INCITO
WEALTH

5 Timeless Tips

To Create Wealth

Incito Wealth Pty Ltd

(ABN 93 161 013 565) is a Corporate Authorised Representative of Millennium3 Financial Services Pty Ltd

ABN 61 094 529 987 AFSL No. 244252
Unit 7, 50 Borthwick Ave, Murarrie QLD 4172

The Ascot Centre
Unit T1, 152 Great Eastern Hwy,
Ascot WA, 6104

www.incitowealth.com.au

Wealth starts with having the right mindset, which is not always taught. It is the intention of this article to provide you with five tips, for you to take with you always, to aid you in being more efficient in creating wealth for yourself and your family.

We hope that this helps you in ultimately creating more wealth and living a happier, fuller life as a result.

- ***TIP #1:** Income does not equal wealth*
- ***TIP #2:** Consider and define your financial goals and make appropriate investments towards these*
- ***TIP #3:** Always take care in specifically what you are investing in and consider the risks and possible negative outcomes*
- ***TIP #4:** Being contrarian; in the heart of recessionary periods are the biggest opportunities*
- ***TIP #5:** Be aware of the psychological factors present with investments*

TIP #1

Income Does not Equal Wealth

A high income assists greatly in building wealth. However, income is not wealth itself. Many a man has earned a high income and been exceptionally efficient in squandering it. I want a far better outcome for you than this.

This comes from the tendency for people to adjust their lifestyle and expenditures to the income that they earn, so that they have little left to show for it. Mindset is key therefore.

You have an excellent opportunity to build wealth through your hard work. Wealth really starts being built through effectively and efficiently understanding what is your income surplus to lifestyle needs and directing this towards investment. A secondary manner where wealth can and does get created is through the success of creating a business.

The mindset that needs to be present from the start is, that no matter what your income, you will use a portion of this for savings and/or investment. If you are a high-income earner in a profession, you may feel that your position places some social expectations and pressures on you. Whether or not you choose to buy into that, is up to you.

So, start with a clear frame of mind that says, I work very hard and I owe it to myself and my family to keep some of the income that I earn, regardless of what I earn. 'Part of your income is yours to keep' in the words of the Richest Man in Babylon by George Clason.

TIP #2

Consider and Define your Financial Goals and make Appropriate Investments Towards These

Sequentially, now that you are operating with the mindset from Tip #1 of keeping part of your income for yourself, then comes the necessity to actually make appropriate investments with this money.

In doing so, how and what you invest in should start with a clear understanding of what it is that you would like to achieve financially; that is in visualising and clearly articulating what your financial goals are. A further factor in determining appropriate investments is understanding what tolerance for risk you have in making investments.

It is not culturally the norm to have clearly defined financial goals, and therefore the process may take some discussion with you and your family before you get to a clearer picture. In this process, the use of a skilled adviser can really add value in helping you make a vague idea more concrete.

So why do this? The answer is that having defined goals channels the efforts in a clearer fashion towards achieving these outcomes. That is the very process of realising and articulating your own goals actually assists you in achieving them. Similar to setting yourself a goal of running the city to surf in under an hour next year; realising that this is what you wish to do is key and then the path to getting there can start to unfold.

Having done this, there are some, especially of high intelligence that hesitate and hold back in making (prudent) investments. Where you have the correct resources available, and have realised the path in which you wish to head, then you do need to act to invest in order to give yourself every opportunity of reaching the intended destination.

TIP #3

Always Take Care in Specifically What You are Investing in and Consider the Risks and Possible Negative Outcomes

Investment in anything involves risk. The key is to be clear what kind of risks are present with any particular investment and ask yourself whether what you are investing in makes sense. Careful to not be guided by populist thought of the day or by comments such as 'you can't lose'.

As well as thinking about what the positive or ideal outcomes of an investment may be, you should also understand what are the possible negative outcomes or what might this look like if it doesn't eventuate exactly to plan. If you can handle the potential negative outcomes (sleep test) then this is a good sign.

Here is a check list of questions to ask yourself with any investment:

- *Specifically why is it a good idea that I invest in this particular asset now?*
- *What are the likely financial outcomes, what can I reasonably expect out of this?*
- *Do the financial outcomes assist me in working towards my own financial goals?*
- *How long am I willing to hold this investment?*
- *Do the economic conditions of the current time and in the next five years support this invest-ment giving a good long term return?*
- *What are the downside risks that I need to consider?*
- *What are the costs that are associated with this investment?*
- *Have I got a contingency buffer factored in (good idea)?*
- *What about the people involved in this investment, are they of sound character, reputable and to be relied on?*
- *Do I have all relevant information to make a good decision? Do I need to seek specialist advice to help me in doing so?*
- *What are the psychological and emotional factors relevant to this investment for me? Am I giving them a balanced weight or too much, too little?*

TIP #4

Being Contrarian, in the Heart of Recessionary Periods are the Biggest Opportunities

As Warren Buffett, one of the world's most successful investors has said “We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful”. Often recessionary or negative economic periods are characterised by fear, gloom and a somewhat bleak outlook. At these times, however this can be overdone. As a result, opportunity can emerge. Naturally good analysis is absolutely key, to sort the wheat from the chaff.

Another of Warren Buffett's sayings is “Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down”. Therefore the second part to the above is that accumulating quality investments when others have discounted their value too much because of economic circumstances, can provide you with excellent opportunities.

Having the resources to take advantage of good opportunities is key.

If there are no good opportunities for investment, it is ok to be patient, accumulate resources and wait. When there are very good opportunities available, this will simply mean you are in a sound position to take advantage of them.

TIP #5

Be Aware of the Psychological Factors Present with Investments

Psychology pervades everything that we do. No doubt you deal with it and human emotion in your life and work daily.

Investment is no different. Human psychology can dramatically affect an investment, and if one is not conscious and aware of this fact, it can and has ended up, causing poor results. This includes selling investments at the wrong time and buying them because hype and psychological factors in the general market place can easily take over one's thinking.

Be aware that this is a big factor.

The trick is to approach investment with equanimity and to insulate your thoughts from the current day mainstream economic psychology for long enough to understand whether what you are looking to do makes sense for you.

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