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# Why Rich People Don't Invest In Index Funds. (Instead, They do These)

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As of now, many people, including me, suggest that you invest in index funds. From inception, the index fund has given stellar returns. Many people see an index fund as their retirement plan. As long as the US economy is stable and doing well, index fund investment will be one of the best options for most people.

But rich people don't invest in an index fund. They are more interested in multiplying wealth, and they choose a risky asset class.

### **They focus on building a business.**

No one can accumulate more than 10 million by doing 9 to 5 job. If you want to be filthy rich, then investing only in an index fund won't help you, and rich people understand this.

When you work for someone, the owner of the company makes tons of money by running that company, and you work for them.

Rich people build businesses. It takes time for the first 10 years, but it creates a massive cash flow for them. You can expand your business by reinvesting profits, marketing products, and giving good service.

Investing in business is like a money multiplier, and rich folks know this. Instead of investing in index funds, they use the same money and invest in businesses. They grow wealth exponentially by doing this from time to time.

### **They buy a risky asset class.**

I knew some people who bought land 15 years ago at a dirt-cheap price and are now selling it to builders at 20 times the price. They knew land prices would increase shortly, they invested, and they made money. At the same time, an index fund would have given you a 10 Percent yearly return.

Another asset class rich people invest in is private equity and startup investing. They become investors in small firms and make a lot of money as the firm grows.

Investing in a startup is risky, but it can be profitable if the startup turns into a small-cap or midcap company.

Rich People knew how and when to take risks. They have experience and hedge for taking risks. They make more money from the money they already have.

### **They change their investment style frequently.**

Many rich people made money during the dot-com bubble and cut positions before the market crash. During COVID-19, when everything was cheap, they invested in developing markets like India and tripled their money in three to four years.

The same thing happened when the Bitcoin bull rally happened. Now, retail folks are speculating about Bitcoin's value, but rich people have already made money.

### **They use an index fund for wealth preservation.**

Rich people invest in index funds for wealth preservation. The money they make from the business goes to an index fund when its PE is low. They buy when the index value is cheap, and sell the index when they require money for business, or find a good opportunity in another asset class.

Rich people invest for a long period, with a good cash flow, they never need to sell an index fund for expenses or buy real estate.

Instead, they pledge an index fund investment and use the money to fund the business. They play smart, save taxes, take loans and dirt-cheap prices, use mortgages to build businesses, and become rich day by day.

### **Learnings from Rich People.**

Your salary will never make you rich. Instead, you need to build a business to get out of the middle class. You need to have more than one source of income, multiple cash flows to build sustainable wealth.

Instead of playing it safe, retail investors can take risks by investing in risky asset classes like cryptos or private equity.

Investing in an index fund is a good idea, but focusing on making more money through business helps you to become rich instead of looking for the next multi-bagger stock.

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## Written by Saurabh Adhane

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Writer and software Engineer also loves photography and solo Travelling

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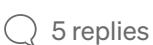
Your salary will never make you rich. Instead, you need to build a business to get out of the middle class.

Retired at 61 with net worth north of \$3M. Not filthy rich but well above middle class. Existing home equity is less than \$400k.

Other than the home I own (or owned at the time), only invested in land one time and actually suffered a slight loss when... [more](#)



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Chris Conn (formerly Myself)

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