How to think like a rich investor as net worth numbers surge

LEARNING from the successful money habits of wealthy investors can help unlock the door to your own future riches.

RICH Australians have a different mindset when it comes to wealth, and habits that everyday investors can aim to mimic.

The latest Capgemini World Wealth Report ranked Australia ninth globally in terms of numbers of high net worth individuals, at 278,000.

High net worth individuals are people with net investment assets of $US1 million ($1.3 million) apart from their home, and their Australian numbers have grown 9.8 per cent in a year.

The word "millionaire" doesn't have the lustre it once did and growing numbers of investors have $5 million-plus fortunes. Finance specialists say we can learn from them.

Adrian Frinsdorf, director of wealth advisory at William Buck, says rich investors look long term.Source:Supplied

Thinking like rich people means broadening your mind beyond property and shares, surrounding yourself with a team of professional advisers, and using different investment structures to lower your tax and risk.

"I'm seeing more clients with multimillion-dollar portfolios," said Adrian Frinsdorf, director of wealth advisory at William Buck.

"With the sale of successful businesses and the rise of investments over the last decade, wealthy investors have moved from rich to very rich," he said.

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"Often these people come from successful business backgrounds or established families. Traditionally they are usually in their 50s but I'm also seeing more people in their 30s seeking advice having built exceptional wealth through smart business decisions."

Financial strategist Theo Marinis, who has dozens of clients with more than $1 million of assets and many with $5 million-plus, said rich investors were not afraid to pay for good advice that helped them in areas such as minimising tax.

"It's the old story — the rich get richer," he said.

"They have greater capacity to afford to pay for advice to structure it."

Mr Marinis said multi-millionaires often used trusts and company structures — but these were not usually necessary for those with one or two million dollars because superannuation's low-tax structure could work just as well.

They also used investment bonds, which paid a maximum tax-rate of 30 per cent and the investment was tax free if held for at least 10 years. "You can do some of the same things yourself," Mr Marinis said.

The family home, exempt from capital gains tax, was another tool for wealthy people to build and store wealth, Mr Marinis said.

"They diversify their portfolios and don't put all their eggs in one basket. They don't have it all in shares."

Mr Frinsdorf said while average mum and dad investors focused on building enough assets for retirement, wealthier investors focused more on maximising their estate for their children.

"For ultra-high net worth investors, it's a longer term-outlook. It's more often about protecting the wealth for future generations that may not even be born yet and educating their own children and grandchildren to make smart financial decisions," he said.

Wealthy investors were not as high-risk and speculative as many people believed, Mr Frinsdorf said.

"These people are typically very careful with their investment capital and, having lived with wealth, are respectful of money and its value.

"Assets such as direct commercial property and full ownership or part stakes in familiar businesses are generally favoured ... while cash is also a popular asset class.

"Australian and overseas shares usually form part of their portfolios, but a much lower percentage than the average mum and dad."

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