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"***We should not look back unless it is to derive useful lessons from past errors, and for the purpose of profiting by dearly bought experience***." **–George Washington**

Building Wealth Over the Long Term

Make Key Strategic Decisions

Wealth building comes generally over time and by making key life decisions along the way. Sure, there is the twenty-something who wrote a technology changing code or the gifted musical prodigy that makes millions before their 25th birthday; but, for the majority of us, its about plotting out a strategic course that may at times be less thoughtful than others. One way or another, to build enduring wealth, a rough plan and encouragement to pursue our passions goes a long way to setting us on the right course. Landing a job that speaks to our passions may be one of the more important strategic moves we make because our *income tends to be one of our biggest assets.* So it follows that ***educational*** decisions are one of the first big key decisions we make. It could be that the education an individual pursues is not necessarily an academic one, it may be vocational, but just know it is an important key decision.

	Investor A	Investor B
18	$2,000.00	$0.00
19	$4,160.00	$0.00
20	$6,492.80	$0.00
21	$9,012.22	$0.00
22	$11,733.20	$0.00
23	$14,671.86	$0.00
24	$17,845.61	$0.00
25	$21,273.26	$0.00
26	$24,975.12	$0.00
27	$26,973.12	$2,000.00
28	$29,130.97	$4,160.00
…	…	…
62	$398,806.94	$374,204.30
63	$430,711.49	$406,140.64
64	$465,168.41	$440,631.89
65	$502,381.89	$477,882.44

Investing is another key decision we make along the way. Often investing is couched in terms of savings, as we are often told it is virtuous to save some of our earnings for a "rainy day". But, really, investing is a key decision that should not be just relegated to a passbook savings account. By way of illustration consider the table. Here, investor A starts investing at age 18 by putting $2,000 each year away earning 8% per year. At age 26 he stops. Investor B starts putting $2,000 each year into an investment earning 8% per year at age 26 and *continues to do so until he is 65*. At age 65 investor A still has a minor advantage over investor B even though he invested only $16,000 in contrast to investor B's $78,000 investment. Oh, and if investor A had kept contributing the $2,000 per year until he/she reached age 65, he/she would have $1,050,000. The moral is to *invest early and often*, that is an important key decision.

Given that over time assets tend to appreciate, ***ownership*** is another key strategic decision. Whether you own a business and its equipment, own the building you do business out of, or the home you live in, ownership often means that you are paying yourself in one way or another. The cumulative effects of doing this over a long period of time have similar results as investing. An important note on key strategic decisions is to make them on your timetable and comfort level, seek professional advice where appropriate and ignore what the masses are doing as their objectives, circumstances and emotions often differ from your own. That leads us to the next topic in building wealth … mistakes!

Avoid Making Big Mistakes

We all make mistakes. As humans this is often how we learn and improve outcomes. Some would call it perspiration (Einstein), others desperation (Ray Ramano) and still others exasperation (Lucille Ball). In any case we cannot avoid making them from time to time and we wouldn't want to. Mistakes allow us to make systems that are more robust and a few small errors can keep us from making much bigger ones down the road. I once got very good advice about when we make mistakes and it goes like this, 'When you've recognized you've made a mistake, immediately accept responsibility for it and take measures to correct it'. By following this simple principle, we add integrity to our actions and, quite frankly, sleep better.

When I talk about making ***big*** mistakes, I'm talking about the life altering, wealth altering kind. One example of a mistake in investing would be to commit an ***unusually large portion of one's investable assets to a single investment.*** This is often done when there is a high degree of emotion involved (i.e. 'I will get rich if I do this' or 'I'm missing the boat because everyone else is doing it'). Sometimes this works out (no doubt some readers may have examples of such times), though most times this ends in a severely impaired portfolio or just plain disaster.

Another example, though maybe not so conventional for a financial newsletter, is where affairs of the heart are concerned. I'm sure no one goes into a marriage thinking about divorce, but ***divorce is very often a significant financial setback****.* Giving as much serious thought to financial matters in a relationship, as well as the emotional status of ourselves and our partner, may allow us to establish a sound foundation for building wealth together or separating amicably if the relationship doesn't work out.

A final example is the reckless use of ***leverage***. It is very hard in today's world to operate completely debt free and in many cases it is not advisable. Being young with a new and promising job and a stable stream of income affords that person the ability to use debt judiciously to purchase a home or pursue a unique business opportunity. In this position even a small amount of borrowing for investment may be warranted. It is the ***use of debt to finance a lifestyle or to buy non-productive items*** that has the ability to sink an individual's wealth accumulating ability. Here, think in terms of accumulating a large amount of credit card debt, buying more house than you likely can afford, purchasing a car that exceeds your needs and pocketbook, etc.. These moves tend to have a cumulative negative effect on wealth.

Living With Failure

Almost without exception, those people that have experienced any success in their lives will tell you they have often failed along the way. The difference in successful people is in their attitude

toward failure. They often view failure not as a setback, but rather, as a learning experience that allows them to hone their skill set for success. I'm sure that doesn't mean they are not discouraged, but that dejected feeling is fleeting and leads to an even more focused determination to succeed.

Another very important observation to make is what lessons we learn from our failures. ***Not all failures are created equal.*** What I mean by that is that sometimes it's not our execution or idea that is responsible for the failure. It can merely be the circumstances surrounding it, like timing, market acceptance, etc.. It is critical that we take the right lessons from our failures so that we don't abandon key elements of our strategy for the wrong reasons. A good example of this in investing is a person who is new to investing in stocks and buys a stock that immediately goes down and then swears off all stock investing for life.

A final reflection regarding failure is that the failures need not be ours for us to learn something from them. Success sometimes comes in learning from other's mistakes. We often see this in business where being the first to market with a product or service does not necessarily lead to success. The emergent company is trounced by a second or third entrant into the market because the latter enters the market with knowledge the originating company could not have had. This is a useful examination because it translates beyond business and into many aspects of our lives.

The key take-away is that we need to *scrub* our (and other's) failures for the right clues that will lead us to a successful future. Maybe even more importantly, we need to maintain an optimistic attitude even in the face of failure. To do otherwise will most certainly mean that we will struggle to meet our long-term goals and aspirations.

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