



How Do You Create Lasting Wealth?

For most people, steady, ongoing work is the foundation of their wealth. Career success and a good salary, or building and growing your own business, is the means to a lifestyle you enjoy now and the promise of a stable financial future.

For others, an inheritance, a windfall from an investment or employee stock, selling a business, or even winning the lottery is the source of wealth.

But no matter how high your salary, successful your business is, or big the windfall – is it enough to create lasting wealth? How about generational wealth?

If your goal is to have enough to live the life you want and pass down wealth to provide ongoing security for your family, what do you need to think about besides money?

Black swan events happen, markets go through extended downturns, and unexpected life or job issues can derail plans.

That's where financial planning comes in. We break down some of the things you need to think about on the journey to lasting wealth.

Start by Creating Your Own Definition of Wealth

Rather than focusing on a number, try defining wealth as a lifestyle. This gets you closer to understanding what you need and when you need it. Once you start to understand what your goals are, you can build a financial plan that balances your lifestyle now with the goals you want to achieve in the future. For older generations, working and saving until retirement at age 65 was the norm. Younger generations may have different goals or may have multiple goals and want to achieve them sooner.

- Early retirement
- One spouse stops working
- Start a business
- Buy a second home
- Pay off all debt and be able to self-fund kids' college

Make Informed Choices

The word that resonates most strongly with investors today is flexibility. Whatever the individual definition of wealth is, it often starts with a desire to have more control over time and work. Understanding the trade-offs that are involved can help you make decisions that are right for you.

For example, if retiring early is the goal, a common approach is to sacrifice lifestyle and time in the short term in favor of reducing expenses, increasing saving, and maximizing income through work. There's even a name for this – it's called the FIRE movement. However, there's a limit to how long you can make sacrifices and continue to feel satisfied by your life in the moment. Instead, there are several “levers” you can pull to create a better balance:

- Extend your retirement age
- Re-evaluate risk in your investments
- Reduce high-interest debt and shift to lower-interest debt
- Optimize tax efficiency

There's no one right answer. Being thoughtful about your goals, then exploring different scenarios, and taking into account potential benefits from the financial planning toolkit can put you on a path to maximize your own financial independence and flexibility.

Expand Your Options

The first step to lasting wealth is to invest as early and as consistently as possible. Ensuring that you are maxing out tax-advantaged retirement savings, and taking advantage of health savings accounts and 529 plans can put money to work and reduce your tax burden.

Expanding beyond the options available in retirement plans by putting after-tax dollars into a taxable account can help you diversify your portfolio. This allows you to refine your risk profile and potentially boost return.

Control Your Risk

Ensuring that you have lasting wealth means protecting it. A review of your insurance coverage that takes into account potential liability is critical. Depending on your lifestyle, you may want to explore an umbrella policy or a long-term care insurance policy that provides additional coverage above the limits on your traditional insurance policies.

Start Estate Planning Now

Ensuring that your wealth can provide for your family for decades to come is something you should do proactively. A good estate plan is both thoughtful and efficient. It ensures that your wishes are carried out, and it preserves as much of your estate as possible for your dependents. For many families, a trust can simplify the transfer of assets, keep your estate private, and can be customized in ways a will cannot. You also don't have to relinquish control of your assets.

The Bottom Line

Achieving lasting wealth requires more than just asset growth. Understanding your goals, the trade-offs in terms of choices, and how you can incorporate financial planning tools into your situation can help you protect and grow your wealth for generations to come.

TrueFocus Financial Partners LLC is an Investment Adviser offering services in Rhode Island and in other jurisdictions where exempt from registration. All views, expressions, and opinions included in this communication are subject to change. Please contact us if there is any change in your financial situation, needs, goals or objectives. The information contained in this electronic communication is intended only for the use of the recipient. For your privacy and security, do not include sensitive information using emails that are not secured.

The information contained herein is intended to be used for educational purposes only and is not exhaustive. Diversification and/or any strategy that may be discussed does not guarantee against investment losses but are intended to help manage risk and return. If applicable, historical discussions and/or opinions are not predictive of future events. The content is presented in good faith and has been drawn from sources believed to be reliable. The content is not intended to be legal, tax or financial advice. Please consult a legal, tax or financial professional for information specific to your individual situation.

This work is powered by Advisor I/O under the Terms of Service and may be a derivative of the original.