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Speaker 1

Welcome, my name is Andrew Baron and this is Well... It Depends! The podcast where I present the pros and cons of different financial decisions so that you, the audience, feel better informed when you're confronted with these decisions in your own life. In this episode, I asked the question, how do I build wealth after a delayed start? But before we began a short disclaimer, this is being recorded on April 25th, 2023.

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The contents of this podcast are strictly for informational purposes only, and nothing said is to be taken as investment, tax or legal advice. It is important to discuss the situation with a professional before making any financial decisions as the strategies discussed, may not be suitable for you specifically. First off, what do we mean by delayed beginning? This could refer to a number of things, including someone who had a late start in their career, had a major financial setback, or perhaps just didn't prioritize saving and investing at the beginning.

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Whatever the case is, it's never too late to start building wealth and there are a number of strategies you consider to get there. First, reevaluating your budget and priorities. This is the main reason people aren't where they want to be in terms of wealth building is because they haven't been prioritizing wealth building and instead have been living above their means.

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If instead you go back and refocus on what's important to you, you can cut back on unnecessary expenses such as things like splurge spending as well as luxuries such as vacations and nights out. This may be difficult initially if you have an undisciplined approach to spending, and you may also get pushback from family members if they've become accustomed to a certain lifestyle.

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Another strategy to employ is setting aside money for a dedicated emergency fund. Another reason people are behind on wealth accumulation is that every time something unexpected in life happens, they either have to put it on a credit card or otherwise disrupt their cash flow. By having a dedicated emergency fund, whenever something unexpected happens, you'll be better able to handle it.

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Some people might not be satisfied with the interest rates that cash accounts have, instead might be more incentivized by having investment returns. But remember, the purpose of this account is to be able to handle the unexpected events in life so that there's funds set aside so you don't disrupt your otherwise saving strategies. As I said previously, if you have been living above your means, you may have accumulated credit card debt.

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This can be especially harmful to wealth building if you are paying double digit or even 20% interest rates. Instead, you need to make this a focus and get your debt to manageable levels or ideally zero. Then you'll be able to use these resources for other wealth building activities. Which leads me into my next point of prioritizing retirement accounts.

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Retirement accounts are especially beneficial for long term wealth accumulation because of the tax advantaged feature. This means that as the money accumulates, you don't pay taxes every year in comparison to taxable accounts. If you have an employer match, this can really boost your savings as your employer makes additional contributions besides what you already make on your own. Another strategy to consider is investing in yourself.

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Depending what stage career you're at, this may mean a number of different things. Whether it be going back to school, obtaining certifications or learning a new skill. In either case, by increasing your value,

you become more valuable to both your current employer and the marketplace, in which case you can go ask for more money or obtain a better paying job.

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Increasing your income is one of the best ways to increase your wealth long term, assuming you keep your lifestyle costs in check. However, investing in yourself does have substantial costs in both time and money. If this is too much of a commitment for you, you may instead consider side gig work or part time. One of the benefits to this is you can use all of your profits for dedicated savings regardless of what you do on your regular job.

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This can really supplement and boost your income overall. To recap, there are a number of different strategies you can employ to increase your wealth after delayed start, such as reevaluating your budget, building a dedicated emergency fund, prioritizing paying down high interest debt, building and accumulating money in retirement accounts, investing yourself or perhaps starting a side gig. As you'll notice, all of these have in common is sacrificing a little bit today so that you can enjoy tomorrow.

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So to answer the question, how do I build wealth after delayed start? Well... It Depends!

Speaker 1: Andrew Baron, CFP®, EA.