# 7 Things Wealthy Investors do With Their Money – that you should consider too

We can learn a lot from watching how the wealthy handle their money.

Perhaps that's why there has been so much "noise" created in the industry, though. Everyone wants to know what the secret is to successful investing. We want to know the secret to creating sustainable wealth. And there are plenty of talking heads who claim that they've found it.

But when it comes down to it, there isn't a lot of variation in how the ultra-wealthy seek to keep their dollars growing. In fact, they have a lot more in common in how they manage their money in comparison to what they don't do. Take Warren Buffet for example, he's stuck to many of the same investing principals for decades. And who wouldn't kill for the chance to spend 24 hours in a room with Warren Buffet learning his "age old" investing habits?

U.S. Trust completed a recent survey of nearly 700 high net worth investors (those with investible assets of at least $3 million) that explored these commonalities. Here are seven key findings from the survey that a majority of high net worth investors do with their money that you may want to consider doing too:

**1. They understand the importance of liquidity.** Some may see keeping substantial amounts of cash on hand as being too conservative or having a fear of the market. A high net worth investor would be quick to tell you otherwise. More than half of these investors keep their liquidity high so that they are in a position to act quickly when great opportunities present themselves. Not only do they make sure that they have access to cash before they need it by forming healthy savings habits, but they also make sure they have access to multiple sources of liquidity.

**2. Large cash positions are commonly found in their portfolios.** To add to our above point, nearly 6 in 10 high net worth investors have at least 10% of their portfolio in cash. Remember that for these investors, this isn't sign of ultra-conservatism. It's a sign of their desire to capitalize on the right opportunities at a moment's notice. This serves as another source of liquidity, allowing their cash on hand to flow opportunistically.

**3. Their investment philosophy is geared toward the long-term.** Six in 10 high net worth investors seek well-balanced, risk-managed growth. Even if it means lower returns, it was still more important for them to lower the risk of their investments. The wealthy keep their focus on funding long-term goals, while keeping near-term opportunities in mind as they go. A vast majority (83%) have made their investment gains through a long-term buy and hold strategy. Take it straight from Warren Buffet, who has said time and again that money is made in investments by investing, and by owning good companies for long periods of time. This disciplined approach to investing helps the wealthy minimize their emotions and tune out market noise.

**4. They make tax-conscious investment choices.** More than half of high net worth investors say that it's more important to minimize the impact of taxes when making investment decisions. Even more important than pursuing higher returns regardless of the tax consequences. This can be attributed to the point that really counts is your net pay – how much you are really making in returns after taxes. Poor tax management will add up over the long haul, and can easily cause you to sacrifice large portions of your gains for the year.

**5. They invest in tangible assets.** Almost half of high net worth investors own some sort of tangible asset, such as a real estate investment. These assets can produce income for the investor, and grow in value over time. While choosing what to include in your portfolio aside from stocks and bonds should be an individualized decision, there is no doubt that the wealthy understand how tangible assets can be a key element for a well-rounded portfolio.

**6. Many know how to use credit as a wealth building strategy.** Nearly 65% of high net worth investors agree that credit is a strategic way to build wealth. While 8 in 10 say that they know how to use credit to their financial advantage, it's worth noting that this strategy does come with some risks. Credit can be costly. But there are small ways that you can accomplish this as well, such as using a credit card with rewards for spending you would be doing anyways. Instead of racing to pay down fixed, low-interest loans (mortgages, student loans, etc.) consider paying them down on schedule and saving or investing the extra money.

**7. Their interest in impact investing is growing.** This is the practice of investing into companies and organizations with the intention to generate a beneficial social or environmental impact alongside a financial return. Over the past year, the percentage of high net worth investors who own impact investments has tripled. Of those investors surveyed, 11% currently own impact-focused investments in their portfolio. Almost half of these investors believe companies that adhere to good social and environmental practices are less risky. Not only that, but they want to invest in a positive social impact and support issues they strongly care about.

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