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Owning Real Estate is one of the cornerstones of your plan to be wealthy

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Ever wonder why some people are wealthy and others are not? Do they take more risks? Do they start with more money? Are they smarter? Are they more passionate or more ambitious? Is it because they are in the right place at the right time, or are there other reasons?

It does not take much to be considered wealthy in the USA. People in the richest 20% are worth more than $500,000, according to Harness Wealth's data. https://www.businessinsider.com/net-worth-to-be-wealthy-at-every-age-2019-8.

The Will to be Wealthy

My wife and I were sitting in our first real estate law class, and our instructor asked: "How many of you want to make $100,000 dollars a year? "Everyone raised their hand. Then he asked; "how many of you want to make $250,000 dollars a year", and two-thirds of the class raised their hand. He then asked, "how many of you want to make $750,000?", and three people raised their hand. Finally, he asked" How many of you want to make $1,000,000 a year?" and one person was left standing. Our instructor said," You are lucky, you don't have much competition you should have no trouble making $1,000,000 a year."

With this story, he illustrated that only the fewest have the drive, determination, dreams, passion, and will to build their wealth. It is up to the individual and their focus and strength. It's your drive and goal setting that will help you become wealthy.

A little help from your friends - not often true

It's true that some folks have financial help from friends, relatives, their parents and or grandparents. But that is not the norm. Most family wealth doesn't last three generations. In other words, financial resources are often not passed to the next generation. Most folks are self-made.

In a 2015 Money magazine article, authored by Chris Taylor of Reuters, 70% of wealthy families lose their wealth by the second generation, and a stunning 90% by the third.

Why is this?

Chris Heilmann, U.S. Trust's chief fiduciary executive said, "Looking at the numbers, 78% of parents who have built wealth in their lifetime, feel the next generation is not financially responsible enough to handle inheritance, and 64% admit they have disclosed little to nothing about their wealth to their children."

There are various reasons for this. People are taught by their parents not to talk about money. They worry their children will become lazy and entitled, and they fear the information of their financial resources will leak out.

People that have a lot of wealth have seen what it can do to their friends' children, in arrogance, laziness and drug or alcohol abuse, and don't want it to happen to their kids. So, unfortunately, because they think their kids will not be responsible, they don't train their children how to invest. In other words, they don't teach their children how to be good stewards of their future financial resources. https://money.com/rich-families-lose-wealth/.

How to Build Your Wealth

Anyone can become wealthy. One of our good friends lost three companies (took them out of business in one way or another) and worked for another company until he figured out what it took to make the right decisions to make money. Then it took another twenty years of working hard in the trenches, making day-to-day decisions, building his company, and buying real estate until he became very wealthy. He never went to college, but he had the drive to succeed. Along the way, he bought retail stores, warehouses, and business locations. All of which helped drive his increased net worth.

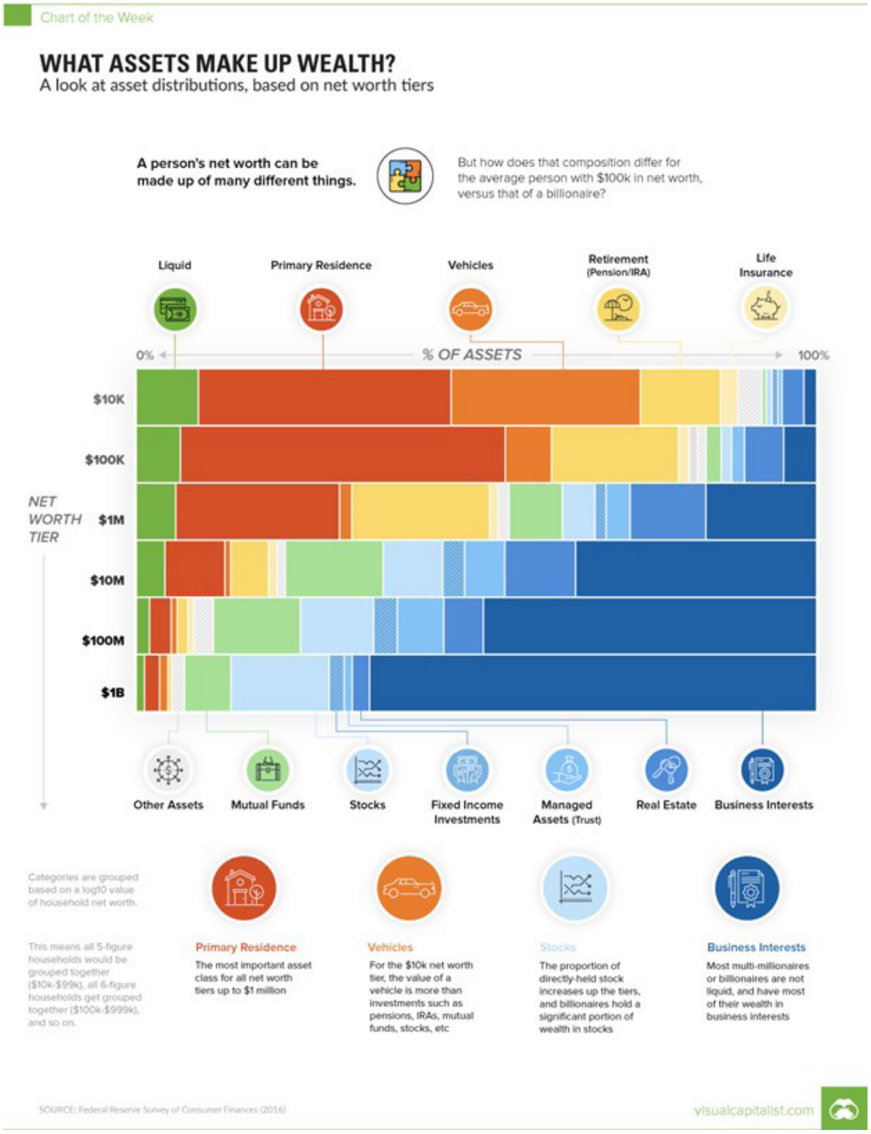
He became very good at one niche of an industry and opened retail stores, one at a time. Not all of them made money. He had to close some of them, but in the process learned how to hedge his bets. In his case, he started building his wealth by owning a business and used some of those profits to buy real estate for his company. Building a business is not easy and it takes time, tenacity, patience, capital, and expertise. Sometimes you do it by yourself, sometimes you do it with partners or with equity investors.

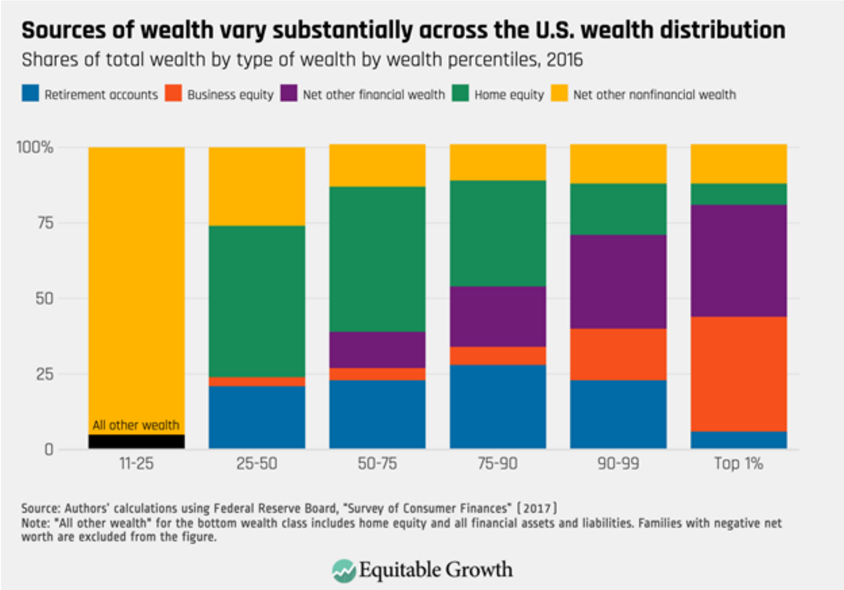
Families need to train their children to safeguard the money they will inherit

A study shows that Millennials will hold five times as much wealth as they have today and the group is anticipated to inherit over $68 trillion from their Baby Boomer parents by the year 2030. https://www.forbes.com/sites/jackkelly/2019/10/26/millennials-will-become-richest-generation-in-american-history-as-baby-boomers-transfer-over-their-wealth/#34a62bf16c4b

It takes training to learn how to make money, save money and live in a manner that does not reward conspicuous consumption. You can start by learning personal discipline and then financial discipline, then move on to making small mistakes and building on those experiences. Families need to include multiple generations in managing their investments. Parents can begin with teaching their children how to manage their allowance money and learning why and how to give to charity.

Read the charts below to see current patterns in sources of wealth. Parental role modeling is needed for the next generation to have a chance at being successful and learn what worked and what did not.



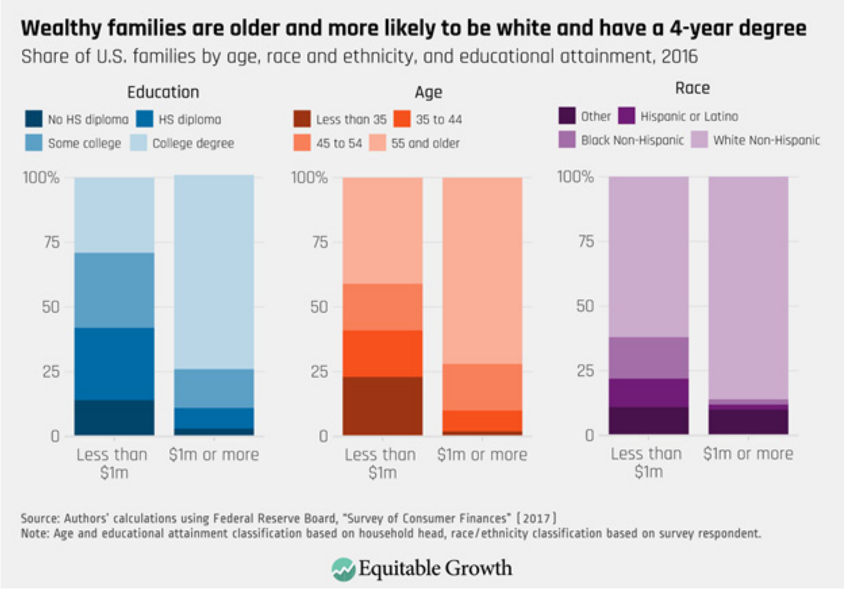


Be patient and let your resources grow. Don't waste money. Set annual goals, maybe a financial roadmap, so to speak. Track it on a monthly or annual basis. Keep your eye on the ball.

Track your net worth and real estate owned

The 2016 Phoenix Wealth and Affluent Monitor found similar trends. 70 percent of households have a net worth of less than $100,000, and they own 9 percent of the total U.S. wealth. 25 percent of households who have a net worth between $100,000 and $999,999 own 32 percent of total wealth. Five percent of the U.S. households own between $1 million and $4.9 million. They own 35 percent of the nation's wealth. They reported less than 1 percent of U.S. households have more than $5 million in net worth. But they own 24 percent of the nation's wealth. https://www.thebalance.com/american-net-worth-by-state-metropolitan-4135839

The sooner you start to pay attention to your personal and business financial fundamentals, the sooner you will reach your goals. Start tracking your future and sharing your goals with your partners so you can reach them in your lifetime. Bear in mind you are considered wealthy when your net worth exceeds $500,000.



Financial Discipline Starts Early

The chart above shows that the older you are the more wealth you will have. That stands to reason.

Americans forty-five (45) years or older have a significant net worth. They have had time to save and build their assets. Start investing early in life. Spend money when you have it. Pay your bills in cash (electronic cash) you have on hand and have saved.

Investing in Real Estate

The benefit of investing in real estate is that you can start small and as your equity position grows, as your tenants are paying the costs of operating your property, you can grow your investments. Let's say you buy a small house when you are young and keep trading up into investment properties, over time the size of your investment increases and so does your net worth.

"Billionaire Andrew Carnegie famously said that 90% of millionaires got their wealth by investing in real estate." https://www.cnbc.com/2019/10/01/real-estate-is-still-the-best-investment-you-can-make-today-millionaires-say.html

Of course, investing in real estate is not the only way to become wealthy. Owning a business or investing in equities also works. A word of caution, if you purchase in a nonperforming real estate marketplace, property values will not appreciate and will not perform. Invest in markets where real estate appreciates, and rents and values increase. As with all investments, take time to understand what you are doing before you go ahead and make an investment decision.

Summary

You too can be wealthy. Financial institutions like seeing real estate Equity on your personal balance sheet and net worth statement. Start by buying real estate early in your career, keep an eye on your net worth, plan your future, surround yourself with trusted advisors, and realize it's not a huge leap of faith to be wealthy.

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