issues around the event itself. That was an odd thing that stuck out that I still remember.

**TIFFANI:** I would love to have just an interview about that time. All right, obviously you are still hiking. You told us before that the mountaineering and everything you did to train for it has influenced you and still comes through in your life. Can you still connect that love now to what you experienced back then?

**MEL:** Not necessarily. Both my wife and I are passionate about the outdoors. We just enjoy being in the mountains. Particularly, there is something about the alpine region, taking in the view above the tree line. Whether it be summer, winter, or fall, we go snowshoeing in the winter, and ski and hike. We raised our kids in that environment, which is probably why they do what they do because they just like being there. Yes, I was introduced to it when I was young, but it was embedded into our family because we all enjoy doing it.

I am typically very active. I recently did a 280-mile, 34-day hike. I did it with a friend. Some people do it faster, but I just did it because I wanted to be out there for a long time. We carried tents, 50-pound packs, and a week's supply of food.

Another time, we were in Colorado, near Aspen, visiting friends who have a second home there. We took a hike and got up above the tree line. I was ahead of the rest of the group and stopped and was sitting by a little stream that was coming down through the short alpine grasses. My wife came up, and I said, "Welcome home." To me, up there has always felt like another sort of home. That is why I do it, whether it's summer or winter. It's very personally satisfying.



**TIFFANI:** What within yourself do you attribute to your financial and business success?



**MEL:** Integrity. I always tried to treat people the way I would want to be treated. As a result, people wanted to do business with me.



**Most important life lesson**

Doing what you say you are going to do. Work hard and you will be all right. You will always have what you need.

**What do you see as the next big thing?**

Alternative energy and biotech

*(continued)*

**Luxury items worth the money**

A second home in the mountains, and I do enjoy my Porsche on a winding road. I have two, one 2001 and one 1973. I race vintage sports cars as a hobby.

**Favorite books**

*Harry Potter*; *Lord of the Rings*; westerns (all the Louis L'Amour books); *Bourne Identity* books; books that explore why things in history developed economically and socially the way they did; the *Bible*.



## SIX MORE YEARS LATER ...

### Net Worth Increased

**M**el was the first interview we continued with, six years later, 12 years after our first meeting. What you can't read on the page is the smiles on our faces, and just how happy we were to be starting again and catching up.

We had so many questions. At the top of our list was the boutique hotel. Did it work out as a business? Were his sons now involved?

"This hotel was actually quite significant. I had started taking classes at Cornell, in their hospitality school, so I could be more educated about the industry. We did not do anything at that time with that hotel, as the seller was not someone we decided we wanted to partner with. He was going to be unreasonable. He had his own way of how he wanted to do things and, and so forth.

"First, let me tell you about the experience with my son who had gone to the University of Colorado. He started ski patrol and thought he would do that for just a few years. He ended up doing it for 10 years and, you know, life was pretty good when he could get up and get fresh powder and throw dynamite and start avalanches. But he realized he needed to do something else at some point.

“That experience made him realize that he didn’t have the business background he would need to go do something else. He ended up going back and getting an MBA at Colorado with the sole intent of coming back to Mammoth and working for the mountain resort.

“He never interviewed with a company at school through all their interview programs. He came back a second year in the winter. Then he had a moment with the president of the mountain. The guy liked him a lot. Liked the idea that, you know, you could bring in professionally trained people to work in a process to change the old school culture of ‘doing things the way they always did them.’ He went from ticket sales to dealing with customers that were frustrated, so many stories. He has moved to hill safety and he is in the main office now. He enjoys doing that.

“Let me go back to the hotel, I had become friends with the manager of a boutique hotel and phoned them up. We hired my son for the summer, and the owner that we had thought he did a great job. So, he got a little bit of his hands in the hotel industry. We have not given up the opportunity. It may still come together.

“What I *did* do is invest in a boutique hotel in Palm Springs. This was partially to learn more about the business. I thought I could learn a lot from the manager. It was doing really well, 4-star rated, one of the best hotels in the area. Then they had to close. I had a very unique investment structure. I basically invested money and got a pledge. They had a deal with the city that they got a rebate of 50% of their hotel tax up to a certain dollar amount. I got a pledge of that money, so it protected my principal. So, I did take my hope of opening a boutique hotel interest a little further.”

So, now for the numbers.

Mel had half of his net worth in real estate, another \$6 million in shopping centers, 30% liquid and not living off the principal. Where are we now? And our burning question is where is that principal going to be distributed at the end of their lives?

Mel currently has half of his liquidity with an investment firm that is an “all in,” long-only stock firm. He found the firm through a friend who had managed her parents’ money well. The stocks shift in his portfolio in different industries depending on the cycles. The roller coaster pandemic market came along. He left it all in, and it came a bit back up. He has expectations that the market will still go down but is leaving it where it is.

“I am happy we own our own residence free and clear. I kind of view that whether the stocks go up or down, not a big deal for us. I do remind myself that there are 60% of people, or some number like that, that don’t have emergency money over a few hundred dollars.

“I do own a lot more gold stocks; I started acquiring some five years ago. They didn’t do much for a while. And remember, I am not a great trader of my own investments. Things I am interested in, the real estate industry and projects, I tend to buy stocks and just leave them alone. I remember two months ago looking at my gold portfolio and it was up 30% for the year. I was like, ‘Well, that’s good.’ I did some research and decided to load up again, principally on mining stocks. I have this kind of a backstop, you know, if things get really strange out there.

“My family sold the shopping center and I put some of that in the hotel and some of it went to our travel budget. Philosophically, I still desire to not live off principal. If the market were dropping, well for now, I have never taken money out of the money. I never touched it even in the last crisis.

“We have the wills made out and a few tax-exempt entities that we support – a school and environmentally related organizations. We have carved out several million dollars that will go to a variety of charitable institutions. I certainly wouldn’t leave it all to them. After that, most of it probably goes to our kids. Fifteen years ago, when we talked, the balance was substantially less than it is today. So, we have talked about if we are going to change that.

“In the back of my mind I have that desire to acquire that boutique hotel in Jackson Hole and own it, and leave it to my two sons to run.”

What would happen if the market goes down another 30–40%? How does that affect the lifestyle of someone that has quite a lot of principal? We asked, “Would anything really change with that kind of market drop, since you have the funds to continue the way you are currently living?” Not surprisingly, Mel had a different perspective.

“Now, it probably doesn’t force us to change our lifestyle, but we would change, for two reasons. One, it just doesn’t seem prudent to do some of the things that we did. We live pretty economically. Other than having two hobbies, we travel a fair amount, and we spend money on that. We would probably not anymore. It is too visible. I don’t want to be out there doing that, if the world is struggling. You know, kind of living it up and not caring about what is happening to others.



“Second, there is the issue that you don’t want to outspend your money - in terms of how long you are going to be around. We are both quite healthy. I am about to go on another weeklong backpacking trip with my kids.

“I’ll tell you what, our travel is one of the more expensive topics. We do focused traveling with a company called Lindblad. They go to weird places and take different ships, like Antarctica. Those can cost \$20,000 a piece.”

Wait! Mel had postponed that trip over a decade ago during the financial crisis. Now they took that trip. They finally made it happen.

“It was a real wonderful trip. We would love, love to do it again. But, we did actually postpone another trip during *this* crisis. Our other travel thing is we do bicycle trips with a company called Butterfield & Robinson.

“The other hobby I still have is vintage cars. When we first talked, I had a few older Porsches. I got as fast as I was going to get with them. When you race, it is a lot of sitting around. You might get onto the track 3–4 times for 20 minutes of time. You are getting cars ready but sitting around more. I decided that I like doing rallies, you are just busy more and all day you are seeing things. I have a couple of cars in England, and I do rallies with them that can last a week or two. Last year, I did a rally that went through the old part of what was Yugoslavia and another rally that went from London to Spain. Then between trips, the Arctic twice, and we loaded up on a bicycle trip in Norway.

“Oslo has to be one of my favorite cities I have ever been to. I would go back there in a minute. It is walkable and friendly, urban but not too crowded. They have a wonderful park there with a local artist you can go see. We took a train from there to the western side of the mountains to Bergen. Then we did a private bike tour along the edge and stayed in little remote hotels. We would go kayaking one day and hiking the next. I would do that trip in a minute again. A bit more extravagant than a normal travel year.”

Because I am sure you are wondering, we did ask. He spent about \$100,000 that year on travel. Their yearly income is still the same but enjoying the fruits of their labor has come in the form of travel and vintage car experiences. The experiences are not just about the destination for Mel.



“It is a nice way to meet most of my socialization needs. When I worked, well I am not the most gregarious, outgoing person in groups. I am kind of one on one, but I had that at work. The trips, especially the vintage road rallies, I have a chance to meet lots of people. I see them from one event to the next, and it is not that we become close friends, but get to have interesting conversations. I would visit a few of them in England or Scotland if I was there. It has contributed to a more interesting life, you could say.”

What we really enjoyed about these third interviews was the familiarity for us in catching up. We can't leave out Mel's voice lighting up when he talked about his sons or the beauty of where his home is, and in his excitement in sharing about travel.

If you are thinking about what you read in the previous interview – Mel discussed needing to stay busy, possibly not being busy enough, needing to keep finding a business for his time, but now he is traveling and seemingly living the traditional retired life – just wait.

“So, I bought a racetrack years ago. It was a terrible thing to do. I sunk a lot of money into it. We got shut down for environmental reasons; it was not a great business in itself and about three miles from San Francisco. We have managed to get it entitled and approved as a remote test facility. We have got at least two – one is an electric car maker that uses it as their test facility. I have kept busy pulling that together. I am dealing with entitlements, refurbishing old improvements that were there, providing our own fire system with storage tanks. Nothing overly complex, but it certainly has kept me busy. I have three or four things I am still involved in. I have an agreement with an American Indian tribe to help them get entitlements for a casino at some point, so that will be a portion of my time.

“Mammoth is one of the largest ski resorts in the country. It is on the Eastern side of the Sierras, which puts us in an unusual location. You really can only drive up from Southern California. It is a lovely drive, hardly any traffic. You don't get many people from the Bay Area here because the passes are mountain roads west, and they are closed in the winter time. They would have to drive by all the other resorts, like the Lake Tahoe area. So, they don't come here. We get better snow. We are about 2,000 feet higher; the base of the mountains is about 8,000 feet compared to those other resorts. It began as a fishing and mining

town. Really it is not far from the Nevada line tax wise. If it *were* in Nevada, I'd probably make that my permanent residence, but I don't have that luxury.

"Our days here look like waking up and letting your eyes take in the mountains. Take a nice walk. We have had 10 feet of snow at times, and then it is 80 degrees outside. We enjoy the outdoors. There is definitely a different stress level from when we go back down to Los Angeles."

What stands out about Mel's journey is he worked long, pulled out of something more than once because he just didn't enjoy doing it. He had a number in his head, he hit it with his first big sell, and then kept the principal and lived the life he wanted to live. Mel politely corrected that statement.



"I never had a real number. But the number I hit was far bigger than I ever could have picked. I probably don't think of it as long and hard. I happened to choose something I really enjoyed doing. I was in the right place at the right time and happened to be good at what I did. We could successfully structure an investment fund, we got guys promoted out of it, we made other people money. And so, we made a lot of money for ourselves.



"You know, my wife clipped coupons for food. My kids still remember that once we had come back from a ski trip that had run up some credit card debt. We went into a restaurant, a national chain, and sat down and looked at the menu. I was just seeing, well you know, what the final bill was going to come in at. We literally got up and left the restaurant because the menu was too expensive. My kids still remember that, in a positive way.

"We enjoy some nice vacations, but other than that, in some ways, I feel we live the same. I am looking down at this wonderful hand-made walnut desk that was made in Wyoming for me. I am sitting in front of it, kind of western style. I would have bought that before the money. It is not extravagant. It is just a really nice handmade desk with a two-inch piece of walnut on the top. So, we have little pieces we have given ourselves. Life is wonderful. I would say the most important thing is family."



## QUESTIONS FROM OUR OTHER MILLIONAIRES

### **What is important to you and how has that changed over time?**

As much as I enjoyed what I did at work, we'd go to New York to raise money, talk to people. I used to have a joke about wearing my New York suit to go to Wall Street. I look back and I would have no interest in repeating that. We dealt with the nice people on Wall Street and you know, we always had a really good relationship with them. But it isn't as important as it used to seem. It is more now, how do you want to spend your time?


Our kids are busy, but we spend more time with family, kids, and our travels. We meet some pretty interesting people when we travel, and I've gotten to be really good friends with them.

It is the friendships and people that are more important than being busy.


## *eavesdropping on*



# Millionaires and Their Children

 “Here’s what we say to our kids about being successful. One can get straight As and we are really darn happy if he gets a C and a couple of Bs. But quite frankly, they will both be successful in different ways because they have very different strengths. We tell them there are multiple ways to become successful. There is no guarantee of doing XYZ or going to the right school or doing this and that is going to take you there. It has to do with how you plot your path and it’s all different ways. I think that message for my kids is important. I want them to know. I think sometimes these kids get out of school these days and they feel like they’ve gotten a degree and it’s supposed to happen for them. But no. There are all different ways to get there and you have to find your way.”

—Tracie

 “My kids earn an allowance every week, even the 3-year-old. He doesn’t have to do much for it. Every Sunday I sit down with them and say, ‘What did you do to help the family this week? Did you help clean up the communal space? Not just your regular chores you would do as young children, but what did you do extra and above? Did you tidy up the toy room, did you do this for Mom, that for Mom?’ They each have to tell me what they did. It may be one thing, or it may be something every day, they are still very young. So they get \$5 or \$6 for allowance. The 3-year-old will get \$3 and the 6- and 8-year-old each get \$6. So I’ve tried to teach them. When

*(continued)*

it comes to presents, they buy the presents with their own money. If they really want a particular toy (obviously we buy them things) they go out and they open up the piggy bank and they go buy it themselves. When it comes to Christmas gifts and birthday gifts, they buy those for their brothers and sisters with their own money. So that's the idea that money has a value, but you have to earn it, number one, and number two, it's partly for you and it's partly for sharing your love with other people."

—Desmond



"We try to remind them constantly that what they have is not theirs and is not something they should feel entitled to, or that it makes them 'better,' because they haven't done anything to have it. Really it is trying to tone down any arrogance."

—Lowery



"You don't have to be the smartest and the brightest, but you've got to get up in the morning, you've got to go to work, and you've got to work hard. You can't be the worker who takes off Friday and skips Saturday to go on a trip. If you've got a job, you work hard and you get ahead. You don't have to be the best and the brightest to be really good at something and attract attention and get promoted. But you can't be a goof off. It worked for me, and I think it's worked for my kids."

—Al

