ASSET MANAGEMENT COMMENTARY
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Financial Commentary

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In-depth commentary on current financial topics.

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Strike It Rich or Aim To Be? Three Sensible Ways to Hold On To Your Money

Do you often find yourself saying, "If I were rich, I would buy [fill in the blank]…?" There are a lot of ways people can think to spend their hard earned money the day they strike it rich, yet as some of the rich can attest, it isn't so easy to hang on to their wealth. Some say it's almost as tough to hold on to their money as it was to get it in the first place.

The rags to riches stories are all too common. You hear about the mega-million Lottery winners, star athletes and celebrities who fall from the stature they once worked so hard to earn – and they fall quickly. Many of these "fall from grace" stories are a result of money that has been mismanaged.

If you aspire to become rich, or for those fortunate enough to be well off, here are five ways you can hang on to your riches and avoid becoming another rags-to-riches-to-rags story.

#1 Be Smarter Than the IRS
High-income earning individuals pay the highest rates on their income taxes. As the saying goes about money, "You can't take it with you when you're gone." When you pass on, your heirs will be sought out by the IRS to collect on your income taxes. Not to mention that tax rates are as high as 40 percent for those with assets worth more than $5 million.[1] Instead, invest your hard-earned wealth in a tax-deferred retirement account like an IRA or 401(k), and consult with an attorney to settle any legal affairs to ensure your money goes to loved ones and nowhere else.

#2 Set Firm Goals
The rich know their goal is to continue making money and they often don't apologize for it. They make firm goals and go after them head on. While those who earn less money may go after money-making opportunities wherever they lie, the rich are seen as a group who fixate on a specific goal versus taking a scattered approach to making money.

#3 The More You Have, The Easier It Is To Lose
While the earlier point states that the rich focus intently on a single goal – to continue making money they also must be careful and logical in their decisions. The richer you are the more you have to lose. A car accident or other litigious circumstance could turn into a legal headache for a person with deep pockets – often a huge target in these situations. Just be sure to have adequate insurance coverage to handle the extent of any legal damage that could come your way. Speak with an insurer about purchasing liability coverage outside of the traditional auto coverage and homeowners' policy to cover you in the case of an extraordinary claim.

#4 The Rich Often Live Below Their Means
It may seem unbelievable, but many of the rich (mainly those who keep a lower profile) say they hold on to their wealth by not spending it. Average wealthy people live more modestly, forgoing the expensive private jets or gaudy homes that you often see the high-profile rich flashing around. It's called getting "quietly rich." Many of the rich want to be free; free of economic limitations or the chances they could lose what they're earned. This reason alone is enough to drive the rich to spend wisely to maintain their wealth for years to come.

Whether you are rich or aspiring to be rich, in your back pocket should be a professional financial advisor. An advisor will help guide your financial investments, spending and savings to ensure your money continues working for you and your loved ones over the long run.

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[1] http://www.bna.com/return-2009-estate-n17179873317/