



Finance And Investing

Building Wealth: Our Favorite Reads

by Rakshitha Arni Ravishankar

November 03, 2022



HBR Staff/dimdimich/Getty Images



Tweet



Post



Share



Save



Print

“Do you know the difference between wealth and income?” my uncle asked my cousin and I on a breezy Sunday morning. We were on a family vacation in the hills, and the last thing I wanted to think about was having a serious, [adult conversation about money](#).

“Umm, I think income is the money you make at work, and wealth is what you inherit,” I blurted out, struggling to hide the frustration in my voice.

“Not really,” he said. “Wealth is what you build with the income you earn. It’s about using the money you have to make more of it.”

At the time, my uncle’s explanation didn’t make a lot of sense to me. I nodded, let it go, and didn’t think more about it until a few years later when I finished grad school with massive debt from a student loan. The first job I took barely covered my expenses. I had to rely on a credit card, even when [I didn’t fully understand how credit worked](#). Living in a city as overpriced as New York (and later New Delhi) was a daily reminder of how expensive life could get.

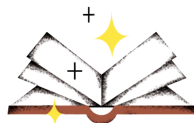
My uncle was right. Just trying to earn more money or [setting aside some savings](#) wouldn’t help me in the long run. To build a financially safe future, I had to find ways to create wealth.

While learning about financial planning can seem daunting at first, [money management skills are empowering](#). They make you more thoughtful about setting clear and achievable expectations. The key is to be consistent and start small, with daily practices that move you closer to your goals.

Here are some things that I’ve been working on over the last five years:

1. **Budgeting my income.** I follow the 50/30/20 rule where you put 50% of your income towards your immediate needs (rent, groceries, utilities, etc.), 30% of your income towards things you want (takeout, entertainment, vacations, etc.), and 20% towards your savings, loans, and investments.
2. **Creating an emergency fund, equal to my annual income.** This is all the liquid cash that you put aside for a rainy day. The number may feel big when you're just starting out but remember that this is a long-term effort. (Honestly, it's taken me more than four years to reach my goal.)
3. **Building a retirement fund.** The goal here is to set aside a retirement fund where you simply accumulate money (and earn interest on it) with the hope of saving enough to one day retire. You can build returns over time, which are usually much higher than the interest earned on a typical savings account. That said, it's a long-term strategy and your money may be locked in for a specific period of time.
4. **Creating a portfolio of multiple investments with different levels of risk.** The money you put in banks *is unlikely* to yield big returns and *is likely* to lose value over time with inflation. So, to increase the value of your money, invest it. Where? A few common places people invest include mutual funds, stocks, or bonds.

These are a few strategies I've learned along the way, but I'm no expert on this topic. So, here are some recommendations from our authors to inspire you.



Recommended Reads

How to Build Wealth When You Don't Come from Money

by Anne-Lyse Wealth

The first step is believing that wealth is accessible to you and believing that you are worthy of it, despite the systems designed to keep it from you.

4 Behaviors That Can Land You in a Credit Card Debt Trap

by Kiara Taylor

Before getting your credit card, ensure that you read the documentation carefully.

Want to Start Saving? Follow This Game Plan.

by Tori Dunlap

In this video, financial expert Tori Dunlap shares a step-by-step plan to help you start saving.

How to Make Smart Investments: A Beginner's Guide

by Matthew Blume

The major benefit of a long-term investment strategy is the possibility of compounding interest, or growth earned on growth.

What's the Point of Saving for Retirement in Your 20s?

by Andy Robinson

The earlier you start saving for retirement, the better.

Like what you see? This article is adapted from our weekly newsletter.

Readers Also Viewed These Items



Artificial Intelligence Set: How to Stay Competitive in an AI World

Special Offer

Buy Now



Harvard Business Review 20-Minute Manager Ultimate Boxed Set (16 Books)

Book

Buy Now



Subscribe to our Weekly Newsletter

Ascend

Career and life advice for young professionals.

Sign Up

Read more on **Finance and investing** or related topics

Personal growth and



Rakshitha Arni Ravishankar is an associate
editor at Ascend.



Tweet



Post



Share



Save



Print

Partner Center



Start my subscription!

Explore HBR

- The Latest
- Most Popular
- All Topics
- Magazine Archive
- The Big Idea
- Reading Lists
- Case Selections
- Video

HBR Store

- Article Reprints
- Books
- Cases
- Collections
- Magazine Issues
- HBR Guide Series
- HBR 20-Minute Managers

About HBR

- Contact Us
- Advertise with Us
- Information for
Booksellers/Retailers
- Masthead
- Global Editions
- Media Inquiries
- Guidelines for Authors

Manage My Account

- My Library
- Topic Feeds
- Orders
- Account Settings
- Email Preferences
- Account FAQ
- Help Center
- Contact Customer Service

Follow HBR

- Facebook
- Twitter
- LinkedIn
- Instagram
- Your Newsreader

Podcasts	HBR Emotional Intelligence Series	HBR Analytic Services	
Webinars		Copyright Permissions	
Data & Visuals	HBR Must Reads		
My Library	Tools		
Newsletters			
HBR Press			
HBR Ascend			



[About Us](#) | [Careers](#) | [Privacy Policy](#) | [Cookie Policy](#) | [Copyright Information](#) | [Trademark Policy](#)

Harvard Business Publishing: [Higher Education](#) | [Corporate Learning](#) | [Harvard Business Review](#) | [Harvard Business School](#)

Copyright ©2022 Harvard Business School Publishing. All rights reserved. Harvard Business Publishing is an affiliate of Harvard Business School.