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How To Become Wealthy in Three Simple Steps

The steps are simple, but the process is hard and only available to the privileged (this is the ugly truth of wealth building).

Step 1: Have excess wealth

Step 2: Invest that excess wealth in the S&P 500

Step 3: Wait decades

That's it. Three simple steps.

Let's go into each step with more detail

Step 1: Have excess wealth

What is “excess wealth”? Excess wealth is the amount of money you have at the end of each month *after* you pay all of your bills and even treat yourself

a little.

Of course I wouldn't recommend it, but you should be able to burn your excess wealth without it impacting your life. An accurate personal budget is critical to understanding how much money you actually need.

"Why is excess wealth important?" Because in step 2 we're going to take that excess money and use it to buy a low fee broad index that'll grow your wealth.

"How do I know how much excess I have?" This is the biggest hurdle I see when discussing finances with folks. Most people don't track their spending so they don't know how much excess they have and therefore they don't know how much they have to invest. If you haven't already, sign up with a service that helps you track your spending like Simplifi or You Need A Budget.

Step 2: Invest that excess wealth in the S&P 500

Now the fun part. Now we get to invest that excess wealth you have.

Obviously, as we've seen in movies, we'll need a computer setup that has at least three screens, all with flashing numbers zooming past. We're also going to need to spend endless amounts of hours staring at income statements and balance sheets to find a pattern that only we can see, no one else!

Just kidding. There's better ways to spend our time than staring at numbers.

The people I described above are called "traders" (because they buy and sell stocks so frequently). Despite how successful traders like to appear, most of them (I'm talking nearly 100%) underperform the investment you are about to make. The investment where I personally keep around 90% of my net worth.

Using a brokerage (like Etrade) you already have or by signing up at Vanguard.com, **purchase an index that tracks the S&P 500**. I recommend \$VOO.

“Hold up, what am I buying?”

I know all of this can seem daunting, stay with me.

I’m assuming you’re familiar with stocks enough to know when you buy a stock like \$AAPL, you’re actually buying a tiny part of Apple, the business.

Indexes are not like stocks. They’re better. **Think of an index as a collection of stocks.**

When you buy \$VOO, you’re actually buying stock in the 500 most valuable companies in the United States. That’s what the S&P 500 is.

“But what do I do when the companies within the S&P 500 change?”

Nothing. That’s the beauty of \$VOO, you always own a tiny bit of the most valuable companies regardless of who they are.

For awhile the most valuable company was Apple, but now it’s Microsoft. If you owned \$VOO, you wouldn’t have noticed there was a new king.

Just like the founder of Vanguard said:

“Don’t look for the needle in the haystack. Just buy the haystack!”

Step 3: Wait decades

Now we wait. Possibly decades.

The S&P 500 over the course of several decades has returned, on average, roughly 10% each year.

That may not sound like a lot, but if we look at the power of compounding interest, it adds up.

A \$10,000 investment in the S&P 500 will become around \$67,275 in 20 years. All without you needing to do anything that entire time.

Ideally you'd continue to purchase \$VOO throughout those 20 years thus growing your fortune even more, but I wanted to highlight what an investment, if left untouched, could do for you.

The secret to investing is time. If you don't have time, I do not know how to help you.

Warren Buffett is considered the greatest investor of all time. Would you be surprised to hear there's investors that actually get better returns than Warren? There are.

Largely what has made Warren Buffett ridiculously wealthy is time. Warren made his first investment at 11-years-old and hasn't stopped in the 82 years since then.

What if, instead of doing all the hard work Warren has done to learn how to pick businesses, he just bought \$VOO now and let it sit for 82 years?

If Warren Buffett put \$10,000 in \$VOO today and let it sit for 82 years, that initial investment of \$10,000 would balloon to nearly \$25,000,000. Not a bad return for, checks notes, zero effort.

Conclusion

Now you know the secret. Buy \$VOO, ideally in a tax advantaged account (like a 401k or Roth IRA) and let it sit.

"But what if I don't have excess money?" Then you are not in a position to invest and if you do invest, you will likely end up losing more money than if you simply didn't. Why? Because as we know, the stock market goes up and down. No one – not even Warren Buffett – knows when it'll go up or when

it'll go down, but what happens if you need that money you invested and the stock market is down? Then you'll have to sell at a loss. It'll be like you donating money to businesses. They'll get something out of it, but you'll just lose money.

"But what if I don't have time?" Sorry, but time is critical to growing your wealth. That doesn't mean you shouldn't try to save money to possibly invest some day. And maybe time is running out for you, but perhaps you have young family members that do have a lot of time ahead of them.

I especially think about new parents and grandparents when I consider time running out. Maybe you have \$10,000 saved and maybe you don't have eight decades to watch it become worth tens of millions, but maybe your children or grandchildren do.

Let's imagine you gave your brand spankin' new kid the gift of \$10,000. And let's say he's unable to touch that \$10,000 for the first 30 years of their lives.

How much do you think that \$10,000 will be worth on their 30th birthday? The answer is nearly \$175,000.

That's not tens of millions, but that's enough for a nice down payment on a nice house. How would your life be different now if your parents gave you a downpayment on a nice house on your 30th birthday?

Your life would be radically different and so would your children's lives considering that house will continue to grow in value. Now your child has an asset that they can hand down to their children.

Even if your hypothetical child didn't want a house, they'd still have an asset that would continue to grow that they could then hand down to their child.

With that \$10,000 investment you'd be creating what everyone wants for their family, generational wealth.

Want to learn more about picking stocks? [Watch Peter Lynch's 1994 lecture](#) about how to find good businesses to invest in. I promise it's worth your time.

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