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7 INDISPENSABLE STEPS IN BUILDING WEALTH

Rules of thumb, one-size-fits-all ideas and trendy tips don't build wealth, but a strategy tailored for you can help ensure you're well prepared for the future.

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WEALTH

We are bombarded with financial advice from various corners, be it the internet, family or friends. While some tidbits may seem sound, they often lack depth and long-term vision, focusing more on immediate gains rather than comprehensive wealth building.

Conventional wisdom such as paying off mortgages quickly, maxing out 401(k)s or buying only term insurance can be too shortsighted and, while well-intentioned, can lead to significant problems down the line. For instance, retirees who have aggressively paid off their low-interest mortgages may regret missing investment opportunities to grow their wealth when interest rates rise. Those who deferred taxes through retirement savings may face substantial tax burdens in their golden years.

THINKING DIFFERENTLY

Wealth isn't created by following rules of thumb, random one-size-fits-all fixes or chasing trending financial tips. Instead, developing a custom, tailored strategy facilitates wealth creation and prepares you for the future. What I find is that many people are often comfortable following ideas shared by their friends and coworkers, but the wealthiest clients we work with aren't doing the same things as the 99%; they're operating on an entirely different plane.

When I started my consulting firm at the age of 21, many thought it was risky and anticipated my failure. I was told to find a steady job with a steady paycheck. Fast-forward four years, and I had grown my business and was earning a six-figure income. I set out to do things differently, and the success came from making informed, strategic decisions and resisting the wide path everyone else was following.

So, I encourage people to avoid rushing and applying random tidbits of information without first creating a comprehensive wealth strategy. It begins with understanding best practices of our most successful clients to help reshape your thinking in seven steps.

STEP
01

Know how your cash is flowing



The first step in building wealth is understanding your cash flow. Cash flow isn't about monthly budgeting; it's a 12-month road map that outlines where your money will go, including savings, investments and day-to-day expenses. It is a process of assigning your resources to specific priorities that help move you closer to your goals.

Effective cash flow management is about abundance and a focus on wealth creation. Budgeting, on the other hand, operates on scarcity and measures success by such things as paying off debt or simply making ends meet. Wealth doesn't magically form out of scarcity.

STEP
02

Know your investment risk tolerance

Risk tolerance is personal and varies from one individual to another. I often find that many investors carry far too much risk for their stated tolerance levels but have no way of gauging what risk they are carrying,

It's crucial to know where you fall on the risk spectrum and to work with a professional to help tailor your investment strategy. To assist, there are various risk tolerance tests available that can help provide insights into your comfort level with different investment types to help you communicate with a professional. [You can learn your risk score by completing this questionnaire.](#)



STEP
03

Learn tax allocation



Managing taxes is an essential aspect of wealth management. Depending on your level of wealth now or in the future, taxes can be 10% on the low side and upwards of 40%-plus on the higher end of your earnings. Knowing how to help mitigate tax liabilities is an essential aspect to building and keeping wealth.

And while tax deferral methods, like 401(k)s, can be useful in some situations, they are not what we would consider comprehensive tax strategies. A deferral is not a savings — it is another way of saying “delaying the inevitable.”

Knowing how to allocate assets to mitigate tax liability requires an understanding of your entire financial picture. This includes knowing how to title assets, where to save money and which investment vehicles to choose or avoid.

Hiring a team of professionals is essential for making the most of the opportunities available to you. A professional trio of a certified public accountant (CPA), Certified Private Wealth Advisor (CPWA®) and tax attorney are recommended. Wise people have many counselors.

STEP
04

Understand investment verticals

The next step relates to portfolio diversifications. I am a visual person, and when I describe diversification, I often refer to the stock market as a vertical landscape. For instance, the more public market investments that are acquired (stocks, bonds, mutual funds), the deeper the portfolio vertically grows, but adding more of the same thing to your portfolio doesn't mitigate the exposure to the risk you're trying to diversify away from.

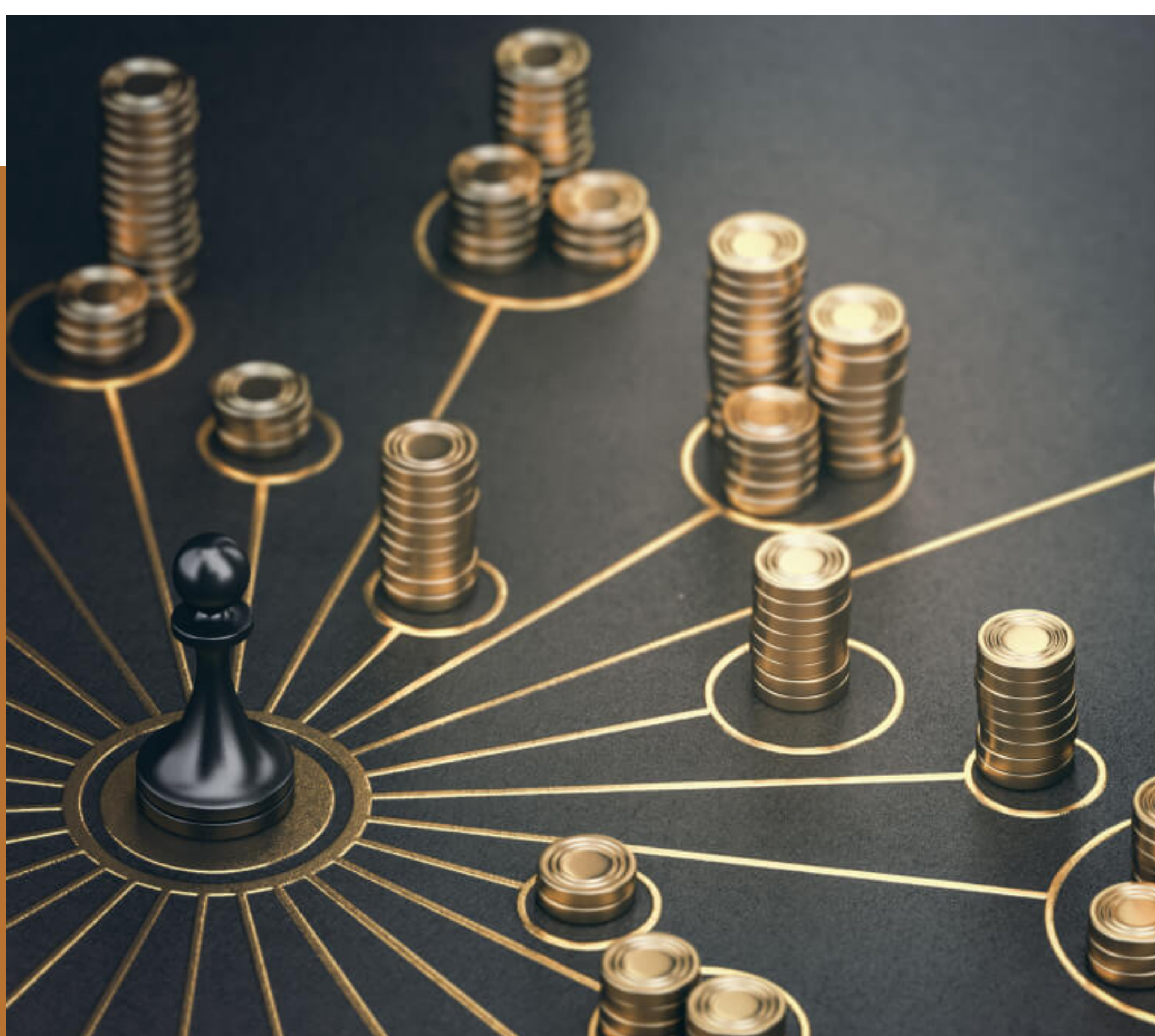
That is where the horizontal allocation comes into view. Horizontal opportunities are outside of the same vertical (real estate, businesses, private equity, life insurance, annuities) and do not share in the same risks that each vertical may be exposed.

Effectively diversifying each vertical, then combining each of these vertically allocated portfolios together form a stable footing. When something is tall and narrow, it becomes top heavy, but adding width adds an element of stability, and that is a strategic way to think about your asset allocation. Don't put all your eggs in one basket.



STEP
05

Establish multiple streams of income



Relying on a single source of income, like your job or a single investment, is a risky proposition. The most financially secure individuals have multiple income streams, to weather economic storms and capitalize on opportunities.

Businesses, royalties, passive income investments or other consulting or freelance opportunities are all ways to create more than one stream of income. There is safety in numbers.

STEP
06

Adopt financial delegation

As your financial landscape becomes increasingly complex, you'll discover an inverted cost to maintain things on your own. There is usually an element of cost and trust when managing financial decisions in a DIY fashion, but there comes a tipping point when the perceived savings of doing things on your own becomes an opportunity cost.

The complexities involved with wealth management requires specialized support from professionals. The cost of these professionals can often be investments into growing your wealth and situation to a new level that wouldn't have been achievable without the help.

Delegating specific financial tasks to professionals like accountants, lawyers and financial planners allows you to focus your time and effort on enjoying the benefits of having help. This division of labor helps ensure that all aspects of your financial life are managed optimally. Don't be a jack of all trades and master of none.



STEP
07

Find your purpose



Finally, finding your purpose in life is essential to finding fulfillment. It is said that money can't buy you happiness, and while some would argue this point, scroll social media, and you'll find that there are countless examples of miserable wealthy people.

Money certainly makes things easier and affords some privileged experiences, but happiness is derived from inside of ourselves. I will spare you the psychology lesson, but I can speak from my own personal experience that you'll never have enough money and there is always something more to achieve.

Answering the question of what you would do or commit your life to if money was not the motivation can offer insight into your purpose.

Building wealth is not about quick fixes or following the herd; it's about strategic, informed decision-making. It requires an approach that looks at cash flow, risk tolerance, tax allocation, diverse investments, multiple income streams, financial delegation and purpose

By applying these seven indispensable steps in your wealth strategy, you place yourself in an optimal position for not just surviving the complexities of the modern financial landscape but thriving in them. The path to significant wealth is paved with informed decisions and strategic actions, not shortcuts and trendy tips.

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Asset allocation or diversification does not ensure a profit or guarantee against loss. It is a method used to help manage risk.

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