Building Wealth with Automation: The Blueprint for Success

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Excerpt: *Discover distinct saving approaches lead to vastly distinct financial outcomes, and learn how automation and professional guidance can help you overcome challenges and assist you in achieving your financial goals.*

In our experience helping clients grow their wealth and become better investors, we have witnessed countless financial journeys – each unique in their goals and eventual triumphs. However, when it comes to saving, there are two main types of situations we encounter.

By shedding light on these two situations, we aim to inspire and empower you in your own financial journey. So, let's dive into the (fictional) lives of John and Sarah, two busy and successful individuals with different approaches to saving and investing, and how these led to different outcomes.

Situation 1: The Busy Investor Dilemma

John, a successful entrepreneur, is constantly occupied with managing his business and handling various responsibilities. His busy schedule leaves little time for him to focus on saving. Whenever he does find a moment to think about it, he becomes overwhelmed by doubts and uncertainty, especially when considering the timing of investing in the market. This hesitation leads to missed opportunities and delayed savings, causing John to fall significantly short of his retirement objectives.

Situation 2: The Power of Automating Savings

In contrast, Sarah, a diligent professional, recognized the importance of saving early on. Despite having a smaller saving target compared to John, she decided to sign up for automatic deposits to ensure consistent contributions toward her financial goals. By automating her savings, Sarah eliminated the need to actively think about it, and bypassed the biases and doubts that often hinder saving. Her disciplined approach enabled her to reach a portfolio value well in excess of her original targets.

The Results: Financial freedom Achieved

As the years passed, John struggled to catch up on his savings while trying to time the market, and second-guessing his decisions. In contrast, Sarah's automatic deposits allowed her savings to grow steadily over time, and she was able to take advantage of compounding market returns in great and less great markets. Her consistent approach, combined with the power of automation, allowed her to reach her financial objectives earlier than anticipated. Sarah has the freedom to successfully slowdown, so she has the time while she is still young enough (the most cherished commodity) to enjoy the rewards of her disciplined savings strategy.

Solutions for our clients

Embrace Automation: One of the key solutions to higher future values is to automate the process. By setting up automatic deposits, individuals can ensure consistent contributions without the need to make the active decision to save (which can be derailed by emotions or biases). As we often say, “time in” the market is a lot more important than “timing” the market. Not only will you reach your saving objectives with less friction, but you will also benefit from compounding returns earlier due to automatic deposits.

Seek Professional Guidance: Consulting with a professional wealth management team can provide valuable guidance, tailored to your financial situation. They can help you implement a savings plan that aligns with your objectives, and can also optimize the structure of your situation to minimize resistance from factors such as taxes. Perhaps most importantly, an advisory team can help mitigate sub-optimal decision making brought on by behavioral or cognitive biases. (See our latest blog on AI and human emotions)

Education: Enhancing your financial literacy is a crucial step in becoming a better investor. Knowledge is the best tool for empowering yourself to make informed decisions, and avoiding the common pitfalls that derail many investment plans. A great advisory team not only inspires, but educates and teaches along the way.

Bottom line: By implementing these solutions, individuals can bypass the inherent biases and challenges associated with reaching savings targets. By automating the process, the focus shifts from the act of saving itself to achieving the optimal outcome. Ultimately, this can lead to a more successful and fulfilling financial journey.

If you want to know more about strategies for saving, or how you can start an automated savings strategy today, please reach out to us at diioriofamilywealth@rbc.com or call us directly anytime.

Thanks,
Di Iorio Family Wealth