Adam Hayes, Ph.D., CFA, is a financial writer with 15+ years Wall Street experience as a derivatives trader. Besides his extensive derivative trading expertise, Adam is an expert in economics and behavioral finance. Adam received his master's in economics from The New School for Social Research and his Ph.D. from the University of Wisconsin-Madison in sociology. He is a CFA charterholder as well as holding FINRA Series 7, 55 & 63 licenses. He currently researches and teaches economic sociology and the social studies of finance at the Hebrew University in Jerusalem.\n\nSuzanne is a content marketer, writer, and fact-checker.\u00a0She holds a Bachelor of Science in Finance degree from Bridgewater State University and helps develop content strategies.\n\nInvestopedia / Alice Morgan\n\nBuildingwealthtakes time, effort, and discipline. The good news is that anyone can follow proven strategies to grow and preserve wealth over the long term. The earlier you begin, the better your chances of success.\n\nBelow, we outline key principles for building wealth, including setting goals, managing debt, saving, investing, understanding taxes, and building strong credit. Let\u2019s take a closer look at how these principles can help you achieve your financial goals.\n\nThe first step in building wealth is earning money. While this might seem obvious, it\u2019s crucial\u2014you can\u2019t save or invest without income. You've probably seen charts showing that a small amount of money regularly saved and allowed tocompoundover time can eventually grow into a substantial sum. But those charts never answer this fundamental question: How do you get money to save in the first place?\n\nThere are two main ways to earn money:earned incomeorpassive income.\n\nTo maximize your earning potential:\n\nInvesting in your education and skills is an excellent way to maximize your earning potential. Advanced degrees, industry-specific certifications, and training programs are all helpful in building yourhuman capital. Just be sure to consider student loan debt in your calculations to be sure that your investment will pay off.\n\nClear financial goals are essential for wealth-building. Whether you aim to retire early, buy a home, or pay for your children\u2019s college, setting specific, measurable, and time-bound goals will help guide your financial plan.\n\nSimply making money won't help you build wealth if you end up spending it all. Moreover, if you don't have enough money for your bills or an emergency, you should prioritize saving enough above all else. Many experts recommend having three to six months' worth of income saved up for such situations.\n\nTo set more money aside for building wealth, consider these moves:\n\nKeep this in mind, too: You can only cut so much in costs. If your costs are already down to the bone, you should look into ways to increase your income.\n\nSetting a spending budget is one of the best ways to ensure you are saving enough. Cut back on excess and unnecessary spending and put the money in the bank instead.\n\nOnce you\u2019ve managed to set aside some money, the next step is investing it so that it will grow. Remember thatinterest rateson typical savings accounts tend to be very low, and your cash risks losing purchasing power over time toinflation.\n\nThe most important investing principle isdiversification\u2014spread your money across various investments to minimize risk. Simply put, your goal should be to spread your money among different types of investments. That\u2019s because investments perform differently at different times. For example, bonds may provide good returns if the stock market is on a losing streak. Or if Stock A is in a slump, Stock B may be on a tear.\n\nMutual funds provide some built-in diversification because they invest in many different securities. And you\u2019ll achieve greater diversification if you invest in both a stock fund and a bond fund (or several stock funds and several bond funds), for example, rather than just one or the other.\n\nAs another general rule, the younger you are, the more risk you can afford to take because you\u2019ll have more years to make up for any losses.\n\nIndex funds, such as those in your employer's 401(k) or IRA, are a type of mutual fund or ETF. These funds typically have lower fees than actively managed funds, making them a good entry point for new investors.\n\nInvestments vary in terms ofriskand potentialreturn. Generally, the safer they are, the lower their potential return, and vice versa.\n\nIf you aren\u2019t already familiar with the various types of investments, it\u2019s worth spending a little time reading up on them. While there are all kinds of exotic investments, most people will want to start with the basics:stocks,bonds, andmutual funds.\n\nBefore you start investing, make sure you have sufficient savings and money set aside to handle anyunexpected financial emergencies.\n\nYou\u2019ve worked hard to earn your money and grow your wealth.Insuranceis crucial to wealth-building, as it safeguards your assets against unexpected events. Essential types of insurance include:\n\nEven if you\u2019re young and healthy, buying life and disability insurance early can save money in the long run, as premiums increase with age. That means even if you are 25 years old and single, buying life insurance could be much more cost-effective than when you are 10 years older with a partner, children, and mortgage.\n\nTaxes are an often-overlooked drag on your wealth-building efforts. Of course, we are all subject to income tax and sales tax as we earn and spend money, but our investments and assets can also be taxed. That\u2019s why it is essential to understand yourtax exposuresand develop strategies to minimize their impact.\n\nThere are several strategies to reduce your taxable income:\n\nGiven a choice, an income-producing asset like a dividend-paying stock or corporate bond should be placed in a tax-advantaged account like a Roth IRA, where these payments will not triggertaxable events. A growth stock that will only produce capital gains (rather than income) might be better located in a taxable account.\n\nConsider talking with a qualified tax professional, such as an accountant or a certified public accountant (CPA), who can help you develop a tax strategy for your specific financial situation. By minimizing the impact of taxes, you can build wealth more effectively and preserve more of your hard-earned money over the long term.\n\nAs you build wealth, you\u2019ll start to find it worthwhile to take ondebtto fund various purchases or investments. You may pay for things with acredit cardto earn points or rewards. You might apply for amortgagefor a home or second home, ahome equity loanfor home improvements, or an auto loan to purchase a car. Maybe you\u2019ll want to take out a personal loan to help start a business or invest in someone else\u2019s.\n\nManaging your debt carefully is essential\u2014taking on too much debt could impede your progress toward your wealth-building goals. To manage debt, be mindful of yourdebt-to-income (DTI) ratioand make sure that your debt payments are manageable within your budget. You should also aim to pay off high-interest debt, such as credit card debt, as quickly as possible to avoid paying excessiveinterestcharges. Be wary of variable or adjustable interest rate products likeadjustable-rate mortgages (ARMs)or those withballoon payments, as changes to the economy or your personal circumstances can quickly cause those debts to become unmanageable.\n\nIf you fall into debt, your credit score can be negatively impacted, and if youdefaulton your debts, you could face personalbankruptcy.\n\nBuilding and maintaining a goodcredit scoreis important to growing and preserving your wealth over the long term. You\u2019ll enjoy a lower interest rate and better terms on your loans if you have a strongcredit historyand high credit score, which can save you thousands of dollars in interest charges over time.\n\nHere are a few key steps that you can take tomaintain a good credit score:\n\nBy following these steps and practicing good credit habits, you can maintain a good credit score and maximize your borrowing power over the long term.\n\nIf you have high-interest debt, such as many credit card charges, it usually makes sense to pay it off before you invest. Few investments ever pay as much as credit cards charge. Once you\u2019ve paid off your debt, redirect that extra money to savings and investments. Try to pay your credit card balance in full each month, whenever possible, to avoid owing interest in the future.\n\nMutual fund companies have differentminimum initial investmentrequirements to get started, often beginning at about $500. After that, you can usually invest less. Some mutual funds will waive their initial minimums if you commit to investing a regular sum each month. You can also buy mutual funds and exchange-traded funds (ETFs) through abrokerage firm, some of which charge nothing for opening an account.\n\nExchange-traded funds (ETFs) are investment pools much like mutual funds. A key difference is that their shares are traded onstock exchanges(rather than bought and sold through a particular fund company). They sometimes charge lower fees as well. You can also buy them with stocks and bonds through a brokerage firm.\n\nBuilding wealthis a marathon, not a sprint. It\u2019s a process of consistent saving, investing, and smart financial decisions. By starting early, focusing on diversification, protecting your assets, minimizing taxes, and managing debt, you\u2019ll set yourself up for long-term financial success.\n\nThe key is patience, discipline, and a clear plan. Celebrate your successes along the way and stay focused on your goals, adjusting your strategy as needed. Over time, your efforts will compound, leading to financial independence and wealth-building success.\n\nHarvard Business Review. \u201c9 Out of 10 People Are Willing to Earn Less Money to Do More-Meaningful Work.\u201d\n\nVanguard. \"What's the Right Emergency Fund Amount?\"\n\nFDIC. \"National Rates and Rate Caps.\"\n\nIRS. \"Roth Comparison Chart.\"\n\nIRS. \"Topic No. 409, Capital Gains and Losses.\"\n\nCharles Schwab. \"Short-Term vs. Long-Term Capital Gains Taxes.\"\n\nConsumer Financial Protection Bureau. \"Seven Factors That Determine Your Mortgage Interest Rate.\"

URL:
https://www.investopedia.com/articles/investing/052216/4-benefits-holding-stocks-long-term.asp

Title: Benefits of Holding Stocks for the Long Term

A long-term investment strategy entails holding investments for more than 12 months. This strategy includes holding assets like bonds, stocks, exchange-traded funds (ETFs), mutual funds, and more. It requires discipline and patience to take a long-term approach. That's because investors must be able to take on a certain amount of risk while they wait for higher rewards down the road.

Investing in stocks and holding them is one of the best ways to grow wealth over the long term. For example, the S&P 500 experienced annual losses in only 13 years between 1974 and 2023, demonstrating that the stock market generates returns much more often than it doesn't.

Key Takeaways

Better Long-Term Returns

The term asset class refers to a specific category of investments. They share the same characteristics and qualities, such as fixed-income assets (bonds) or equities, which are commonly called stocks. The asset class that's best for you depends on several factors, including your age, risk profile and tolerance, investment goals, and the amount of capital you have. But which asset classes are best for long-term investors?

If we look at several decades of asset class returns, we find that stocks have generally outperformed almost all other asset classes. The S&P 500 returned a geometric average of 9.80% per year between 1928 and 2023. This compares favorably to the 3.30% return for three-month Treasury bills (T-bills), the 4.86% return of 10-year Treasury notes, and the 6.55% return for gold, to name a few.

Emerging markets have some of the highest return potentials in the equity markets, but also carry the highest degree of risk. This class historically earned high average annual returns but short-term fluctuations have impacted their performance. For instance, the 10-year annualized return of the MSCI Emerging Markets Index was 4.02% as of Sept. 30, 2024.

Small and large caps have also delivered above-average returns. For instance, the 10-year return for the Russell 2000 index, which measures the performance of 2,000 small companies, was 8.39% as of Oct. 28, 2024. The large-cap Russell 1000 index had an average return of 13.15% for the last 10 years as of the same date.

Important

Riskier equity classes have historically delivered higher returns than their more conservative counterparts.

You Ride Out Highs and Lows

Stocks are considered long-term investments. This is, in part, because it's not unusual for stocks to drop 10% to 20% or more in value over a shorter period of time. Investors have the opportunity to ride out some of these highs and lows over a period of many years or even decades to generate a better long-term return.

Looking back at stock market returns since the 1920s, individuals have rarely lost money investing in the S&P 500 for a 20-year time period. Even considering setbacks, such as the Great Depression, Black Monday, the tech bubble, and the financial crisis, investors would have experienced gains had they made an investment in the S&P 500 and held it uninterrupted for 20 years.

While past results are no guarantee of future returns, it does suggest that long-term investing in stocks generally yields positive results if given enough time.

S&P Dow Jones Indices / Investopedia

Decisions May Be Less Emotional, More Lucrative

Let's face it, we're not as calm and rational as we claim to be. In fact, one of the inherent flaws in investor behavior is the tendency to be emotional. Many individuals claim to be long-term investors until the stock market begins falling, which is when they tend to withdraw their money to avoid additional losses.

Many investors fail to remain invested in stocks when a rebound occurs. In fact, they tend to jump back in only when most of the gains have already been achieved. This type of buy high, sell low behavior tends to cripple investor returns.

According to Dalbar's Quantitative Analysis of Investor Behavior study, the S&P 500 had an average annualized return of 9.65% during the 30-year period ending Dec. 31, 2022. During the same time frame, the average equity fund investor experienced an average annual return of about 6.81%.

There are a few reasons why this happens. Here are just a couple of them:

Investors who pay too much attention to the stock market tend to handicap their chances of success by trying to time the market too frequently. A simple long-term buy-and-hold strategy would have yielded far better results.

Lower Capital Gains Tax Rate

Profits that result from the sale of any capital assets end up in a capital gain. This includes any personal assets, such as furniture, or investments like stocks, bonds, and real estate.

An investor who sells a financial security after holding it for less than a year is taxed on any gains at a rate that's the same as ordinary income. These are referred to as short-term capital gains. Depending on the individual's adjusted gross income (AGI), this tax rate could be as high as 37%.

Any securities that are sold after being held for more than a year result in long-term capital gains. The gains are taxed at a maximum rate of just 20%. Investors in lower tax brackets may even qualify for a 0% long-term capital gains tax rate.

More Cost-Effective

One of the main benefits of a long-term investment approach is money. Keeping your stocks in your portfolio longer is more cost-effective than regular buying and selling because the longer you hold your investments, the fewer fees you have to pay. But how much does this all cost?

As we discussed in the last section, you save on taxes. Any gains from stock sales must be reported to the Internal Revenue Service (IRS). That ends up increasing your tax liability, which means more money out of your pocket. Remember, short-term capital gains can cost you more than if you hold your stocks for a longer period of time.

Then there are trading or transaction fees. How much you pay depends on the type of account you have and the investment firm that handles your portfolio. For instance, you may be charged a commission or markup, where the former is deducted when you buy and sell through a broker while markups are charged when the sale is directed through their own inventory. These costs are charged to your account whenever you trade stocks. This means your portfolio balance will drop with every sale you make.

In 2024, many active investors make trades through online brokerages that provide fee-free transactions. In these cases, you may not incur costs to complete some or all of your trades. However, it's still important for investors to weigh out the value of the time they spend on trades in comparison with the difference in performance between an active and a longer-term, buy-and-hold type of strategy.

Fast Fact

Firms often charge ongoing fees, such as account maintenance charges, that can also put a dent in your account balance. So if you're a regular trader with a short-term goal, your fees will add up even more when you factor in transaction fees.

Benefit From Compounding With Dividend Stocks

Dividends are corporate profits distributed by companies with a track record of success. These tend to be blue chips or defensive stocks. Defensive stocks are companies that do well regardless of how the economy performs or when the stock market drops.

These companies pay regular dividends—usually every quarter—to eligible shareholders, which means that you get to share in their success. While it may be tempting to cash them out, there's a very good reason why you should reinvest the dividends into the companies that pay them.

If you own any bonds or mutual funds, you'll know about how compound interest affects your investments. Compound interest is any interest calculated on the principal balance of your stock portfolio and any earlier interest you earned. This means that any interest (or dividends) that your stock portfolio accumulates compounds over time, thereby increasing the amount in your account in the long run.

Best Types of Stocks to Hold for the Long-Term

There are several things to consider when you want to purchase stocks. Consider your age, risk tolerance, and investment goals, among other things. Having a handle on all of this can help you figure out the kind of equity portfolio you can create in order to meet your goals. Here's a general guide you can follow as a starting point that you can tailor to your own situation:

As always, it's a good idea to consult with a financial professional, especially if you're new to the investment world.

Tip

If you're a millennial with your eyes on retirement, there are more resources here to help support your financial future.

What Are the Tax Benefits of Holding a Stock Long Term?

The IRS taxes capital gains based on short-term and long-term holdings. Short-term capital gains are taxed on assets sold within a single year of ownership while long-term gains are taxed on the sale of assets held for more than 12 months.

Short-term capital gains are treated as ordinary income, which means you could be taxed as high as 37% based on your tax bracket. Long-term gains, on the other hand, are only subject to a tax of 0%, 15%, or 20%. The rate depends on your adjusted gross income and filing status.

How Long Do You Have to Hold a Stock for It to Be Considered Long Term?

As with any asset, you must hold a stock for a minimum of 12 months in order for it to be considered a long-term investment. Anything under that is deemed a short-term holding.

Can You Sell a Stock Right After Buying It?

How long you can wait until you sell the stock after buying it depends on the broker. Some firms require that you wait a certain amount of time (at least until the settlement date) to sell your stock. Others allow a certain number of same-day transactions within your account. People who make more than the allotted number of trades within the same day are considered day or pattern traders and are generally required to keep a minimum balance in their accounts.

The Bottom Line

People who invest in stocks can benefit from many different trading strategies. Investors who have more experience and a higher amount of capital at their disposal may be able to ride the market waves and make money using short-term trading techniques. But that may not work for those who are just starting out or aren't able to tolerate too much risk. Holding stocks for the long-term can help you ride the highs and lows of the market and benefit from lower tax rates, and it tends to be less costly.

Title: Kitces.com - Advancing Knowledge in Financial Planning
URL: https://www.kitces.com/blog/

Want CE Credit for reading articles like this? Learn More! Ten Charts To Help Address Client Concerns On Recession Fears, Tariff Risks, And Market Volatility March 26, 2025 07:03 am 0 Comments CATEGORY: Investments While financial markets tend to rise in the long run, short-term volatility can be alarming for investors. Recent swings have been driven by economic policy shifts, persistent inflation concerns, and geopolitical uncertainty – all of which may unnerve even the steadiest of clients. During turbulent periods like these, advisors play a critical role in helping clients maintain perspective and stay grounded. In this article, James Liu, CEO and founder of Clearnomics, and Lindsey Bell, the firm's Chief Market Strategist, present ten charts to help advisors contextualize the current market environment. Each visual is paired with talking points designed to help advisors reframe volatility in a way that speaks to clients' concerns. As a starting point, it's helpful to reinforce that investing success isn't about timing the market or picking winning stocks, sectors, or asset classes. Rather, it's about constructing a portfolio that aligns with a client's long-term goals. While stocks have recently declined, bond yields are above historical averages – highlighting the importance of maintaining a diversified mix. And while cash can feel safe, it often fails to keep pace with inflation, especially in turbulent markets. In that same vein, diversification remains the core of a healthy portfolio to protect against market corrections and underperformance, as no single asset class outperforms indefinitely. It may also be helpful to discuss the drivers of current market corrections. Advisors might acknowledge that inflation and political uncertainty often elicit market reactions, and that many economic policy decisions can be controversial and divide public opinion. Nevertheless, history shows that markets have performed well under both political parties. Much of what's happening now reflects companies adapting to present-day challenges – from higher input costs to shifting consumer demand. Advisors can guide clients' attention to where growth is happening and to areas of economic resilience – such as persistently low unemployment – that are often overlooked in negative news cycles. Finally, advisors can emphasize that while market corrections never feel good, they are a natural part of the investing cycle – just like market recoveries. And because recoveries are difficult to time, the best thing investors can do is to stay the course and focus on long-term goals. Advisors are uniquely positioned to offer not only perspective and education, but also empathy and reassurance during tough market periods when clients may need it most. The key point is that challenging market environments give advisors the opportunity to tailor talking points to a client's specific anxieties. Being well-informed about the market influences, remaining empathetic, and maintaining a long-term perspective are all crucial to guiding clients through market corrections. And, while unpleasant, tough market conditions offer a way for advisors to explain the critical role of a well-diversified portfolio, demonstrate their knowledge, and ultimately affirm their long-term value! Read More...

URL: https://www.investopedia.com/managing-wealth/simple-steps-building-wealth/

Title: 7 Simple Steps to Build Personal Wealth

Building wealth takes time, effort, and discipline. The good news is that anyone can follow proven strategies to grow and preserve wealth over the long term. The earlier you begin, the better your chances of success.

Below, we outline key principles for building wealth, including setting goals, managing debt, saving, investing, understanding taxes, and building strong credit. Let's take a closer look at how these principles can help you achieve your financial goals.

Key Takeaways

1. Earn Money

The first step in building wealth is earning money. While this might seem obvious, it's crucial—you can't save or invest without income. You've probably seen charts showing that a small amount of money regularly saved and allowed to compound over time can eventually grow into a substantial sum. But those charts never answer this fundamental question: How do you get money to save in the first place?

There are two main ways to earn money: earned income or passive income.

To maximize your earning potential:

Tip

Investing in your education and skills is an excellent way to maximize your earning potential. Advanced degrees, industry-specific certifications, and training programs are all helpful in building your human capital. Just be sure to consider student loan debt in your calculations to be sure that your investment will pay off.

2. Set Goals and Develop a Plan

Clear financial goals are essential for wealth-building. Whether you aim to retire early, buy a home, or pay for your children's college, setting specific, measurable, and time-bound goals will help guide your financial plan.

3. Save Money

Simply making money won't help you build wealth if you end up spending it all. Moreover, if you don't have enough money for your bills or an emergency, you should prioritize saving enough above all else. Many experts recommend having three to six months' worth of income saved up for such situations.

To set more money aside for building wealth, consider these moves:

Keep this in mind, too: You can only cut so much in costs. If your costs are already down to the bone, you should look into ways to increase your income.

Important

Setting a spending budget is one of the best ways to ensure you are saving enough. Cut back on excess and unnecessary spending and put the money in the bank instead.

4. Invest Money

Once you've managed to set aside some money, the next step is investing it so that it will grow. Remember that interest rates on typical savings accounts tend to be very low, and your cash risks losing purchasing power over time to inflation.

The most important investing principle is diversification—spread your money across various investments to minimize risk. Simply put, your goal should be to spread your money among different types of investments. That's because investments perform differently at different times. For example, bonds may provide good returns if the stock market is on a losing streak. Or if Stock A is in a slump, Stock B may be on a tear.

Mutual funds provide some built-in diversification because they invest in many different securities. And you'll achieve greater diversification if you invest in both a stock fund and a bond fund (or several stock funds and several bond funds), for example, rather than just one or the other.

As another general rule, the younger you are, the more risk you can afford to take because you'll have more years to make up for any losses.

Tip

Index funds, such as those in your employer's 401(k) or IRA, are a type of mutual fund or ETF. These funds typically have lower fees than actively managed funds, making them a good entry point for new investors.

Types of Investments

Investments vary in terms of risk and potential return. Generally, the safer they are, the lower their potential return, and vice versa.

If you aren't already familiar with the various types of investments, it's worth spending a little time reading up on them. While there are all kinds of exotic investments, most people will want to start with the basics: stocks, bonds, and mutual funds.

Tip

Before you start investing, make sure you have sufficient savings and money set aside to handle any unexpected financial emergencies.

5. Protect Your Assets

You've worked hard to earn your money and grow your wealth. Insurance is crucial to wealth-building, as it safeguards your assets against unexpected events. Essential types of insurance include:

Even if you're young and healthy, buying life and disability insurance early can save money in the long run, as premiums increase with age. That means even if you are 25 years old and single, buying life insurance could be much more cost-effective than when you are 10 years older with a partner, children, and mortgage.

6. Minimize the Impact of Taxes

Taxes are an often-overlooked drag on your wealth-building efforts. Of course, we are all subject to income tax and sales tax as we earn and spend money, but our investments and assets can also be taxed. That's why it is essential to understand your tax exposures and develop strategies to minimize their impact.

There are several strategies to reduce your taxable income:

Given a choice, an income-producing asset like a dividend-paying stock or corporate bond should be placed in a tax-advantaged account like a Roth IRA, where these payments will not trigger taxable events. A growth stock that will only produce capital gains (rather than income) might be better located in a taxable account.

Tip

Consider talking with a qualified tax professional, such as an accountant or a certified public accountant (CPA), who can help you develop a tax strategy for your specific financial situation. By minimizing the impact of taxes, you can build wealth more effectively and preserve more of your hard-earned money over the long term.

7. Manage Debt and Build Your Credit

As you build wealth, you'll start to find it worthwhile to take on debt to fund various purchases or investments. You may pay for things with a credit card to earn points or rewards. You might apply for a mortgage for a home or second home, a home equity loan for home improvements, or an auto loan to purchase a car. Maybe you'll want to take out a personal loan to help start a business or invest in someone else's.

Managing your debt carefully is essential—taking on too much debt could impede your progress toward your wealth-building goals. To manage debt, be mindful of your debt-to-income (DTI) ratio and make sure that your debt payments are manageable within your budget. You should also aim to pay off high-interest debt, such as credit card debt, as quickly as possible to avoid paying excessive interest charges. Be wary of variable or adjustable interest rate products like adjustable-rate mortgages (ARMs) or those with balloon payments, as changes to the economy or your personal circumstances can quickly cause those debts to become unmanageable.

If you fall into debt, your credit score can be negatively impacted, and if you default on your debts, you could face personal bankruptcy.

Maintaining a Good Credit Score

Building and maintaining a good credit score is important to growing and preserving your wealth over the long term. You'll enjoy a lower interest rate and better terms on your loans if you have a strong credit history and high credit score, which can save you thousands of dollars in interest charges over time.

Here are a few key steps that you can take to maintain a good credit score:

By following these steps and practicing good credit habits, you can maintain a good credit score and maximize your borrowing power over the long term.

Should I Pay Off Debt or Invest?

If you have high-interest debt, such as many credit card charges, it usually makes sense to pay it off before you invest. Few investments ever pay as much as credit cards charge. Once you've paid off your debt, redirect that extra money to savings and investments. Try to pay your credit card balance in full each month, whenever possible, to avoid owing interest in the future.

How Much Money Do I Need to Buy a Mutual Fund?

Mutual fund companies have different minimum initial investment requirements to get started, often beginning at about $500. After that, you can usually invest less. Some mutual funds will waive their initial minimums if you commit to investing a regular sum each month. You can also buy mutual funds and exchange-traded funds (ETFs) through a brokerage firm, some of which charge nothing for opening an account.

What Is an Exchange-Traded Fund (ETF)?

Exchange-traded funds (ETFs) are investment pools much like mutual funds. A key difference is that their shares are traded on stock exchanges (rather than bought and sold through a particular fund company). They sometimes charge lower fees as well. You can also buy them with stocks and bonds through a brokerage firm.

The Bottom Line

Building wealth is a marathon, not a sprint. It’s a process of consistent saving, investing, and smart financial decisions. By starting early, focusing on diversification, protecting your assets, minimizing taxes, and managing debt, you’ll set yourself up for long-term financial success.

The key is patience, discipline, and a clear plan. Celebrate your successes along the way and stay focused on your goals, adjusting your strategy as needed. Over time, your efforts will compound, leading to financial independence and wealth-building success.