

Strategies for Wealth Creation

~ Janet Baccarani and Jennifer Black

Are you trying to reinvent the wheel?

Why spend your time and effort trying to come up with a different way to get the same results?

If you want to be a successful investor, then you should look at the choices made by people who have successfully created wealth for themselves. If you analyze the attributes of wealthy people, and the investing strategies that are common among them, you will discover a repeating pattern.

We recently asked Michael Lee-Chin to speak to a group of our clients and invited guests. He offered us his thought-provoking insights on wealth creation. Michael Lee-Chin is a self-made billionaire, and one of Canada's wealthiest businessmen who implemented the principles of his role model, Warren Buffett, to create his wealth. In his speech, Michael Lee-Chin stated that the one way to create wealth involves five common elements. These are common practices of wealthy people which you may want to emulate:

Own a few, but very high quality businesses. It is not necessary to accumulate a large number of holdings or to buy and sell repeatedly. The value of a high quality business remains stable, regardless of fluctuations in the stock market.

Understand the businesses you own very well. These may not be the kind of businesses that attract speculative attention. Rather than grabbing the latest hot stock, wealthy people choose to own businesses where they have a thorough understanding of what the company does. They will take the time to analyze the industry, competing companies, and the business itself.

Choose excellent businesses. They should have an honest and competent management team, great reputation, sustainable growth, significant cash flow, satisfied shareholders and should be domiciled in strong long term growth industries. An attractive stock price is also desirable at entry point.

Use other people's money. Most people simply put aside a little each month to gradually build up their nest egg, rather than borrowing to invest. When that same amount of monthly savings is used to pay the tax deductible interest on an investment loan, it's possible to make a substantially larger investment from the start. Your investment will generate more growth over the same time period.

Invest for the long term. For any investments to develop into real wealth, it takes patience, discipline, and commitment. While the stock market fluctuates, it may be difficult to keep from having an emotionally panicked response. Successful investors know that the long term outcome will work in their favour because they have chosen their investments wisely. They remain committed to their plan.

As an individual investor, it's important to start with a comprehensive financial plan. You can set realistic and achievable goals which allow you to invest with a purpose. Once you make the commitment, consult a personal financial advisor who will help you plan and start building your wealth. Now is a great time.

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