

# Basic Wealth Building Concepts

Presented by:  
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## Wealth Building Is Not...

Exciting

Complicated

Quick

## Wealth Building Is Not...

Exciting



Investing should be dull. It shouldn't be exciting. Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.

**Paul Samuelson**

Nobel Prize Winner in Economics



When most people say they want to be a millionaire, what they actually mean is they want to spend a million dollars and that is quite the opposite of being a millionaire.

**Morgan Housel**

Psychology of Money



## Wealth Building Is Not...

Complicated



You don't need to be a rocket scientist. Investing is not a game where the guy with the 160 IQ beats the guy with 130 IQ.

**Warren Buffett**



## Wealth Building Is Not...

Quick

**Jeff Bezos: World's Richest man**

"I asked Warren, your style of investing is so simple. Why doesn't everyone just copy you?"



"because nobody wants to get rich slowly"

## Wealth Building Is Not Synonymous With...

Avoiding  
debt

Living  
on a  
budget

Having  
a large  
income

These things may help someone build wealth,  
but by themselves they do not build wealth.

## What Then Is Wealth

Defined: “Having a great deal of money, resources, or assets.”

$$\text{Assets} - \text{Liabilities} = \text{Net Worth}$$

A net worth in excess of \$1M is historically considered wealthy.

## Quick Quiz

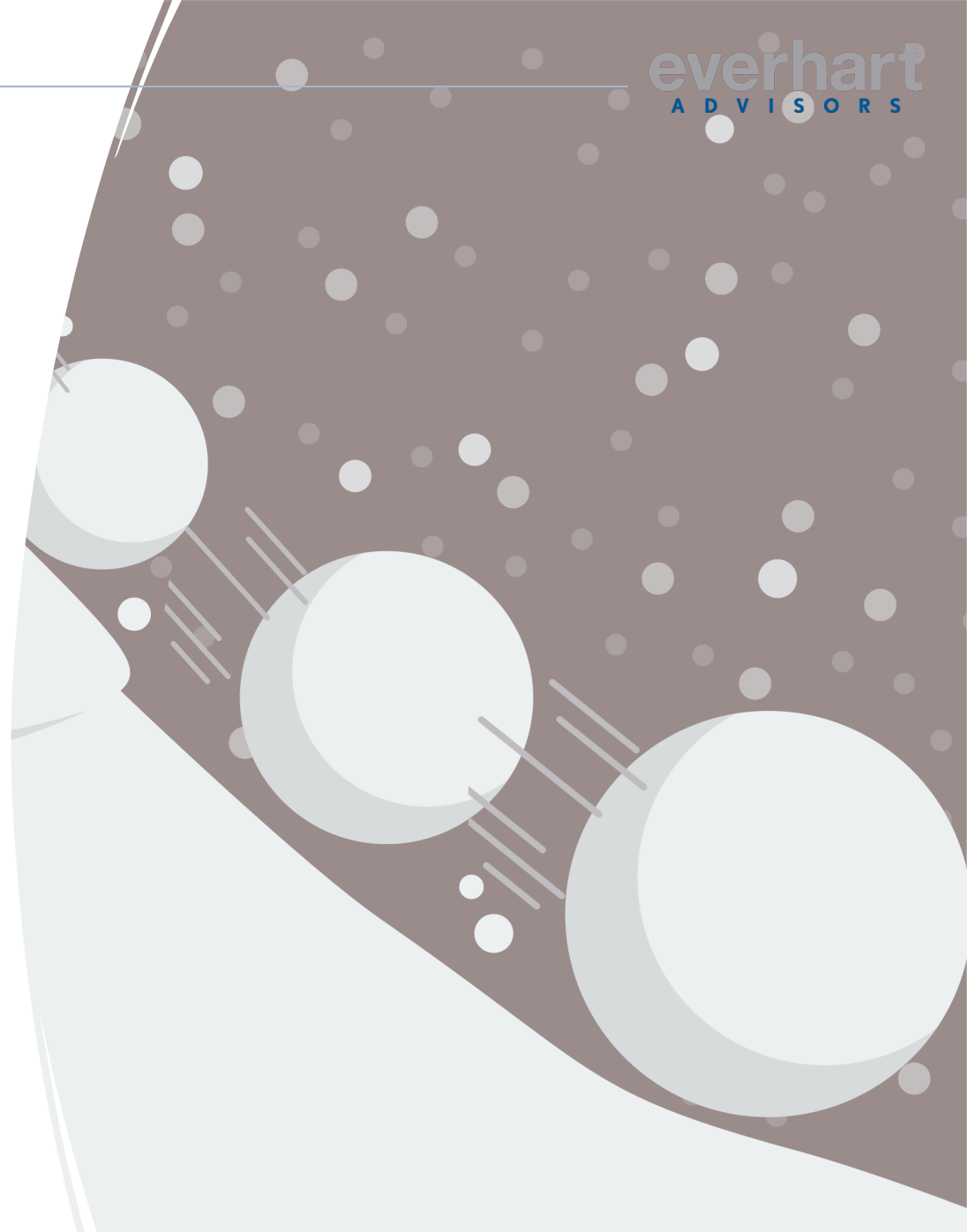
If a household made \$75,000 per year and they saved 15% of their income into a coffee can, how long would it take to accumulate \$1 Million?

**Answer: 88.9 Years**

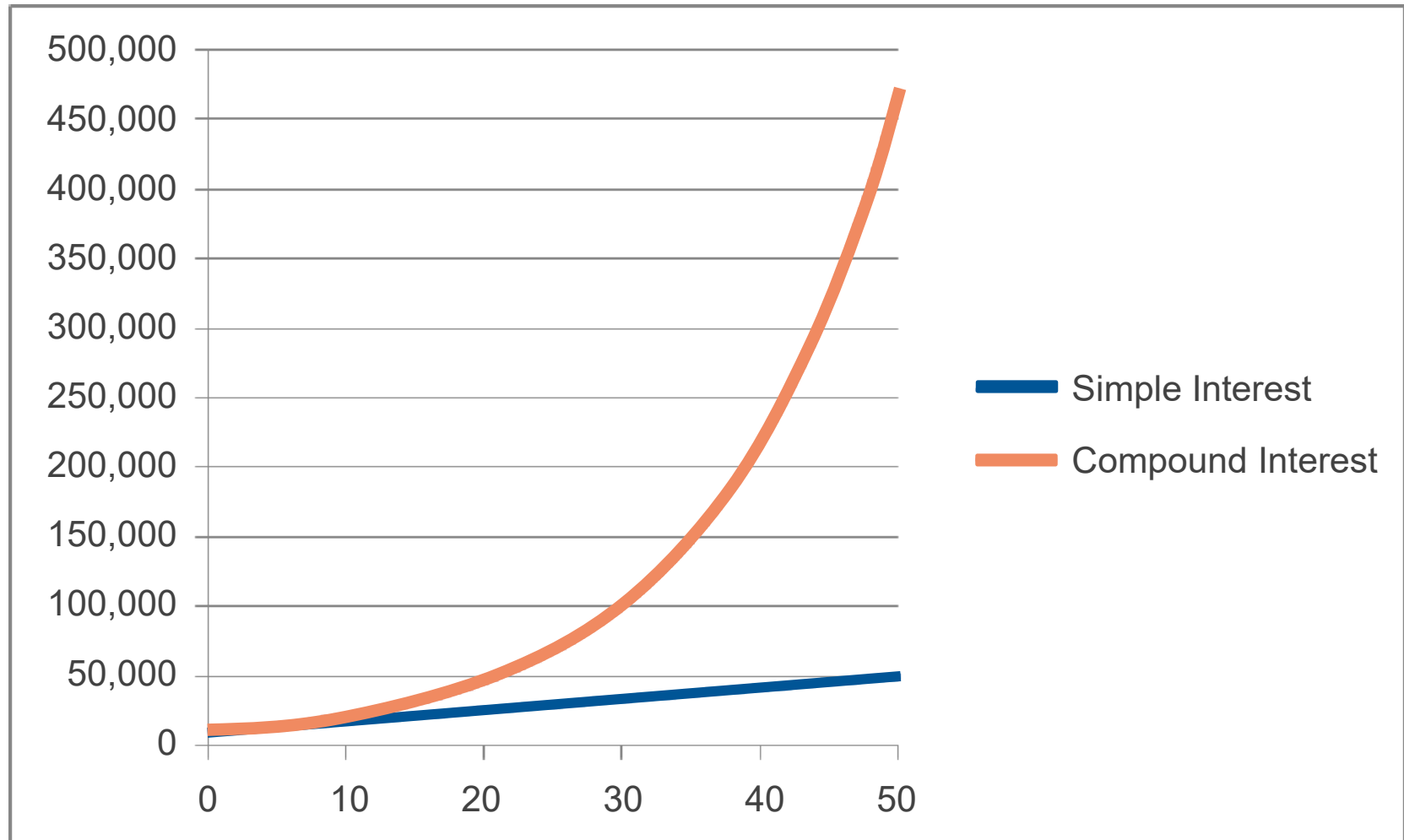
How is it that roughly 80% of millionaires are first generation millionaires (i.e. they didn't inherit their wealth)?



# The 8<sup>th</sup> Wonder of the World Compound Interest



## Compound Interest vs. Simple Interest



# Rule of 72

Compound Interest

$$72 \div R = T$$

Rate of Return
Time to Double

↓
↓

Rate of Return	Years to Double
3%	24
4%	18
5%	14
6%	12
7%	10
8%	9
9%	8
<b>10%</b>	<b>7</b>
11%	7
12%	6
15%	5
18%	4

## Example

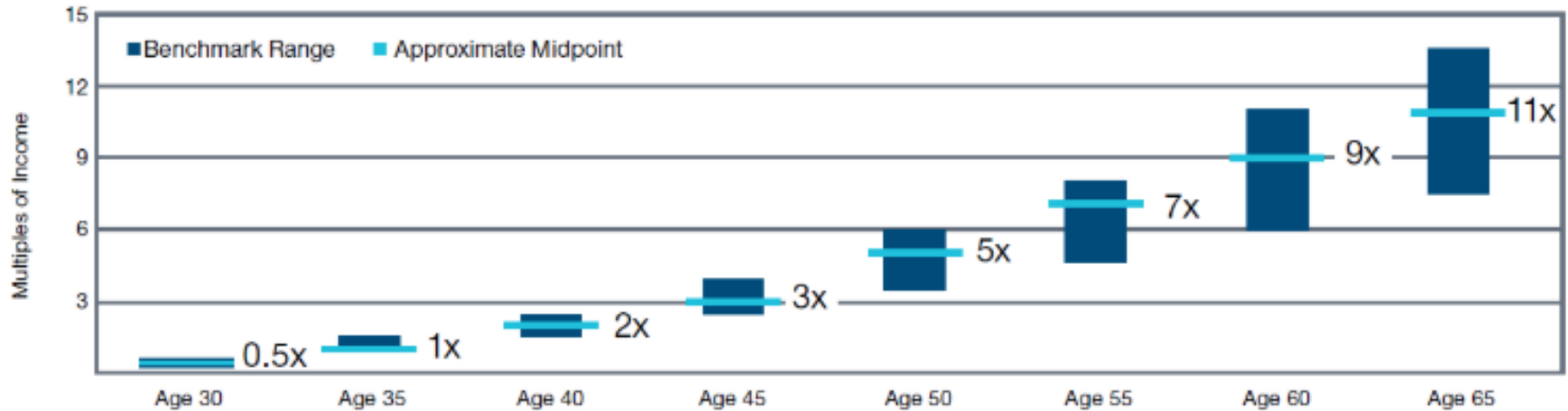
$$72 \div 10 = 7.2$$

↑
↑

10% Annual Rate of Return
7.2 Years to Double

# Retirement Savings Checkpoint

## Savings Benchmarks by Age—As a Multiple of Income



# Historical Wealth Building Paths

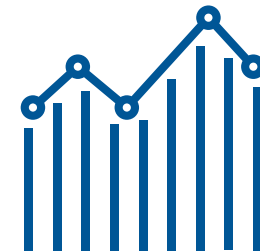
## Common Options



Small Business  
Ownership



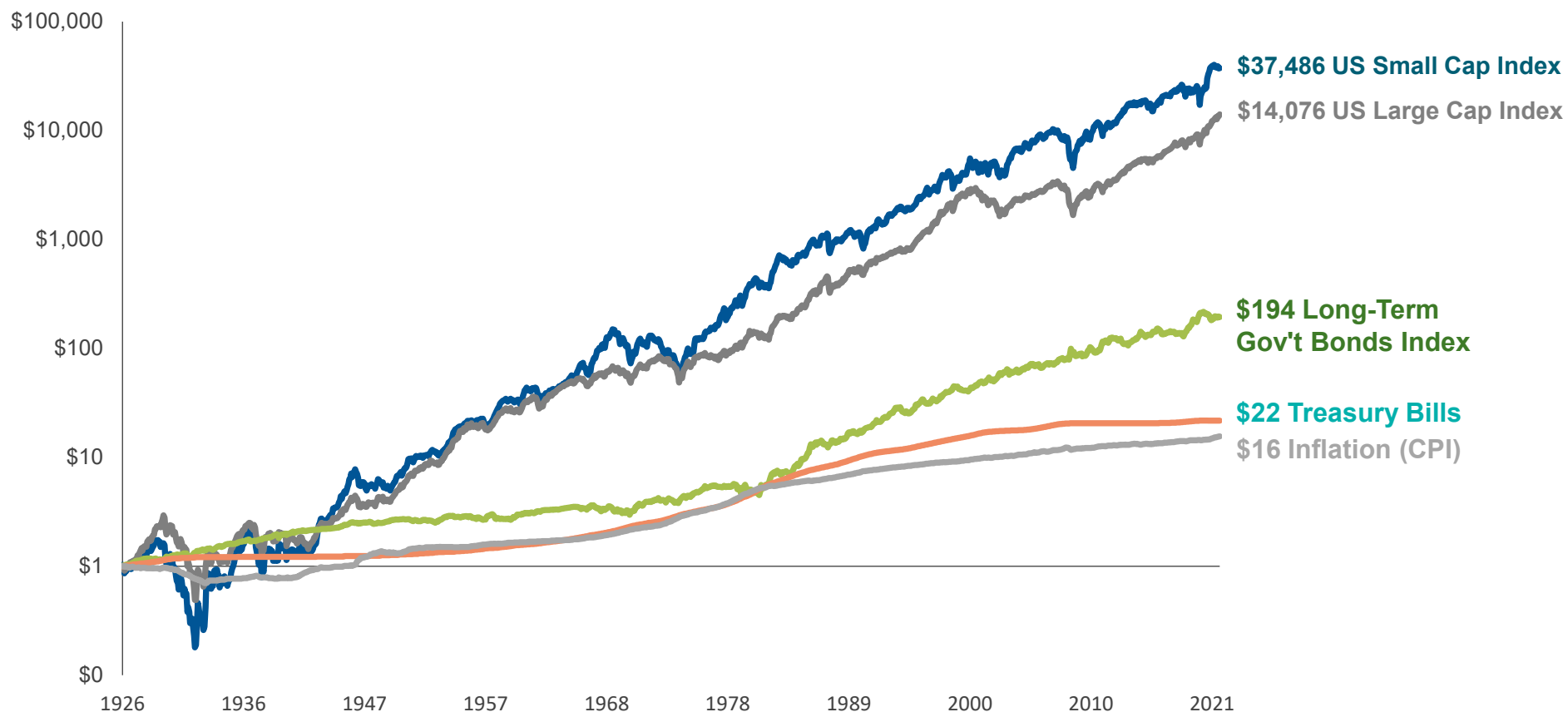
Real Estate



Stock Investing

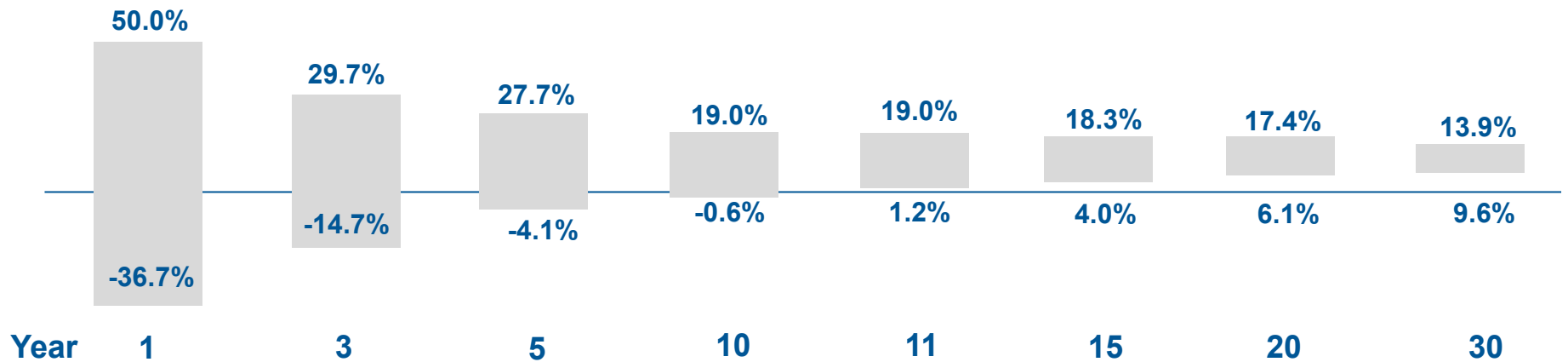
# The Case for Stocks

Monthly growth of wealth (\$1), 1926–2021



- In US dollars.
- US Small Cap is the CRSP 6–10 Index. US Large Cap is the S&P 500 Index. US Long-Term Government Bonds is the IA SBBI US LT Gov't TR USD. US Treasury Bills is the IA SBBI US 30 Day TBill TR USD. US Inflation is measured as changes in the US Consumer Price Index. CRSP data is provided by the Center for Research in Security Prices, University of Chicago. S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. US Long-term government bonds and Treasury bills data provided by Ibbotson Associates via Morningstar Direct. US Consumer Price Index data is provided by the US Department of Labor Bureau of Labor Statistics.
- Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

## Calendar Year Total Stock Market Return Ranges since WWII (1945)

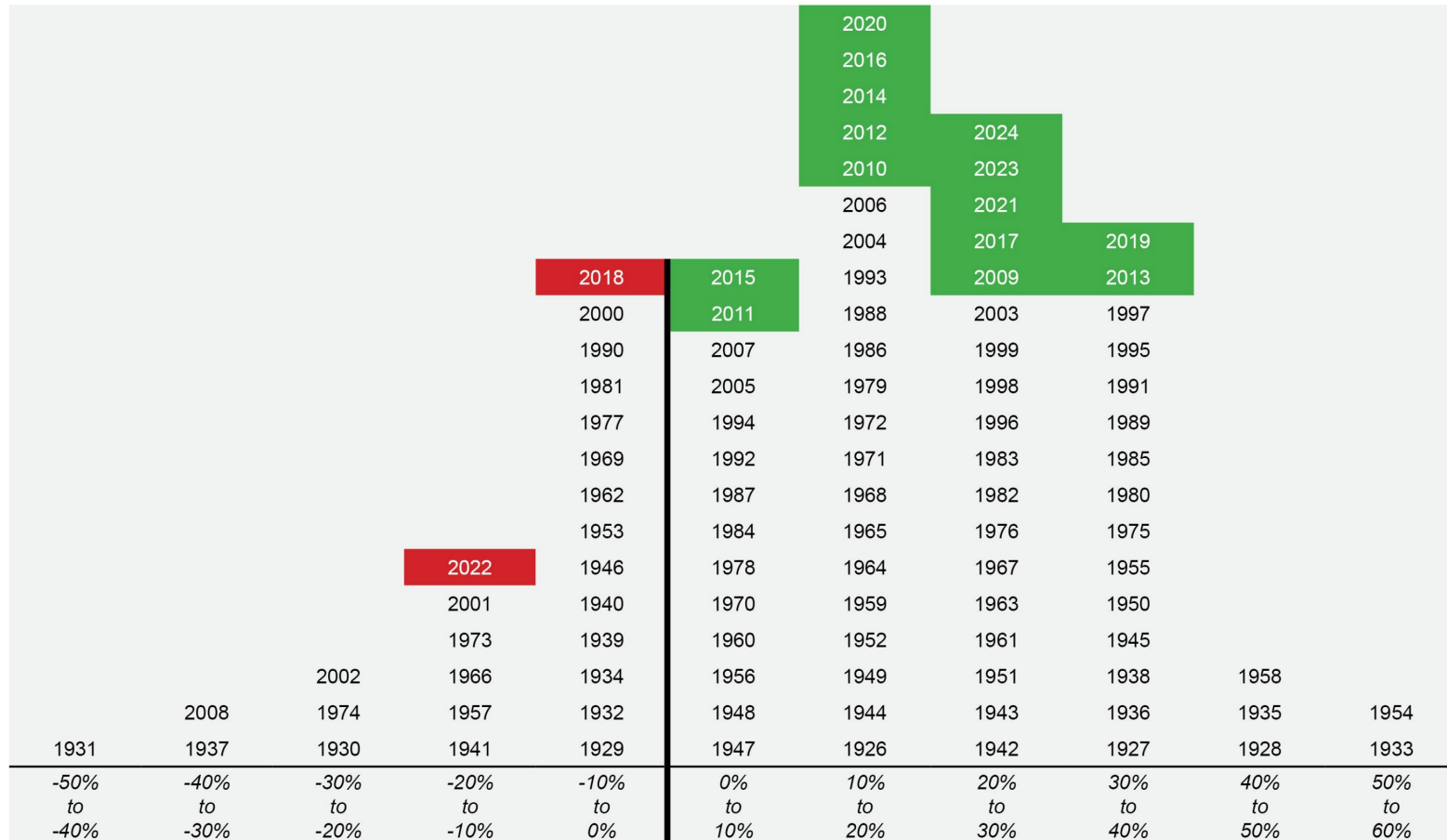


- There have been 3-year periods where money invested has doubled or dropped by 38%.
- There have been 10-year periods, albeit uncommon, where equity returns have been essentially zero.
- \$10,000 invested 40 years ago in the S&P 500 Index would have grown to \$724,000.
- \$10,000 invested 40 years ago in short-term bonds would have grown to \$37,000.

# Historically It Has Paid to Own Stocks

## S&P 500 Index Calendar Year Return Dispersion

Since 1926, annual returns have been positive in 73 of 98 years (about 74.5%)



Returns are represented by the S&P 500® Index from 1926-2024. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. Source: FactSet, Standard & Poor's



## Wealth By Stocks - A Simple Formula

1. Live beneath your means
2. Invest the difference in a diversified portfolio of stocks
3. Continue for a long period of time



## Stock Investing Keys

- Diversification
- Consistency
- Remove emotion
- Don't attempt to time the market
- Long time period



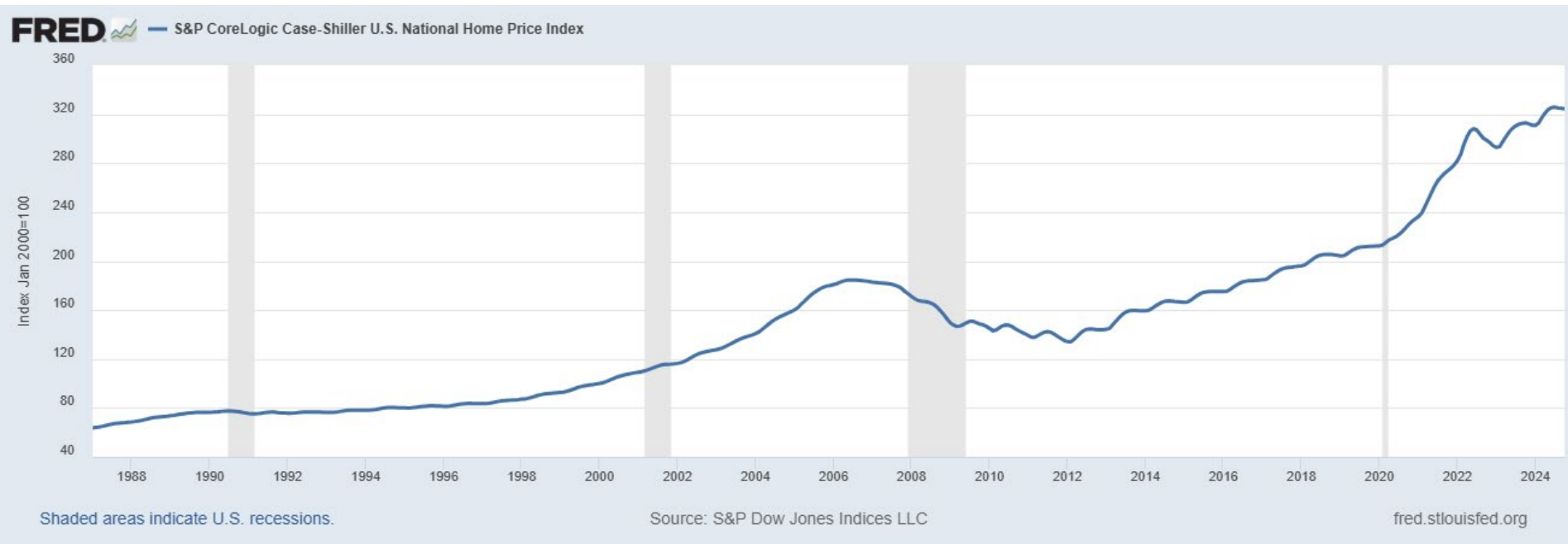
The real key to making money in stocks is to not get scared out of them.

**Peter Lynch**



## Another Quiz....

Should one invest in Real Estate or Stocks?



From January of 1987 to October of 2024, the National Home Price Index average rate of return was 4.49%

## A Case for Real Estate... *The Power of Leverage*

\$1,000,000  
Equity

\$100,000 Gross Income  
- \$0 Interest Expense  
=\$100,000 Net Income

\$100,000 Net Income  
÷ \$1,000,000 Equity

**= 10% Rate of Return**

\$250,000  
Equity

\$100,000 Gross Income  
- \$30,000 Interest Expense (4%)  
=\$70,000 Net Income

\$70,000 Net Income  
÷ \$250,000 Equity

**= 28% Rate of Return**

\$750,000  
Debt

## Additional Wealth Building Tips

1. Establish automatic savings plans
2. Don't concern yourself with displaying a high social status – frugality frees up cash flow!
3. Let the Rule of 72 guide decisions
4. Manage your debt and watch big purchases!



## Why Build Wealth?

### Common Reasons

- Financial freedom
- Retirement
- Charitable causes
- Legacy





February 27



10 AM EST

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