

The INVESTMENT LETTER

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The “Magic Bullet” To Becoming Rich

Last month, we wrote about determining when you are “rich,” which we equate largely to stability. We have heard from many clients wondering: how can I reach this threshold? As we discussed last month, it is certainly not true that earning a high income automatically makes someone rich. High earners can often times neglect a budget and spend more than they make.

Still, there is a multi-pronged, “magic bullet” that can almost guarantee a person’s chances of becoming rich. We have worked with individuals and families who have reached this threshold – the point where their investment portfolio provides security and stability. So, when we attempt to answer the question of how to become rich, we look at common traits these successful individuals and families applied. From our experience, financially successful people do five things different in order to become rich.

1. Maintain A Long-Term View

We often talk about maintaining a long-term approach to investing. Successful investors all seem to take this approach, and for good reason. After all, if your investments do well in the short-run, but then decline over the long-term, those investments eventually will deplete your accounts. Successful investors focus on creating portfolios that will produce gains and income over the long-term.

But the concept of maintaining a long-term view can extend beyond your investments. Many people who end up with a nice nest egg at retirement have taken a long-term view on their career and budget. They make sure their

endeavors are sustainable, instead of a short-term move.

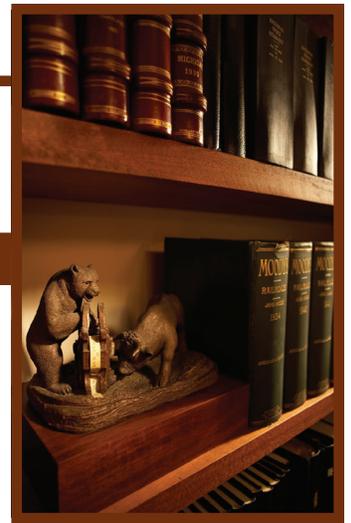
This approach also produces a pleasant result that is unexpected to some. Life can become less stressful when you are not betting on short-term successes and instead develop long-term, achievable goals. Maintaining a long-term view to finances increases the chance of achieving maximum financial security.

2. Keep Your Goals In Sight

After developing long-term goals, financially successful people tend to keep those goals in sight. This seems like a remarkably simple concept, and to some degree it is. However, it can be tempting to justify deviating from a well-developed goal if circumstances in life change (which they often do). Cars breakdown or can go out of style, loved ones may need assistance purchasing a house or paying for school, or you may find yourself with a heightened desire to travel. Financially successful people usually keep their goals in sight, remember why they set those goals in the first place, or will have done a good job setting aside money for unexpected situations.

3. Focus On The Idea of Net Worth

Debt can have a major impact on a person’s financial health. Financially successful people understand this, and view their wealth in terms of net worth (assets minus debt). From this vantage point, they can assess and more accurately develop longer-term financial goals. Those individuals also avoid falling into to the trap of thinking they are financially secure, when, in actuality, they are



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not. Finally, taking this viewpoint also seems to act as a deterrent to incurring more debt, a deterrent that only increases true net worth.

4. Live Below Your Means

Living below your means is an extremely powerful tool to grow your wealth. If your household income is high, it does not mean you need to live in a mansion. If you are flying across country, and you have hundreds of thousands of dollars in savings, you do not necessarily need a first class upgrade. This is not to say you should live uncomfortably or in an excessively frugal manner. To increase your chances of financial success, however, it is important to understand that small choices can lead to big gains. This is especially true when investing properly, and financially successful people apply this concept often.

5. Make Money Work For Them

The final point is really a thread that runs through each of the four previous points: make your money work for you. We discussed this last month in greater detail, but it is worth emphasizing again. By investing in a well-diversified portfolio, financially successful people put their money to work, either through producing gains or producing income. By doing so, the majority of their money is in an investment portfolio and not just sitting in a bank account accumulating less than 1% in interest per year.

Conclusion

There is a magic bullet to make you rich. That magic bullet combines spending less than you earn, making your investments work for you, and maintaining the proper focus and discipline with your investment approach.

Often times, the difference between becoming rich or not boils down to small changes. For example, if you earn \$10,000 per month, but spend \$11,000, you will likely run into financial difficulty sometime down the road. However, if you earn \$10,000 per month, but spend \$9,000, you are putting yourself in a position to save for the long-term. Because of compounded interest,

over time, that \$1,000 per month in savings can translate into significant gains when invested in a properly diversified portfolio.

At Investment Counsel, we are happy to use our decades of experience and work with our clients to help them lead a rich, and better yet – stable, life. We are also happy to work with children, grandchildren, or other family members to help implement these traits. Understanding it's often easier said than done, our goal is to help our clients and their family to become rich and lead a secure life. ■

INVESTMENT COUNSEL NEWS

Inside the Office



It has been just over a year since we introduced the Investment Counsel Client Portal. Please reach out to us if you would like a refresher on how to access the feature!

Outside the Office



This summer, Dorothy (pictured far right), and her family, will be participating in the 2017 Metro Detroit Summer Stroll for Epilepsy™!