

Foundations of Wealth: **Key Concepts for Building** **Your Financial Base**

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What 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.

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		Assets Not Included in Net Worth					
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	%	Matures	Pay/mo	Balance
401(k) #2	\$	120,000	Primary Mortgage	5.000%	7/1/2046	\$ 2,119	\$ 325,000
			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 Pre-Tax Assets	\$	330,000	TOTAL LIABILITIES \$ 530,000				
Roth Assets		NET WORTH \$ 698,000					
Roth IRA	\$	45,000	Life Insurance Provider				
			Face Amount				
			Expires				
Total Roth Assets	\$	45,000					
Other Financial Assets		Notes:					
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							

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.

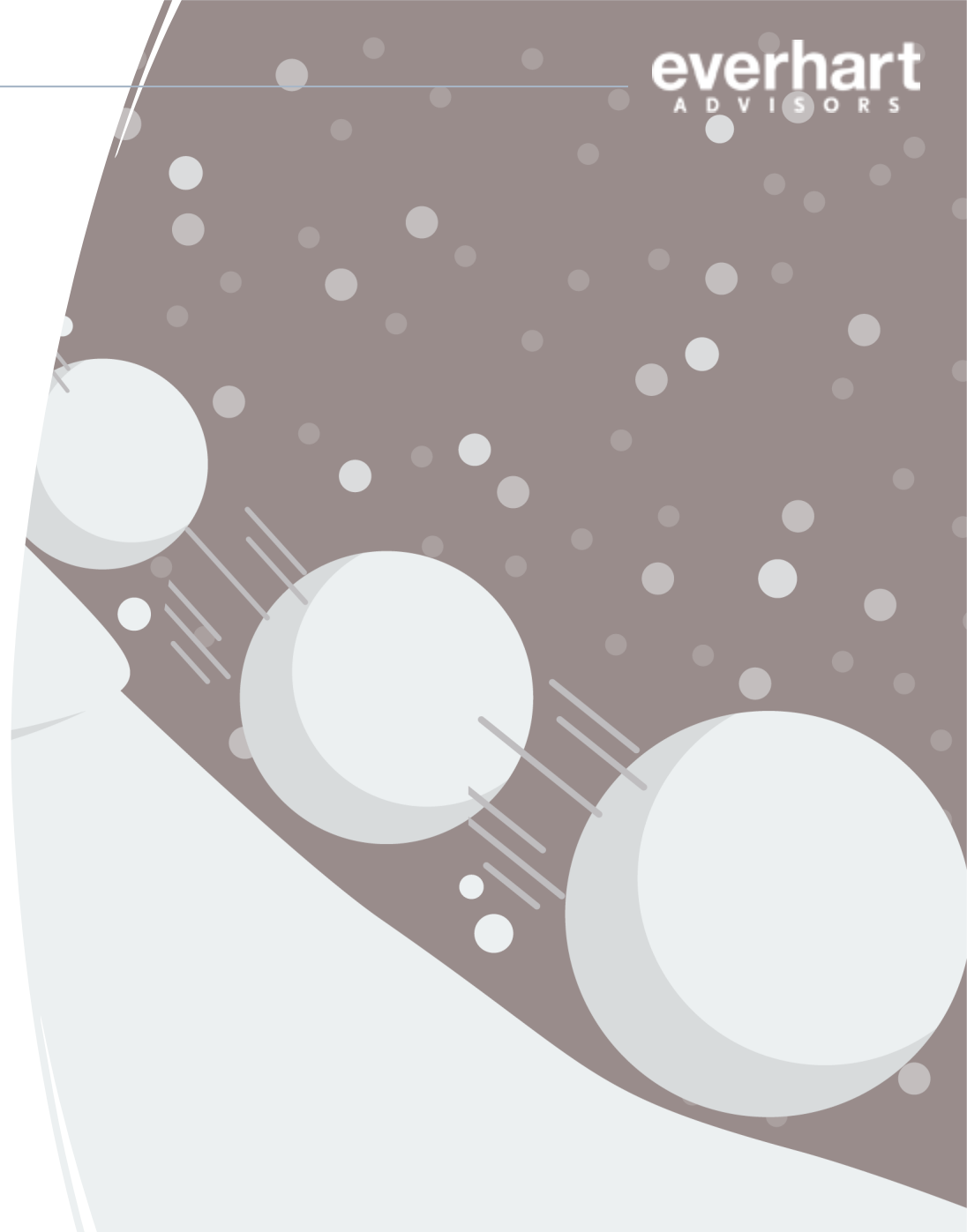
Quick Quiz

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?

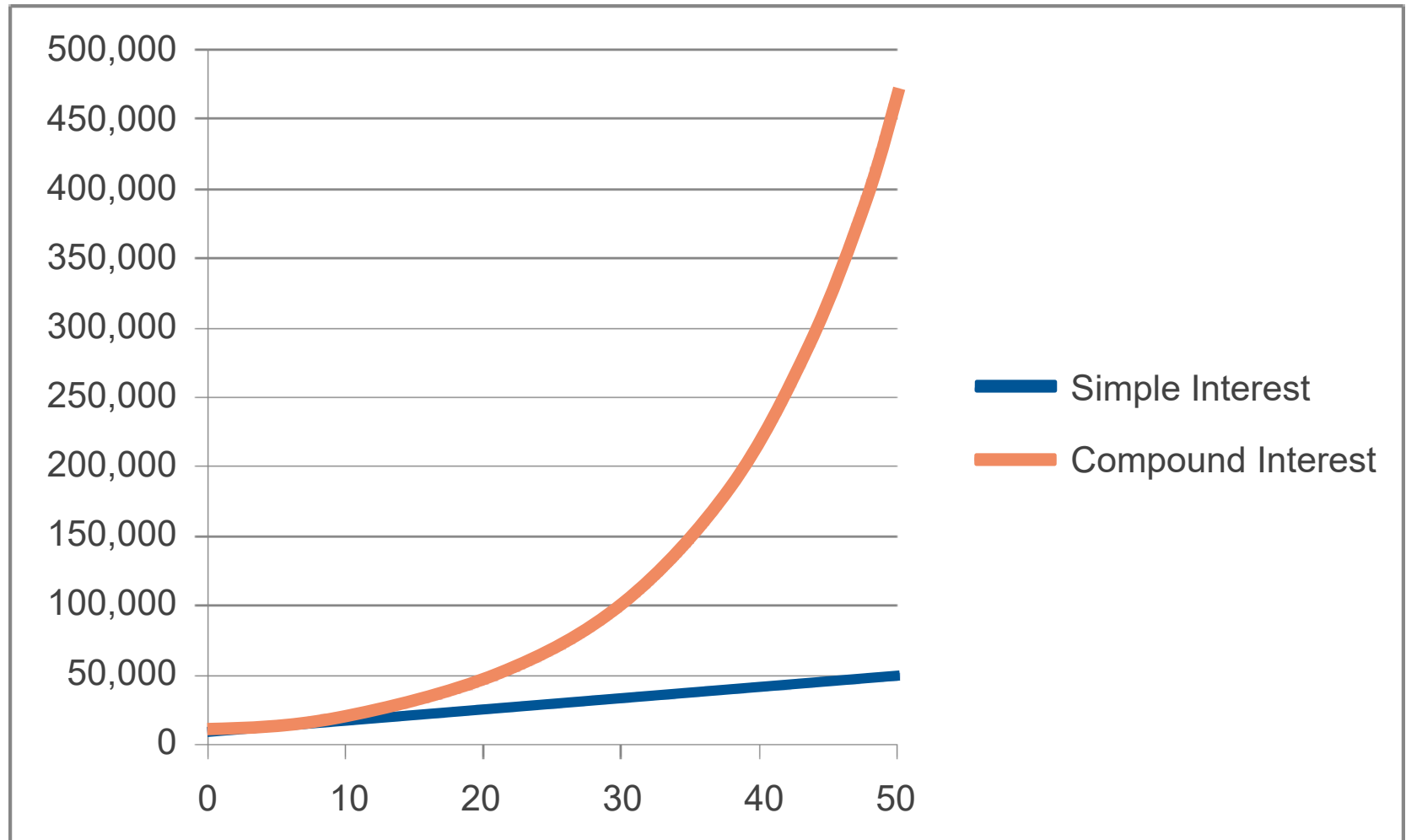
Answer: 88.9 Years

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



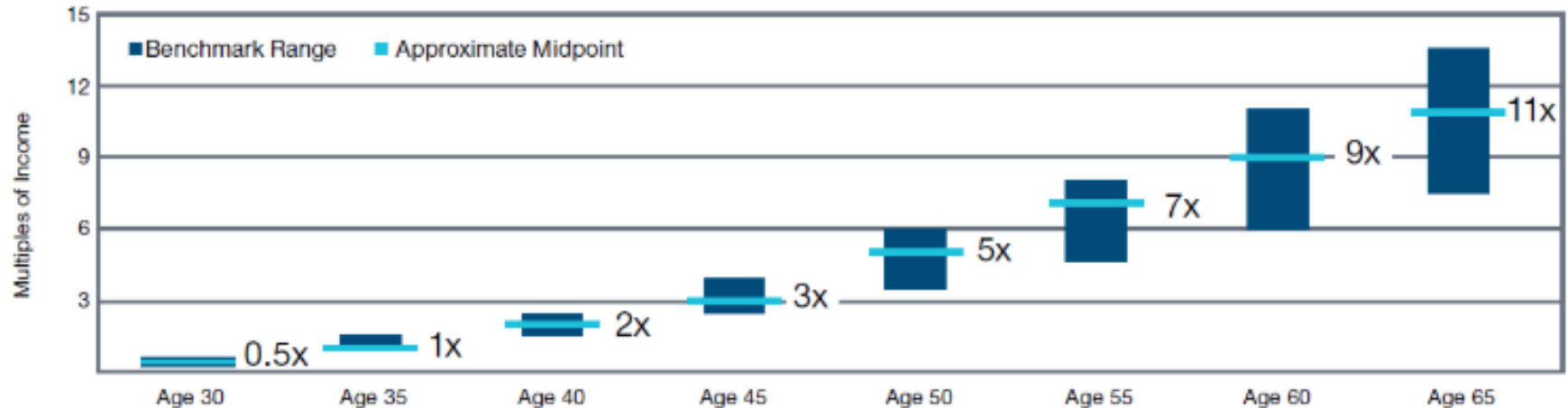
- 72 divided by the expected annual rate of return
- The result approximates the number of years required for money to double

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

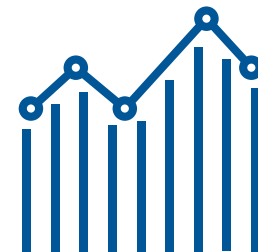
Common Options



Small Business
Ownership



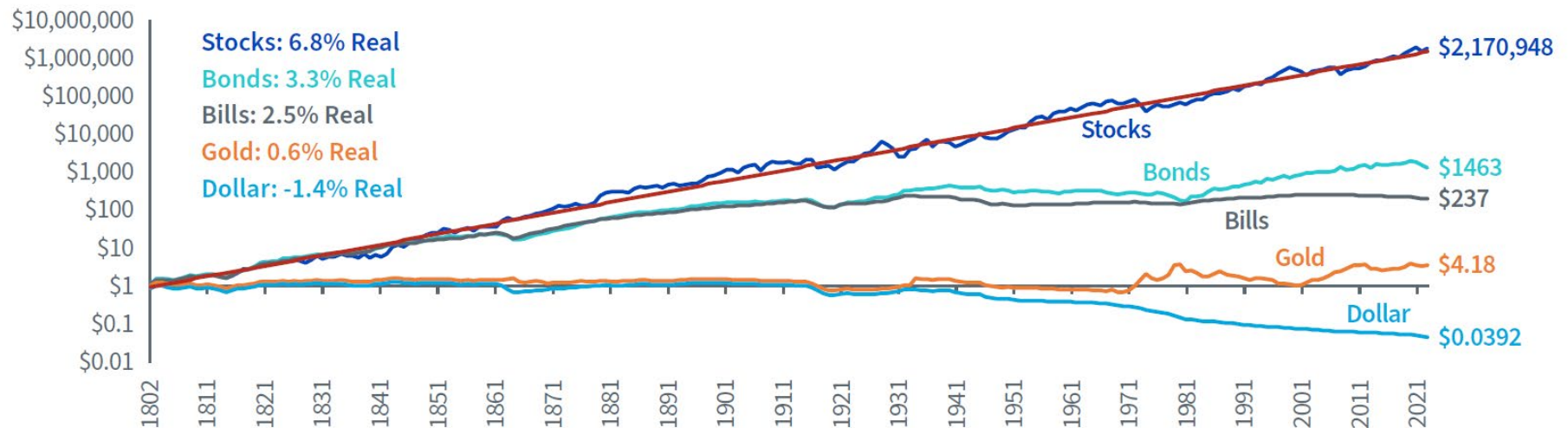
Real Estate



Stock Investing

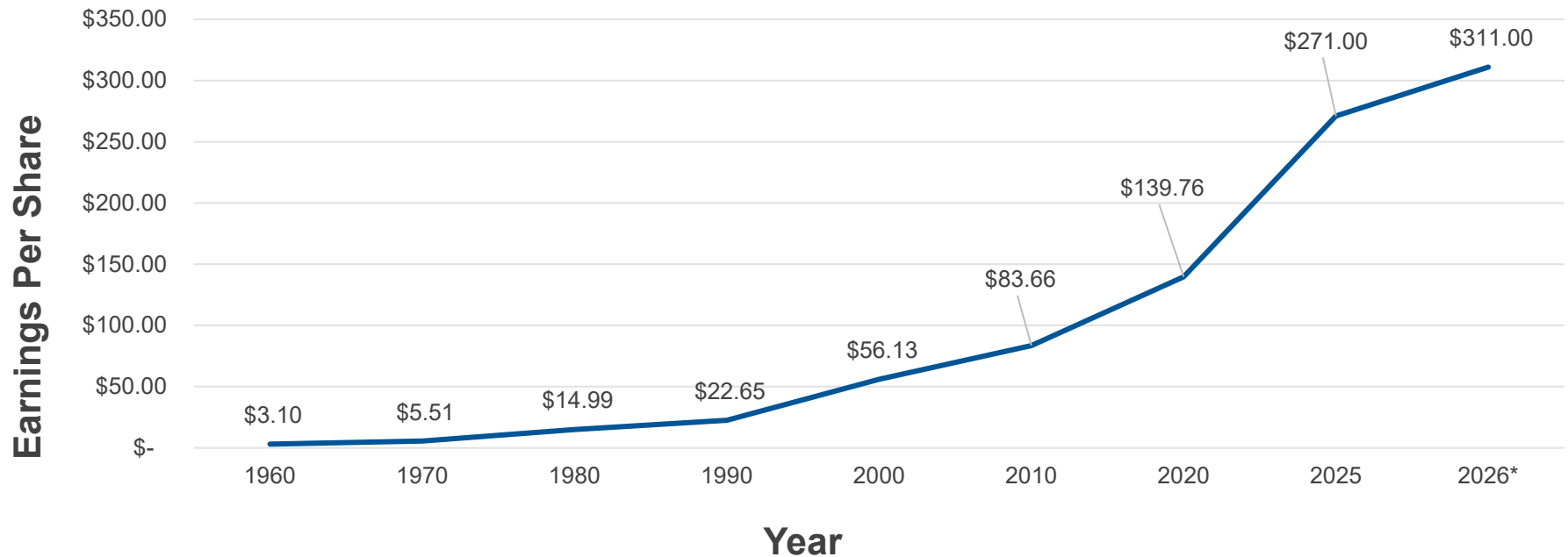
Total Real Rates of Return

Index Returns from January 1802 through December 2023



S&P 500 EPS Growth

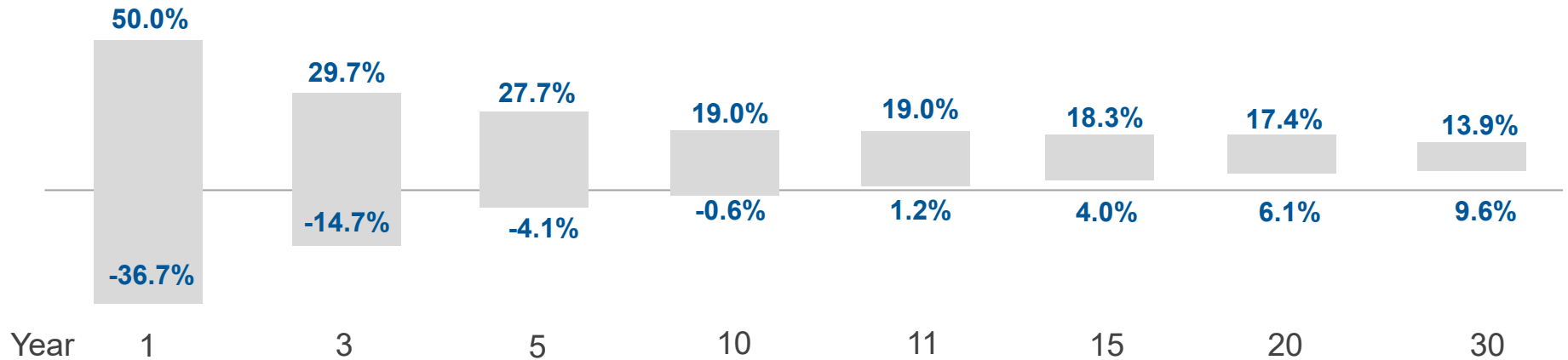
S&P Earnings Per Share



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)



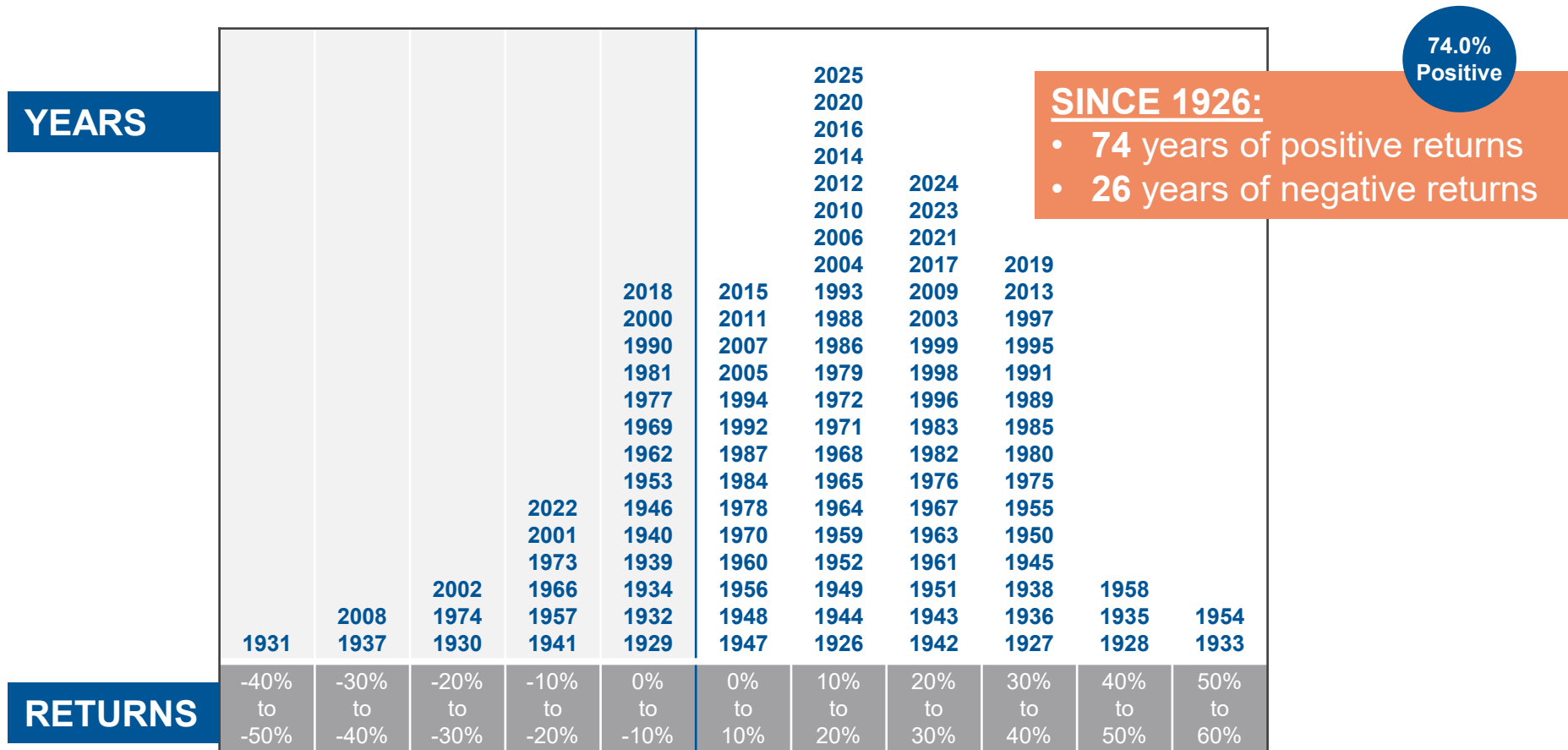
CURRENT VALUE OF A \$10,000 INVESTMENT 40 YEARS AGO:

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



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

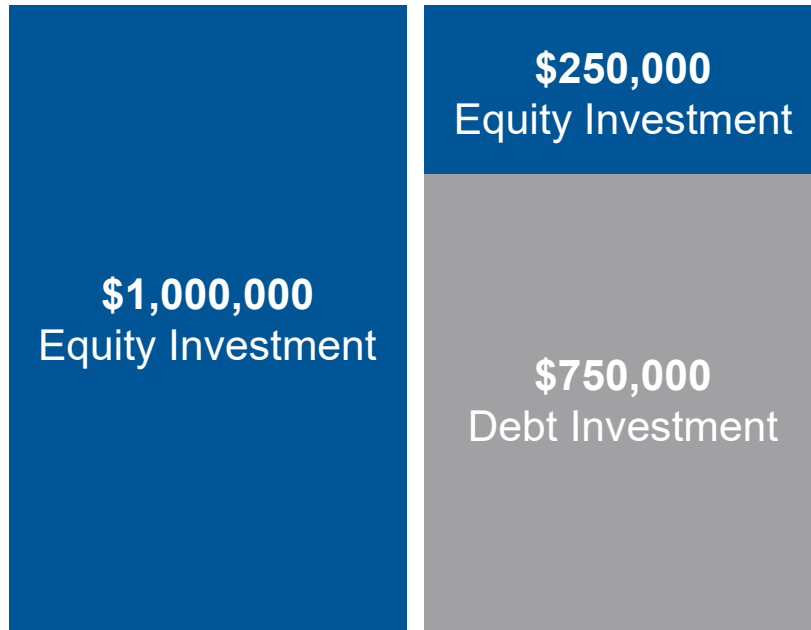


The real key to making money in stocks is to not get scared out of them.

Peter Lynch



The Power of Leverage



EXAMPLE 1

EXAMPLE 2

	<u>EXAMPLE 1</u>	<u>EXAMPLE 2</u>
Expected Gross Return	\$100,000	\$100,000
Interest Expense (6.0%)	\$0	<u>(\$45,000)</u>
Net Return (A)	\$100,000	\$55,000
Personal Investment (B)	\$1,000,000	\$250,000
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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