

The right wealth building path

As more people are beginning to regain their financial footing after the recent economic storm, many are reassessing their approach to financial planning and wealth accumulation with greater intent on “getting it right” this time. For guidance, many investors are turning to the examples of wealthier investors in the hopes of mimicking their practices so that they can achieve similar levels of success. People tend to think that high net worth investors or the ultra-rich have some sort of edge, and that, if they could gain the same edge, they might enjoy the same results.

The fact is that a significant number of wealthy people feel that they too lack the discipline to sustain a long term wealth building strategy. A recent Financial Post article cited a study of 2,000 wealthy investors by Barclays Wealth which showed that nearly 50% struggle with the problem of poor discipline in their finances.

The article stated that many wealthy people got that way through entrepreneurial endeavors which requires a very different mindset than that of a strategic investor. They tend to be more driven to take risks, make quick decisions and have less patience, all of which are not ideal characteristics for a successful investor. Still, according to the Barclays study, many of them wish they had the discipline to build their wealth more steadily over time.

The most notable successful investors, such as Warren Buffet, are long term strategists with almost super-human patience. They believe in diversification, buy-and-hold, investing in value with a focus on wealth preservation, not wealth building – apparently a lot easier said than done for most.

But, there are enough successful high net worth investors around from which we can glean the best practices that, when applied by any investor, can provide the edge that everyone seeks:

First: Develop clear and meaningful investment objectives. Many investors focus on investment performance, and they often find themselves chasing it by trying to time the markets and making risky buy and sell decisions. Successful investors focus only on their specific objectives and use them as their sole benchmarks as opposed to some irrelevant stock market benchmark.

Second: Building and preserving wealth is as much about managing risk as it is managing investment performance. The key is to diversify your asset classes in a way that they act as counter weights to the various forms of risk, such as market risk, inflation risk and interest rate risk. Periodically your portfolio should be rebalanced to ensure that the exposure to any one risk has not increased due to changes in your portfolio values.

Third: Surround yourself with qualified and trusted advisors who have your best interest in mind when providing you with guidance. The most successful investors rely on a team of advisors that provide unbiased advice in formulating the most appropriate investment strategy to meet their needs.

When formulating a wealth building strategy, it's natural to look to the wealthy for ideas and techniques. Because your investment objectives are specific to you, it is important to develop a strategy that evolves along with your own financial profile.

Adopt a Wealth Strategy - because it's the right thing to do. Call today!



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