

Foundations of Wealth: Key Concepts for Building Your Financial Base

Presented by:
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What Is Wealth?

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

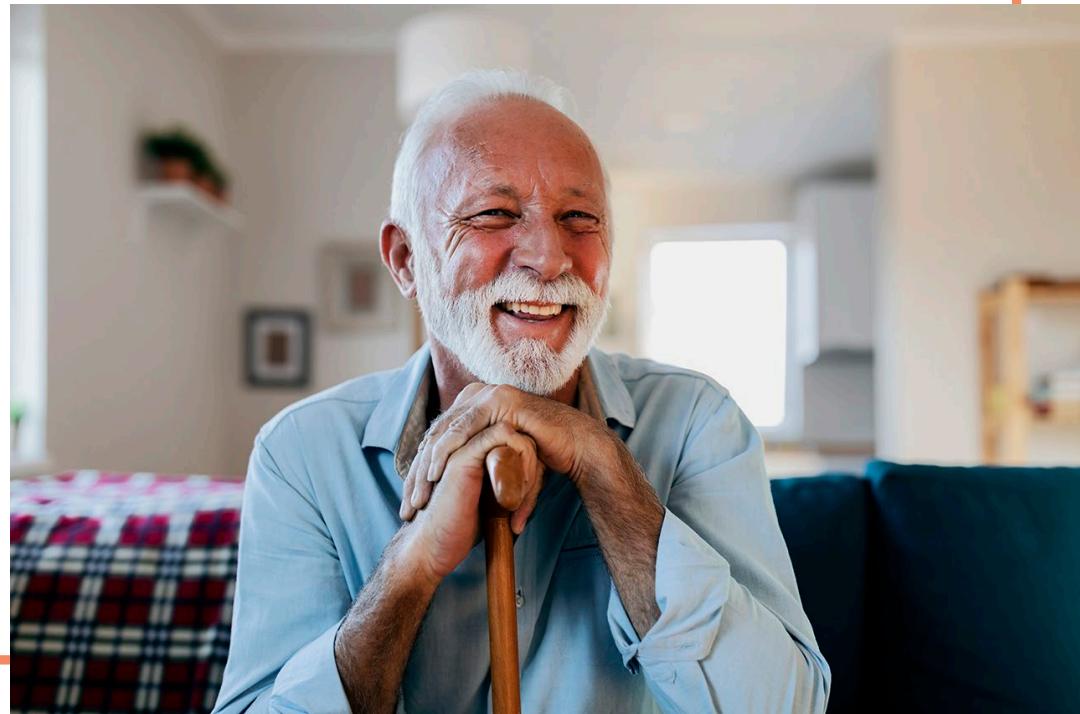
Assets – Liabilities = Net Worth

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

Why Build Wealth?

Common Reasons

- Financial freedom
- Retirement
- Charitable causes
- Legacy



Balance Sheet

Balance Sheet

Mark & Kristen (45 years old) January 27, 2026

Assets		Personal Property			
Cash/Cash Equivalents					
Checking Account	\$ 3,000				
Savings Account	\$ 15,000				
Total Liquid Assets	\$ 18,000	Total Personal Property			
Non-Qualified Assets		\$ -			
Bank Certificate of Deposit (3.5%)	\$ 50,000				
Total Non-Qualified Assets	\$ 50,000	Total			
Pre-Tax Assets		Liabilities			
401(k) #1	\$ 210,000	Current Liabilities			
401(k) #2	\$ 120,000	% Matures Pay/mo Balance			
Total Pre-Tax Assets	\$ 330,000	Primary Mortgage			
Roth Assets		5.000% 7/1/2046 \$ 2,119 \$ 325,000			
Roth IRA	\$ 45,000	Rental Property Mortgage			
		5.000% 3/1/2050 \$ 894 \$ 150,000			
		Car 1			
		9.000% 4/1/2029 \$ 455 \$ 15,000			
		Student loans			
		6.500% 1/1/2031 \$ 595 \$ 30,000			
		Credit Cards			
		25.000% \$ 10,000			
Total Roth Assets	\$ 45,000	TOTAL LIABILITIES			
Other Financial Assets		\$ 530,000			
Primary Home	\$ 500,000				
Rental Property	\$ 225,000				
Car #1	\$ 25,000				
Car #2	\$ 20,000				
Boat	\$ 15,000				
Total Other Assets	\$ 785,000				
TOTAL ASSETS	\$ 1,228,000	NET WORTH			
		\$ 698,000			
Life Insurance Provider		Face Amount			
		Expires			
Notes:					

Criteria for Taking on New Debt

Debt Criteria Checklist:

Is the economic benefit GREATER than the cost to borrow?

Is it a good debt (appreciates) or a bad debt (depreciates)?



Is there a reliable plan for repayment?

Are both spouses (or parties involved) free from anxiety regarding this debt?

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.

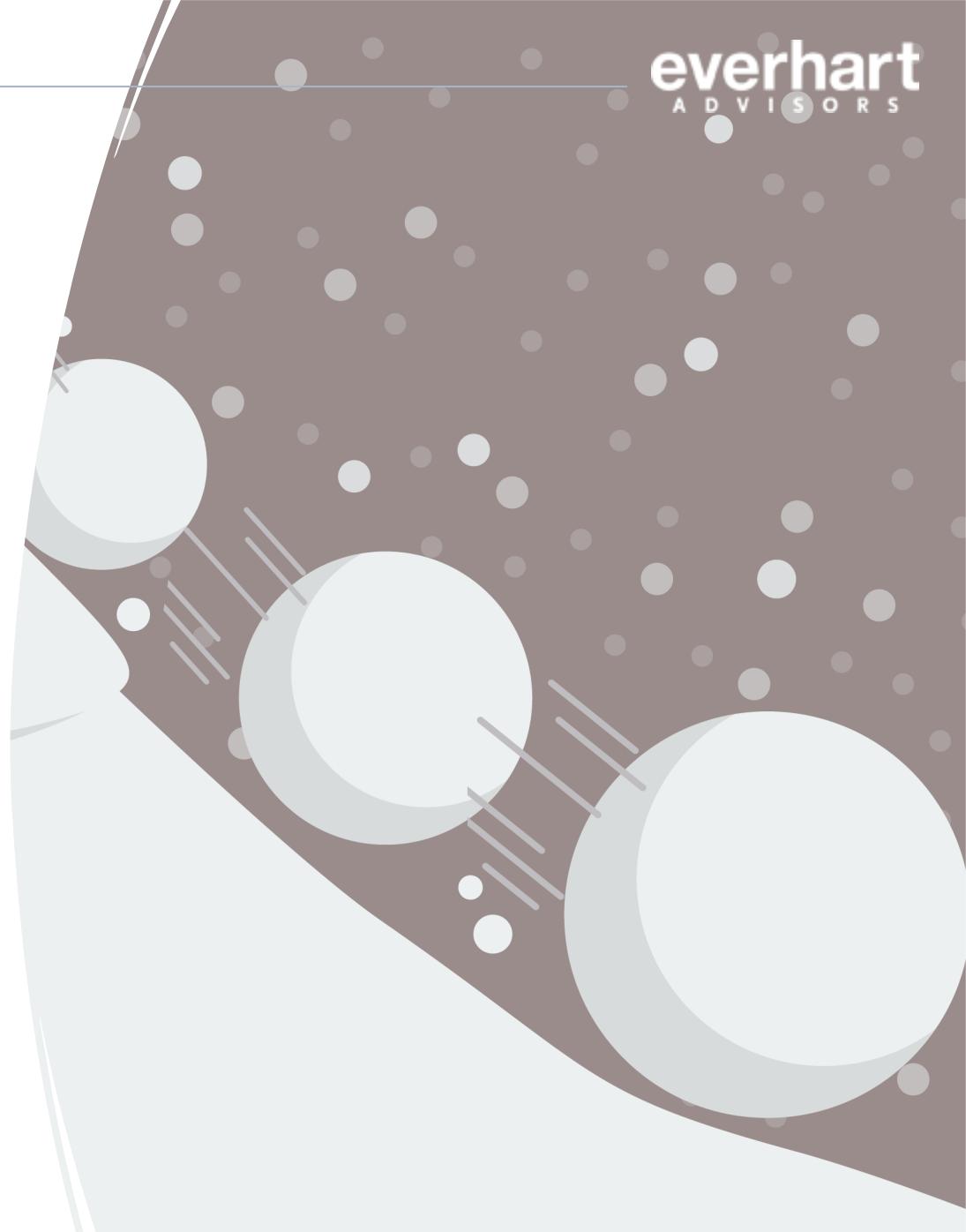
Quick Quiz

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?

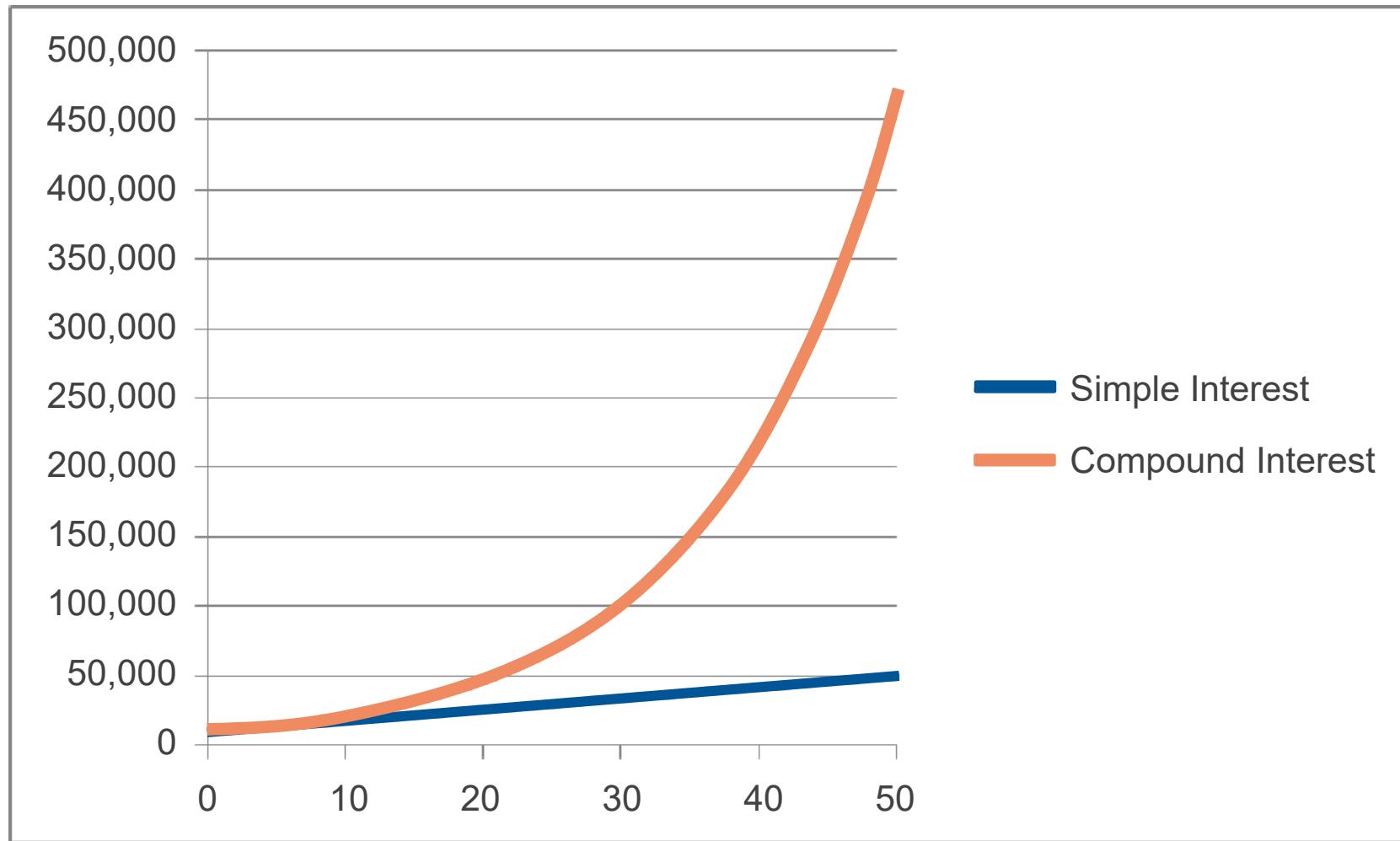
Answer: 88.9 Years

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

The 8th Wonder of the World Compound Interest



Compound Interest vs. Simple Interest



Rule of 72

For example, with a 10% annual return, an investment would double in about 7.2 years.

Approximates the time it takes for an investment to double with compounding:

- 72 divided by the expected annual rate of return
- The result approximates the number of years required for money to double

How many doubles are possible?

Expected
Annual
Return

4%

10%

18%

Approximate
Years
to Double

$72 \div 4$

=

18
years

$72 \div 10$

=

7.2
years

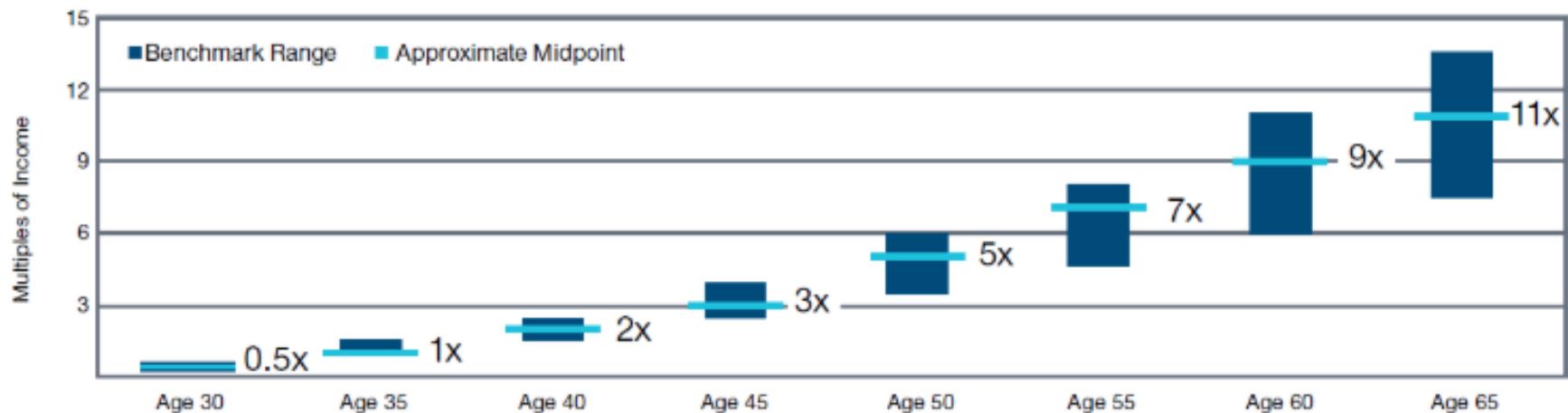
$72 \div 18$

=

4
years

Retirement Savings Checkpoint

Savings Benchmarks by Age—As a Multiple of Income



Historical Wealth Building Paths

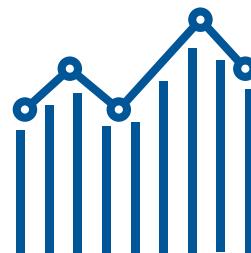
Common Options



Small Business
Ownership



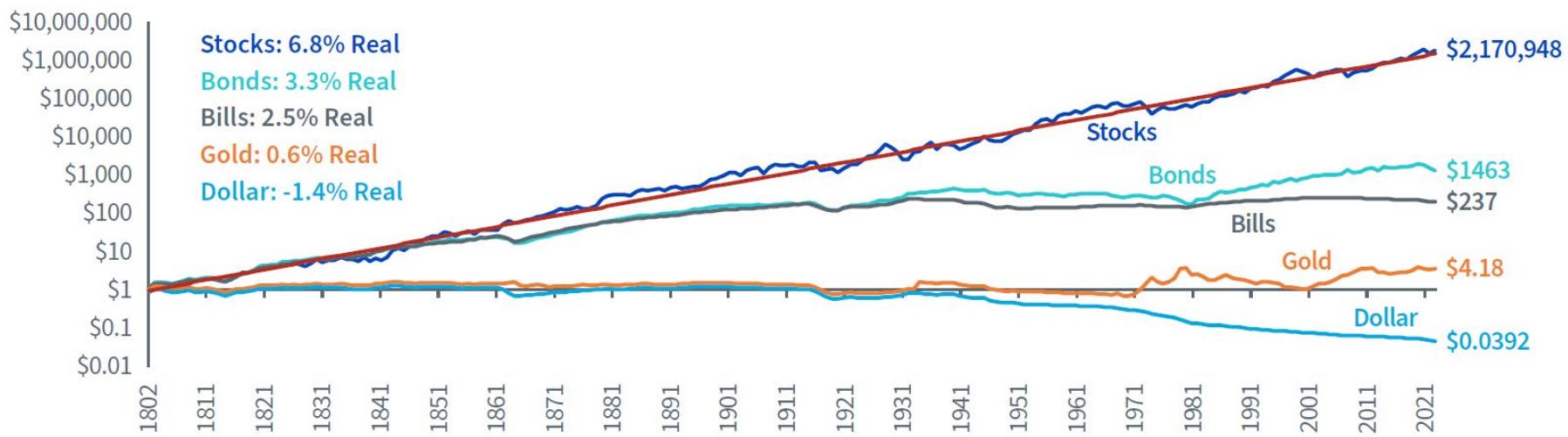
Real Estate



Stock Investing

Total Real Rates of Return

Index Returns from January 1802 through December 2023



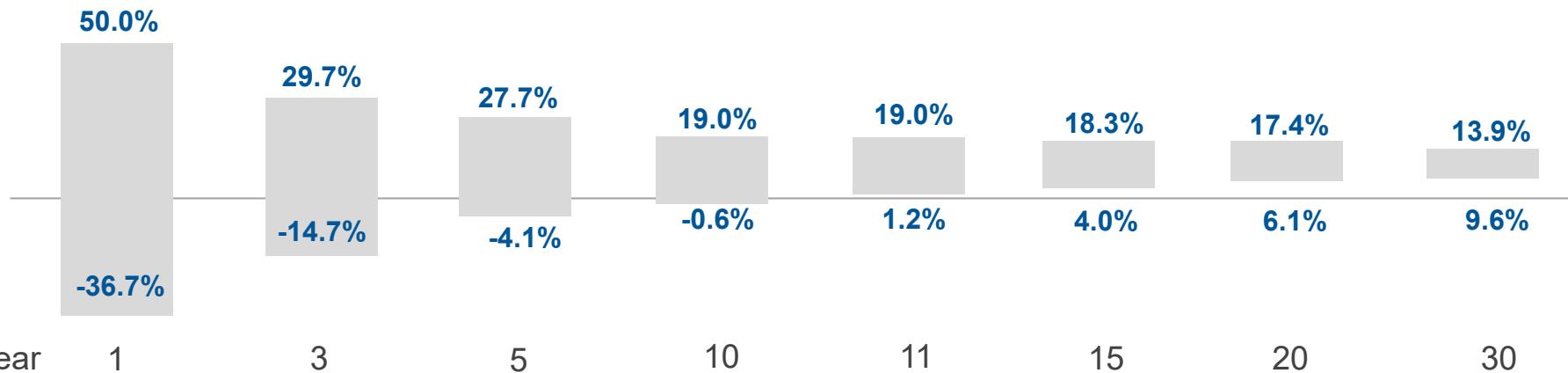
S&P 500 EPS Growth



Earnings for the S&P 500 have continued to grow
 Timing the market is not practical

Calendar Year Total Stock Market

Return Ranges Since WWII (1945)



CURRENT VALUE OF A \$10,000 INVESTMENT 40 YEARS AGO:

SHORT-TERM BONDS: \$36,644

S&P 500: \$724,113

Historically It Has Paid to Own Stocks

S&P 500 Index Calendar Year Return Dispersion – Assumes Dividend Reinvestment

YEARS	2025	2020	2016	2014	2012	2024	2010	2023	2006	2021	2004	2017	2019	
1931	2018	2015	1993	2009	2009	2013	2015	2011	2011	2003	1997	2004	2017	2019
1937	2000	2011	1988	1988	1986	1999	1994	1986	1986	1999	1995	1977	1972	1996
2008	1990	2007	1986	1986	1979	1998	1992	1971	1979	1998	1991	1981	1979	1998
1930	1981	2005	1979	1979	1972	1996	1994	1972	1972	1996	1989	1977	1972	1996
1941	1973	1992	1971	1971	1971	1983	1969	1992	1971	1983	1985	1969	1971	1983
1929	2022	1946	1946	1946	1968	1982	1962	1946	1968	1982	1980	1962	1968	1982
		2001	1940	1940	1968	1984	1953	1940	1964	1964	1975	1953	1965	1976
		1974	1966	1966	1952	1978	1953	1974	1964	1964	1955	1974	1966	1976
		1957	1934	1934	1952	1970	1957	1957	1959	1959	1950	1957	1952	1961
		1930	1932	1932	1960	1959	1930	1932	1959	1963	1936	1958	1930	1932
		1941	1929	1947	1948	1944	1941	1947	1944	1943	1936	1954	1941	1942
RETURNS	-40% to -50%	-30% to -40%	-20% to -30%	-10% to -20%	0% to -10%	0% to 10%	10% to 20%	20% to 30%	30% to 40%	40% to 50%	50% to 60%			

74.0%
Positive

SINCE 1926:

- 74 years of positive returns
- 26 years of negative returns

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

“

The Power of Leverage

\$1,000,000 Equity Investment	\$250,000 Equity Investment \$750,000 Debt Investment		EXAMPLE 1	EXAMPLE 2
			Expected Gross Return	\$100,000
			Interest Expense (6.0%)	\$0
			Net Return (A)	\$100,000
			Personal Investment (B)	\$1,000,000
EXAMPLE 1	EXAMPLE 2	RETURN ON INVESTMENT (A÷B)	10.00%	22.00%

The remaining \$750,000 in capital can be invested in other investment opportunities

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!



Financial Steps

1. Pay your bills on time
2. Have an emergency fund (at least \$1,000, ideally 3-6 months of living expenses)
3. Save enough into 401k or HSA to capture full company match if provided
4. Work the debt snowball with non-mortgage debt
5. Once non-mortgage debt is paid off, increase retirement savings to 10-15%
6. College Savings and extra savings into brokerage accounts



Scan QR code for link to a more
detailed cash flow management article

Questions?



CONTACT US

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2026 Webinar Calendar

January 27

Foundations of Wealth:
Key Concepts for Building
Your Financial Base

February 24

Interest Rates: How it
Affects Home Purchases
and Investments

March 24

Pre-Tax and Roth
Contributions: Comparing
Your Options

April 28

Lessons from Market History:
Insights from Past Crises

May 26

The Psychology of Money:
How Behavior Shapes
Financial Choices

June 23

Creating Retirement Income:
Turning Savings into Paychecks

July 28

Estate Planning Basics:
Organizing and Protecting
Your Assets

August 25

Personal Insurance 101:
Exploring Coverage Types

September 29

Medicare Made Simple:
Navigating Your Choices

October 27

Social Security: What to Know
Before You Claim

November 19

Understanding the Stock
Market: Turning Knowledge
into Long-Term Wealth

December 17

Approaching Retirement:
Preparing for What's Ahead

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