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Staying Wealthy is a Matter of Planning

There are two sides to the wealth conundrum. The first is getting there. The second is staying there. A surprising number of people are good at getting wealthy, but not at staying wealthy. Lottery winners are one example. Fortune magazine quotes the Certified Financial Planner Board of Standards that nearly a third of lottery winners declare bankruptcy. They end up financially worse off than before they hit the jackpot.

So how do you stay wealthy?

1. The first rule of preserving wealth is “Don’t invade your principal.”

Ideally you want to be able to live off the income stream produced by your investments and other sources, such as retirement account distributions or Social Security. It’s back to the don’t live beyond your means. The exception is if you are getting older, have no desire to leave an inheritance behind, and have a fairly good idea how long you will live and how much you may need to fund your remaining life. If you can’t take it with you, perhaps you should use your funds to enjoy life a little more.

2. Diversify your sources of income.

Diversifying your sources of income gives you a hedge against a potential stock market crash, loss of rental income, loss of bond income, etc. If one source encounters problems, ideally by cutting back on your expenses you can continue to do well with your alternative sources.

3. Think cheap. Have an eye for bargains.

Buy what you need, not what will make an impression and spend your money on things that last. If it’s cheaper to rent than own, rent. Memories of good experiences generally have a greater impact over time than purchasing an expensive item.

4. Don’t be cheap when it comes to hiring quality service providers from attorneys to accountants, financial advisors and more. Good service providers will save you money over the long run. Look for knowledgeable professionals who run a clean ship. Make certain they provide transparency, audited results, and accountability. And then, don’t trust them. Always verify.

5. Invest in your health.

Eat right, exercise, avoid substance abuse. Even if you can afford the best doctors, reversing years of abusing your body may not be possible. As long as you are healthy, you are better able to care for yourself and less vulnerable to those who might try to exploit you for your wealth.

6. Don’t forget to enjoy life.

Dying rich can be a waste of good assets. Know what you can afford to spend and then make certain your life is worth living.



Brian R. Carruthers, CFP, CMT



BRIAN CARRUTHERS & ASSOCIATES

Your Conservative Advisory Firm Since 1990
301 Forest Avenue
Laguna Beach, California 92651-2115 USA
Telephone: 1-949-464-1900
www.gobcafunds.com
brian@gobcafunds.com