7 FOOLPROOF STEPS FOR BUILDING WEALTH

7 foolproof steps for building wealth | Voya.com

Most of us want to build wealth in a way that allows us to live comfortably in the future. However, it can feel like a daunting task. Where does one start?



Jan 28, 2020

The good news is that there are simple steps you can take to start building wealth. Be warned, though. Even though the steps are simple, they're not always easy. It requires discipline and consistency to build wealth over time. But here's what you can do to get a good start.

1. Create a spending plan

First, you need to have a plan for your money. When you don't know where your money is coming from, and where it's going, it's difficult to direct it in a way that benefits you. Take a step back and make a plan for your money. Know your income, your expenses, how much is earmarked for additional expenses and how much for other financial goals.

The wealthy see money as a resource and a tool. They have plans for the money, and they know how money works to help them build wealth over time. Consider your financial goals and create a spending plan likely to help you reach them.

2. Spend wisely

This could easily be 1(a) on this list. But spending wisely is important enough to earn its own section.

Building wealth doesn't have to be about hoarding all your money and never having any fun until you're too old to truly enjoy yourself. Instead, part of wealth building is learning how to spend on the things that matter to you. Think about your values and priorities and focus on those items when you make your spending plan.

If going on vacation, saving for your child's college or giving to charity is important to you, include those items in your spending plan. However, if you don't care whether you watch the latest show, don't spend money on a huge TV. If it's not important to you to have a big house, keep your mortgage small.

There's no right or wrong answer to your spending. Only you can decide what matters to you. However, when you stop spending on things that don't matter to you, you might be surprised at how quickly you can build wealth.

3. Pay off high-interest debt

High-interest debt does nothing for you. As you pay interest for the privilege of maintaining that debt, your financial resources are being diverted away from the

things likely to help you build wealth. While some types of low-interest or tax-deductible debt can help you along the way, high-interest debt rarely has a good purpose.

Pay down your high-interest debt as quickly as possible so you can start putting that money to better use building wealth for you — not someone else.

4. Create an emergency fund

Have a plan to handle emergencies. An emergency fund can be a good way to plan for the unexpected without the need to turn to debt. There's a widely publicized stat from the Federal Reserve that indicates that almost half of Americans couldn't handle a $400 emergency without resorting to debt. You don't want to be one of those statistics.

How you structure your emergency fund is up to you. For those with higher risk tolerance, the idea of placing some of the money in a high-yield savings account for easy access, while putting the bulk of the emergency fund in a taxable investment account, makes sense. You can grow your funds faster that way.

Carefully think about what you can handle, and what makes sense for your financial situation. No matter how you do it, though, you want a stash of capital you can draw on in an emergency.

5. Earn more money

Too often, when we talk about saving and building wealth, we focus on cutting costs. However, sometimes what's really needed is more money. If you want to build wealth, you can't just focus on cutting back. You can't focus on scarcity.

Instead, look for ways to earn more money. If you work for a company, make yourself valuable so you're eligible for raises and promotions. When you're not being adequately compensated, look for a new job that pays more and recognizes

your worth. It's also possible to start a business or side hustle to make more money.

Your side business might grow into a solid money-maker down the road. Even if it doesn't, though, you can put the money you make to work, helping you build future wealth.

6. Invest

The importance of investing while you build wealth can't be stressed enough. Few of us have the financial resources to effectively grow our wealth using only a savings account. Instead, the compounding returns that come with investing are necessary to build substantial wealth over time.

Start with a tax-advantaged retirement account through your work, or open an IRA. Tax-advantaged investment accounts help your money grow more efficiently and can make a big difference down the road. However, don't neglect taxable investment opportunities. Whether you invest in the stock market, real estate or other assets, investing can help you grow your wealth faster than letting it sit in a savings account.

7. Protect your assets with insurance

Finally, don't forget to protect your assets with the right insurance. Asset protection isn't sexy, but it is necessary. The right health insurance can keep you from completely depleting your accounts to pay for a hospital visit, while homeowners insurance protects you from the costs associated with the loss of your biggest asset.

Think about how much it would cost in a lump sum if you had to pay to replace a car or what would happen if you needed to use money to support your family if you suffered a temporary disability. The right insurance coverage can reduce your financial risk, leaving you free to build wealth with money that would otherwise go toward replacing losses.

Implement and adjust as needed

Know where you spend your money, spend it wisely, avoid high-interest debt, have a rainy day fund, increase your income, invest and protect your assets with insurance to avoid catastrophic losses. Each of these is a simple concept, but that doesn't mean they are simple to put in place overnight. But once you get your systems in place and maintain them, you will see your wealth start to increase.

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