

Most every American’s goal is to save enough money to enjoy their golden years of retirement, but how do we get there? And how can we enjoy life along the way? Some answers can be found in simple, consistent every day steps. And we don’t mean just skipping your favorite Starbucks latte every morning; although it might. We have written about some of the key lessons every American who wants to achieve wealth accumulation should know. This article will show you the **Key Lessons of Financial Success You Don't Learn In School**!

**Keep time on your side**

Long term growth and the accumulation of wealth happens over time. The more time you have, the more your money can grow. This is the value of *compounding interest* and arguably the most important key to investing. Compounding interest, is the snowball effect of earnings you accumulate from earnings you already accumulated. For example, if you invest $1,000 today and your investment earns 5% per year at the end of year one you will have $1,050; at the end of year two $1,102.50. You’ll earn an extra $2.50 on your investment because of interest earned in year one. That may not seem like a big deal but over the long term compounding interest really makes a difference. If you let that $1,000 stay invested for 40 years at 5% you would have over $7,000. Now that’s not to say every year your investment will grow by 5%. A look at history tells us that some years the market has returned far more than 5% and some years far less than 5% which bring us to our next lesson.

**The path isn’t always smooth & there will be bumps**

If you already have an investment account, you will know that not every year achieves a positive return. The turbulent markets can and will have an unnerving effect on some people. Those who have learned the key lessons though, know this is the best time to dive in head first when you’re looking for long term growth. Economic, social, political and other factors cause the market to fall, temporarily. While some declines last longer than others, none of them have lasted forever. Since the inception of the S&P 500 in 1957 (commonly referred to as “the market” as it tracks 500 American companies thought to encompass our economy); the S&P has returned a whopping 55,930% return1!! That means if you invested $100 in the S&P in 1957 & reinvested your dividends (dividends are payments made to investors), you could have over $56,000 today. It also means when the market declines and experiences a *Bear Market*, you don’t panic, sell your investments and hide the cash under your mattress where it earns no interest; and you more than likely lost much of the earnings you had accumulated thus far. Bringing us to the second most important lesson in investing.



**Embrace the Bear when thinking long term (A Bear Market experiences prolonged declines)**

In March of 2020, when Coronavirus seemed to bring the world to screeching halt, the S&P hit a low of nearly 2,200 points. But when the world didn’t actually come to a screeching halt, businesses found ways to stay open, and life carried on, the market climbed back up nearly 70% by year’s end2. The climb didn’t stop there either, by November of 2021, just 20 months later, the market had doubled from its March lows. A solid return if you invested your April 2020 tax return or any stimulus payments into an investment fund around this time. The simplest way to embrace a bear market is to consistently add money to an investment account. For many people, the most accessible investment account is a workplace retirement plan such as a 401(k) or a 403(b). Adding money each week or every other week enables you to buy into the market at various prices, inadvertently purchasing more market share when the prices are lower during market downturns. This practice is commonly referred to as *Dollar Cost Averaging.* Dollar cost averaging is the practice of investing a set dollar amount at set intervals, consistently. This enables you to buy more shares when prices are lower and less shares when prices are higher. The long term effects of this practice will be monumental on your wealth accumulation journey. But do be sure you have protected yourself from needing to access your invested funds in the short term.



**Always keep some cash around**

If you need your funds in the near future you may not be able to weather the storm of a market decline. Keep some money close by where you can access it quickly, such as a bank savings account in case of emergency. You won’t make much in interest but you won’t be losing money if you need some extra cash during a downturn. Keeping 3-6 months’ worth of living expenses in an easily accessible account is a must for those looking to accumulate wealth over the long term.

**Paying some interest can be okay and could actually help you build wealth**

Prioritize your debts by paying the highest interest rates first, especially credit cards. Lower interest rate debts, like a car loan or federal student loan, might seem enticing to pay off early; but paying that debt could cost you more money in the long run. In some cases, it could make sense to take extra money and invest it instead of applying an additional payment to these loans. History shows over the past 50 years the S&P 500 has returned an average of over 10%1 if you reinvest the dividends. Paying off your loan early means you could be losing out on earning higher interest somewhere else.

**Protect your earnings potentials**

Steady growth and investing is not possible if you aren’t able to earn a living. Your golden years of retirement will depend on you saving over your lifetime. A sudden illness or injury can be catastrophic to your long term goals. Consider disability insurance to help keep the money coming in even when you aren’t able to work for a period of time. Many employers offer disability insurance to employees with premiums paid directly out of your paycheck. Plans differ in the amount of income they will provide and how long they will pay you, so be sure you know what you are buying.

**Providing for your loved ones, even if you aren’t here**

There are many **Key Lessons of Financial Success You Don't Learn In School** and this is a very important one. We have all seen a tragedy strike a young family without a moment’s notice. The abrupt loss of a loved one is never easy, but for some families the life after a loss is unimaginable. End of life expenses and the loss of a second income can make it really hard on the living spouse, especially if they have children. Life insurance can help ease the burden and provide for your family after you’re gone. Instead of using saved funds to provide for everyday living expenses. Life insurance is generally tax free too so it can be a good way to provide for your heirs after you’re gone. Always consult an insurance professional as to which type of life insurance is best for you and your family.

**Building Wealth is a Journey**

Building wealth is a journey, it takes consistent steps every day to get you to the destination. The longer you save, the more your money can grow and the less you will need to save to get to your end goal. Putting savings off to another day, week or year will cost you and your future. The most important key to building your retirement is start early, even if it’s less money contributed today than you think you could contribute tomorrow. Start young, start small & your dedication will be rewarded. You now know some very important key lessons to get you on the right track to wealth accumulation, the independence to enjoy your golden years of retirement, and every day in between.

*We hope Key Lessons of Financial Success You Don't Learn In School is very helpful! For other helpful articles, visit our website at* [*RevolutionaryFP*](https://www.revolutionaryfp.com/) *or follow us on Facebook* [*www.facebook.com/TeamJonesHalliday*](https://www.facebook.com/TeamJonesHalliday)

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