A financial planner says rich people do 5 things with their money that keep them wealthy

This financial planner’s rich clients have a financial plan and stick to it, and are always looking for ways to reduce their overall taxes.
Wealthy people tend to have a financial plan and stick to it, and don't try to time the market when investing.

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By Liz Knueven

Most wealthy people have ways of making their money last. And, after years of advising high net worth people, financial planner Patrick Rush says many of his clients have a few traits in common.

“The vast majority of our clients are the millionaire next door folks,” he says. “They weren’t huge income earners, but just really disciplined savers, socking money away into 401(k)s and brokerage accounts, and accumulated over $1 million when they’re ready to retire.”

In his years of experience working with such people, he says there are five approaches he commonly sees that help wealthy people keep growing their money over time.

1. Wealthy people have a financial plan and stick to it

Wealthy people who keep — and even build — their wealth over time always have a bigger-picture financial plan, Rush says.

For many of his millionaire clients, a financial plan doesn’t just refer to how they’ll spend and save.

“You need to know all the nuts and bolts about a family's budgeting and expenses, what kind of insurance they have, what their estate planning looks like in terms of their legal documents and their goals for potentially leaving a legacy behind for either family members or charitable organizations,” he says. Oftentimes, financial planning also considers taxes, employer benefits, and investing plans.

Wealthy people get the right help with making this plan, and know what steps they have to take today to stick to it.

2. They’re not worried about their investments, nor managing them often

Most of the wealthy people Rush works with don’t have stock trading on their minds. They’re not thinking about trying to time the market, or making lots of cash on the next hot stock. Instead, Rush says he encourages clients to take a long view of investing.
“We don’t try to outwit the markets. We just want to harness the power of the markets to give our investors the highest probability of success,” he tells Insider. Oftentimes, simply buying shares and holding onto them for the long term creates the best chance of success.

For many of Rush’s wealthy clients, investing isn’t an active process — it’s about patience. “We know we’re not going to be right every year, or every three years, or even every five years. But, we know that over time we are giving our clients the highest probability of success.”

3. They’ve over-planned for retirement

For many people, retiring from full-time work means living on a smaller income and making sacrifices. But, wealthy people stay wealthy in retirement with some careful planning.

Rush says that his clients often over-plan for retirement. “We use the life expectancy of age 96 for our clients, because we know there’s about a 25% chance that for a healthy 65-year-old couple, at least one of them will live to age 96.”

By over-planning, wealthy people are able to maintain the same standard of living in retirement for longer. “At the end of the day, the last thing we want is for you to run out of money.”

4. They find ways to reduce their taxes

With careful planning, wealthy people have learned to reduce how much they owe in taxes.

They know how to take advantage of certain tax breaks and incentives, and decrease the amount of taxes they owe both now and later in retirement. While taxes can be a complicated thing to understand, reducing taxes is part of their overall financial plan, and its considered at every step, from where they invest to how they give gifts.

Paying less in taxes means keeping more in the long run. And for people who have grown their wealth and slowly moved into higher tax brackets, reducing their total taxes is a critical way that they maintain their wealth.

5. They incorporate charitable giving into their financial planning

Hand in hand with tax efficiency, wealthy people often include charitable giving in their financial plans. Not only do most wealthy people feel an obligation to give back,
but there are a number of tax advantages, too.

These gifts could come in a number of forms, Rush says. They could be monetary donations, but they could also be gifts of shares of stock, or distributions from an IRA after a certain age.

Charitable contributions can help lower the total taxable income, which could in turn reduce income taxes and even Medicare premiums in retirement. Donating has two purposes, and it can be beneficial in more ways than one.

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