Why Don't All Affluent People Become Wealthy?

Perception, hesitation, & poor decisions are factors.

Presented by Greg B. Thomas

Why do some people let their potential for lifetime wealth slip away? Some people are better off economically at 30 or 40 than they are at 50 or 60. In some cases, fate deals them a bad hand. In other cases, bad decisions and inaction are to blame.

Some buy depreciating assets, instead of allowing assets to appreciate. They rack up debt and live on margin. What are they spending so much on? It isn't just consumer staples – it's not unusual for a family to "keep up with the Joneses" and buy the latest nonessential items. Contrary to the bumper sticker, the person who dies with the most toys does not necessarily win. In fact, that person may leave a pile of debt and little savings behind. Today's hottest cars, clothes, flat screens, phones, and tablets may be tomorrow's junk and clutter.

Some never create a retirement strategy. For many, there are opportunities to save and invest, whether it be through a traditional IRA or a workplace retirement account. While it's true that, like any investment, these strategies do not always show positive results, and that past performance is no guarantee of future returns. It's also true that many employers and financial professionals offer these choices, and in the case of workplace retirement accounts, matching contributions from your employer may be an opportunity to heighten your savings power. That being said, not everyone takes advantage of these opportunities.[1]

Some never build up an emergency fund. Financial challenges will arise, and a rainy day fund can help you meet them. Even the wealthy need cash reserves. Striving to save for that rainy day also helps to promote good, lifelong saving habits.

Some invest without a strategy. Chasing the return at any cost, impulsive stock picking, and market timing – these are behaviors that may lead to frustration instead of financial freedom. Instant wealth seldom comes from picking a hot stock or fund; indeed, that wealth may be fleeting. These ideas don't stop people from hazardously assigning an excessive portion of their assets to one investment.

Some accept a "forever middle class" mindset. Some people define themselves as middle class and accept that definition all their lives. The danger is that this can amount to a kind of psychological barrier, a sense that "this is it" and that "getting rich" is for others.

Behavior & belief may count as much as effort. It takes some initiative to create lifetime wealth from present-day affluence, but a person's outlook on money (and view of the purpose of money) can influence that effort – for better or worse.

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1 - thebalance.com/maximizing-401k-match-2894175 [1/21/19]