Good Financial Cents

9 Strategies to Build Wealth Fast (That Your Financial Advisor Won’t Tell You)

Last modified by Jeff Rose, CFP® on June 25, 2019

Those who know me know how much I love the Roth IRA.

I love it so much in fact that I tried to convince my wife to name our third son “Roth.” Ha, ha, I might be kidding . . . .

Anytime I can encourage a young investor to start their own Roth IRA it gets me fired up.

While they may see only $50 to $100 per month going into the Roth IRA, I know that upon retirement they are going to be more financially secure than 99.9% of the population now.

It gives me goosebumps just thinking about it. The power of compound interest is absolutely astounding.

When a good friend of mine who owns a photography business wanted to start investing in his own Roth IRA through me I was excited for him.

I immediately thought of how we would spend our retirement years reveling in the fact that we started investing when we were younger. The future result? The accumulation of hundreds of thousands – if not millions – of dollars.

That’s why I was in utter shock when he came to me one day and informed me he was going to be closing out his Roth IRA. His rationale was that the $1,000 or so that he had accumulated over the years was going to be used to purchase equipment for his photography studio.

He needed to update his camera, camera lenses, and also some scenic backdrops for some of the portrait work that he was working on in his studio.

He told me that he felt that he would get a much larger ROI (return on investment) on investing in his business than he thought he could get in his Roth IRA.

At first, I was speechless. *How dare he ruin his own financial future by cashing out his Roth IRA!* Did he not see how much he was costing himself?

I was a W2 employee at the time, and although I understood the concept of unlimited revenue I couldn’t relate to what he was trying to do. In my mind, I immediately dismissed it.

I thought he was making a *huge* mistake.

It wasn’t until several years later when I became a business owner that I had the “aha moment” – I got it. I understood what it meant to invest in your business – to see exponential return.

I never told my friend I thought he was making a mistake. I politely cashed out his Roth IRA and wished him luck in investing in his business.

Looking back I know that he was right and I was wrong.

I was a young financial advisor back then and I was trained to show people how to invest in the Roth IRA and how to invest in mutual funds for the long-term. Sadly, many financial advisors adhere to those same beliefs – that investing should only be done through the stock market.

Let's be clear. The point of this article is not to tell you must absolutely invest in a 401(k), Roth IRA, mutual fund, ETF, stock, or other investment. If you want to build wealth fast – like *really* fast – then investing in a vehicle such as a Roth IRA will not get you there.

If you're younger and your income limits allow, open up a Roth IRA. Invest in mutual funds and ETFs. Make sure you have enough cash in your emergency fund. Starting your financial life with those good habits will bleed over into your success in building wealth.

Okay, so how do you build wealth fast? Let's take a look.

DROP YOUR LIVING EXPENSES LIKE CRAZY

I know, this isn't very exciting, but this is the definition of wealth. As Todd Tresidder of FinancialMentor.com says, "Great wealth builders focus on both saving money and earning more."

What Todd is pointing to here is the gap between your expenses and your income. Expenses should always be lower than your income. The larger that gap, the more wealth you can accumulate.

Let's face it, you can't invest unless you have money to invest. If you're currently living beyond your means and have no additional money to put to work for you, you'll never build wealth.

1. Save on Vehicles

I was very fortunate that I learned this lesson when I was still in college. This led to me driving a 1998 Chevy Lumina that was completely paid for because I inherited it from my deceased grandmother.

Not having a car payment allowed me to invest in myself, my Roth IRA, and my 401(k).

According to Jason Fogelson for Forbes: "The biggest mistake a car buyer can make, especially in the age of the Internet, is to buy a car without doing research first. Some buyers are so eager to get through the car-buying process that they don't take the time to find out everything they can about vehicle reliability, pricing, and financing."

I agree. But let's focus on the financing part for a minute. Car loans come with ridiculous interest rates that nobody should have to pay for to obtain transportation. Car loans can easily be one of the highest-cost debts of many American households.

Too many people view the car payment as "normal." Sure, it's normal, but "normal" won't help you produce wealth, my friend. Instead, consider doing what I did and drive a car that you own outright. It'll be easier on your pocketbook over the long-term – I promise.

2. Save on Shelter

In addition to that, my wife and I rented a house for the first year that we were together. Not having the mortgage payment allowed us to build up our emergency fund and also save for our retirement.

But what if renting seems to be more expensive than having a mortgage payment? According to Beth Braverman for Forbes: "Rentals offer far more flexibility. Buying a home typically means committing to a 30-year mortgage. Most people don't stay in a home for anywhere near that amount of time, but it's much harder to pick up and move from a home you own than it is to leave a rental."

And what happens when you can't sell your home when you need to move due to a job change or another reason? You pay a whole lot of money not only for the house you can't sell but also for the house you move into.

If you need flexibility, consider renting like we did – even if the rent payment is higher than a comparable home with a mortgage payment.

3. Don't Buy Crap

Lastly, we didn't buy crap we didn't need.

Ask yourself what you really need and really don't need. Do you really need that million-inch flat screen TV? *No, you don't!*

4. Save a Percentage of Your Income

Savers like my wife and I are definitely in the minority. Very few people save a substantial amount for the future, but if you think we're in the minority, then check out Pete from MrMoneyMustache.com who advocates that you should be saving between 30 to 50% of your income. While that's definitely on the extreme side of things, Pete is just another example of how it can be done.

Granted, the more you make the larger a percentage you can save. The point here is to make some steep sacrifices so that you can put more of your wealth toward investments that are right for you.

EARN MUCH, MUCH MORE

As the old saying goes: "You have to have money to make money." I know what you're thinking though:

"Well Jeff, I don't have any money, so how can I make money if I ain't got no money?"

First, let's address something. When you say that you don't have any money and believe that, you're already setting yourself up for failure. You have to change your mindset and believe that you can find a way to make more money.

5. Work Hard Now

When I think back to how I was able to advance my career, I remember when I was an unpaid intern at the brokerage firm that ended up hiring me. As an intern, I was working 12 to 15 hours a week, showing up when I was told to show up, dressed, and ready to impress. The majority of my duties were shredding important documents, filing, and other basic administrative duties.

Even though the work was boring, I did everything that was asked of me and above. My work ethic and drive spoke for itself. After that summer internship, I was offered a full-time position.

If you have a job, even though you might not like that job, give it everything that you've got. Treat the company that you work for as if you own it.

Imagine then that you're the CEO.

How would you approach your daily duties differently if more was on the line?

It's really difficult to find great opportunities. It's possible, but it isn't easy. For now, I recommend that you focus on working hard. People around you will start to take notice.

Just like I was offered a full-time position because I worked hard as an intern, you will find doors of opportunity opening for you when you give your work all you have.

6. Invest in Your Education

Another way that you might be able to make more is to invest in your education. This could be getting your degree, getting an MBA, or getting a specialized designation. For me, getting my CERTIFIED FINANCIAL PLANNER™ certification has yielded thousands of dollars of revenues over the years.

When I first passed the exam for my certification, many people asked me, “Congratulations, does this mean that you get a raise?” There was no immediate financial benefit for me.

It was a year out of my life where I studied my butt off, but I knew having that designation would give me the education and also the credentials to set myself apart from the competition.

While I didn’t see any immediate financial benefit, I can attribute several new clients as well as several media opportunities to the fact that I’m Jeff Rose, CFP®. You can get your certification too!

7. Invest in Yourself and Your Marketing

Over and above that, I have invested in myself. When I was first starting off, I didn’t have a lot of money, but I knew I needed to look the part so I bought fresh shirts, ties, suits – anything I could to make myself look more like a professional. I also invested in personalized brochures, seminars, and other marketing materials to put myself out there.

Another way I invest in myself is by paying $7,900 per year for Strategic Coach – a coaching program with workshops, program advisors, and like-minded entrepreneurs.

Dan Sullivan of Strategic Coach has created a program I’ve found hugely beneficial to my business – my business has grown as a result of his work. Many of his quotes like this one pack a punch:

For a company to grow 10x, it doesn’t need *you* managing – it needs self-managing.

I always made sure that I didn’t overextend myself to where I was spending more than I could afford. A lot of the money that I earned wasn’t going toward frivolous things such as big-screen TVs or going out to eat at high-end restaurants.

Instead, the money went toward investing in myself and my business.

8. Venture into Entrepreneurship

I highly recommend you start building wealth by venturing into entrepreneurship.

When I became an entrepreneur, my wealth-building journey really took off. Several years prior, I had read the book *Rich Dad Poor Dad*. In that book, author Robert Kiyosaki introduces the concept of the cash flow quadrant.

He looks at four different entities: the employee, the self-employed, the business owner, and the investor. When I read that book I fell under the employee quadrant, but I knew that if I ever wanted to make serious money, I had to get into the right type of quadrant – either the business owner or the investor quadrant (the investor quadrant is actually the best).

When I first started as a financial advisor, I was still an employee. I had the ability to make my own hours and to grow my business as much as I could, but I also had a lot of restrictions.

My first step was crossing over into being self-employed. Just by making that shift, I saw a 30% increase in income in my first year. Since then, I’ve become a business owner – and now I consider myself also to be an investor. As a business owner, I own my wealth management firm. I own my blog, GoodFinancialCents.com, and I also own a few other online properties that all yield my income.

Yes, blogging can be very lucrative – I've made over $1,097,757 from blogging. In fact, I could almost consider my blog as an investment; while blogs do require some upkeep, they certainly do not require nearly the upkeep needed for my financial planning practice.

I'm certainly not the only person who has made a lot of money online. Steve Chou's wife replaced her $100,000 income with an online store so she could be a stay-at-home mom. It's amazing what you can do if you put your mind to it.

Whether you are thinking about starting an online business or growing your brick and mortar business, it all goes back to working hard now. But you know what? You have to work hard at the *right things* or you'll just be spinning your wheels.

My current businesses are the result of several business ventures that didn't work out. I tried multilevel marketing on a few occasions. I tried real estate.

I tried a solo 401(k) business. None of these worked out for me. In some, I lost a lot of money. In others, it was just a waste of time. But in all those experiences, I learned one thing . . . it is important that you adopt the mantra: "Win or learn, never lose."

9. Try Real Estate

Speaking of real estate, although it didn't work out for me and it's not right for everyone, it has certainly worked out for others. I asked Brandon Turner from BiggerPockets.com just how quickly real estate investing can help individuals build wealth. Here's what he had to say:

> Real estate investing may not make you wealthy overnight, but it can add zeros to your net worth in a shorter timeframe than many other traditional investments. For example, purchasing a fixer-upper house, rehabbing the property, and selling it for more can net you a significant windfall if you do it correctly. Just be sure to buy low, rehab smart, and sell fast. House flipping, as this process is called, is largely a math game, and significant profits can be made by those willing to take on the challenge.
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> Another strategy that can help you add wealth quickly through real estate is by purchasing multifamily properties that produce significant monthly cash flow. This cash flow can be saved and reinvested into more deals, creating a domino effect that will allow you to exponentially grow your real estate portfolio.

For more information, read The Ultimate Beginner's Guide to Real Estate Investing from BiggerPockets.com.