4 Critical Traits You Need to Build Wealth

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For many people, success is synonymous with wealth or celebrity. Consequently, libraries and booksellers offer thousands of books, studies and articles with advice on how to get rich.

Authors of get-rich schemes target a growing audience that believes there is hidden knowledge about accumulating wealth. The gullible spend thousands of dollars in a quest to find a guru willing to disclose the formula for amassing wealth. Modern authors have flooded store shelves with their advice, tips and secrets, capitalizing on the demand. Their audiences overlook the reality that money flows not to the buyer of a book or attendee at a seminar, but to the author and presenter.

The need for action

Wealth is not gained by passively reading or listening, but by action. Knowledge is potential or stored energy, essentially worthless until used and turned into deeds. Actions — not thoughts — create wealth by developing a new industry (like Elon Musk) or investing (like Warren Buffett).

There are no secrets or shortcuts to riches (excluding marriage to a wealthy spouse). However, those at the top of the financial pyramid typically exhibit specific characteristics.

Four critical traits of wealth building

The habits of those who achieve uncommon success are not inherited but learned and practiced. Instilling these traits is neither easy nor difficult but deliberate and continuous. While some might have natural tendencies for one or the other attributes, they are available to everyone.

Focus

Everyday life is full of distractions on every level. Some are significant, but most are inconsequential. Focus is the ability to set a goal and concentrate solely on it until achieved. The acquisition of wealth is a journey of years, if not a lifetime. While good luck can affect the length of travel, the gift of sudden fortune is granted very few.

Most fortunes are built slowly by consistently investing a portion of one's earnings wisely. Focus on your destination, and you avoid the lost time, energy and capital of detours, wrong directions and chance. Paul Samuelson, the first American to win the Nobel Prize for economics, advises, "Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas."

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Self-discipline

The yin to the yang of focus is self-discipline, which is the ability to control one's thoughts and actions. Some have also defined discipline as "the ability to defer gratification." Investment requires saving a portion of your income regularly for tomorrow, like, denying the instant pleasure of today's

purchase. Those who cannot control their spending rarely make or keep a fortune.

Most successful people are not extraordinarily gifted or have genius-level IQs, but ordinary people who learn to link today's actions with tomorrow's results. To paraphrase humorist Will Rogers, self-discipline enables you to avoid spending money that you don't have to buy things that you don't need to impress people you don't like.

Expertise

Many confuse knowledge with expertise. The former comes from reading and experience; expertise is an ability to use knowledge to obtain specific outcomes.

An example of the difference is that between a physician and a surgeon. Both are medical doctors, though physicians lack the skill gained from hours in an operating room while managing the patient's overall health. Similarly, surgeons usually lack the general diagnostic skills of the physician. Both occupations require specific expertise to excel at their profession. Experts recognize and compensate for potential complications or failure, adjusting as needed to stay on course.

Successful investors need knowledge of such disciplines of accounting, finance and security analysis obtained through study. However, expertise develops through consistent, objective application of the knowledge, or what researchers call "deliberate practice." Moreover, it requires practice on the things you don't do well. Research shows that it is only by working at what you can't do that you turn into the expert you want to become. Experts are made, not born.

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Risk management

Because the future is unknown, all aspects of human existence bear risk. Successful investors must understand the types of risks inherent in action and minimize the likelihood of occurring (frequency) and the loss associated with an occurrence (magnitude). The investment philosophy of George Soros, one of the most successful investors of all time, focuses on potential investment losses. In his words, “It’s not whether you’re right or wrong that’s important, but how much money you make when you’re right and how much you lose when you’re wrong.”

Investors can manage their investments to reduce potential losses by:

1. **Knowing their risk tolerance**. People vary in their comfort when they assume a risk. A high-risk investment is likely to be volatile with price changes that ignite extreme investor emotions. The rule of thumb is that any investment that causes the investor to lose sleep is an investment to avoid.
2. **Ensuring potential return consistently exceeds possible loss**. Consider the flipping of a coin where the outcome is 50/50 heads or tails. Investing in a coin flip to gain only as much as you could lose is a gamble, not an investment. On the other hand, investing with a 10% chance of a 100 times payoff could be worthwhile depending on the amount invested.
3. **Exercising investment risk reduction tactics**. A recommended practice is avoiding or reducing an assumed risk by diversification or similar strategies.

The road to riches is often long, filled with potholes and misdirection. Many begin the journey and discover that the exclusive pursuit of wealth is too demanding and that the tradeoffs between the present and the future are too great. In the words of the author, artist and poet Julia Cameron, “What

we really want to do is what we are really meant to do. When we do what we are meant to do, money comes to us, doors open for us, we feel useful, and the work we do feels like play to us."

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