

# WHY INVESTING IS SO IMPORTANT *IN WEALTH BUILDING*



**Marion Mays** of *Thalia Stanley Group* states that it's not enough anymore to simply earn money. Instead, she claims we must adjust our focus to how we can acquire assets, and thus how we can become financially stable and independent. She writes about how having sole reliance on income, or a financial adviser for that matter, is where many people fall short in building their wealth and investment portfolios.

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## **FINANCIAL LITERACY GAP**

It has become strikingly apparent how little people truly understand about what it is to build wealth. Few people have been taught about the concept of wealth creation, even amongst successful businessmen and women.

Sadly, this is a reflection of a culture that does not promote financial literacy. When we can enlist others to manage our finances, why should we have to know how to do it ourselves? There is currently a large gap in financial education within schools. As a result, individuals grow to see finance as an intellectual concept that is unattainable to the ordinary person. In this absence of financial literacy, there is a significant financial leakage and lack of investing know-how. This only becomes apparent in later life, when it is almost too late. The importance of building an investment portfolio and practicing smart money behaviours is a vital activity. Relying purely on income to build wealth has often become an ineffective strategy within the modern economy.

## **PROPERTY INVESTING**

There are many ways to build wealth. Yet, given interest rates are the lowest they have been in over 40 years, now is a better time than ever to begin investing in property. Property, unlike shares, is a relatively stable market and has a simplicity that other investment strategies simply do not. Australia has a high rental demand and housing shortage, which makes property investment a safe and profitable strategy for wealth building. Increased demand leads to increased competitiveness and increased profit. It's certainly not hard to see why many lean toward the property sector.

Some business owners have begun leveraging company money for their own property portfolios. It's a smart move that carries the message that simply owning a business or having an income no longer cuts it when retirement comes around. More often than not, owners with great businesses waste wealth building potential by failing to create assets and then are left with little to show for their years of hard work.

When done well, investing in the property market sees small

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'values' often taking a little time to grow. With a deposit of as little as 5 to 10 per cent, one can purchase an investment property. Comparing this to shares, where substantial self funding is required, the benefits are immeasurable.

## **WHAT'S STOPPING US?**

Often what prevents people from beginning their investment portfolios is a fear of the unknown and a fear of making mistakes. Then there's the 'd' word. The term 'debt' has generated such negative connotations that we avoid it like the plague. However, there is a distinction between 'good' and 'bad' debt.

Accumulating 'good debt' usually relates to borrowing for assets that go up in value over time

and in circumstances where the debt is deductible under tax law. An example of good debt is borrowing to buy an investment property. If you buy well, the price of the property should grow by more than inflation and the rent money from tenants will accumulate, all whilst interest and other expenses will help legally reduce tax. With the right kind of debt, you can maximize gains to help achieve your financial goals sooner. So, debt can be a productive tool; it doesn't always have to be feared. A great starting place is a basic education in financial literacy to remove the fear of not understanding. The truth about building wealth is simple and logical and when the basic principals of financial literacy are applied, anyone from any walk of life is capable of bulding wealth. The struggle for most becomes that we must keep in mind that it is our consistent actions over a period of time that determine outcomes and therefore the quality of our lives.



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