

# Nagel on Finances: Beware of fads & buzzwords

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BY ROGER NAGEL

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RIO RANCHO, N.M. — Helping people accumulate and retain wealth is a big part of what I enjoy about my chosen occupation.

The process takes many forms and often involves analysis, forecasting and, of course, measuring activities and results compared to a plan.

Most people who are financially successful have accumulated their wealth in small amounts over many years through repetitive and methodical activities.

Seldom have I encountered people who have come into great fortunes quickly, unless they were awarded a legal settlement, won a lottery or inherited money from someone who died and left it to them. As common as these three paths to riches might seem, they are rare.

The process of creating wealth has a few common elements; beginning capital, risk and the passage of time. Without those three elements, the path is unlikely to succeed.

At some level, it is true that “it takes money to make money.” Money is the most common form of beginning capital.

I have great respect for those who were fortunate enough to suddenly come into wealth, turned it into a much greater sum and retained it over a long period of time.

Capital can take forms other than money, like human capital (labor) and intellectual capital (creativity and inventiveness). Our capitalistic, free-enterprise system often rewards these endeavors well when risks are controlled/mitigated and the enterprise is sustained over long periods .

Managing the three elements of wealth creation takes skill and discipline. Mistakes come at the risk of loss.



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History has taught us that creating wealth through anything other than hard work, integrity and the three common elements discussed above may be more than just rare — it may be fraud!

Think of Ponzi and pyramid schemes.

A quick Google search will remind you of the differences between the two, but think of Bernie Madoff (marketable securities) and closer to home, Doug Vaughn (real estate). Studying these two events alone can go a long way to help prevent becoming a victim.

As the New Year unfolds, many of us are likely, maybe even eager, to try new things to improve our financial situation. That is a good and commendable idea.

It may be that a new, higher-paying job is in order. Maybe this is the year you will work on that investment portfolio.

Maybe you have been thinking about investing in real estate. Maybe 2021 is the year you will start a new business.

Watch out for fads and buzzwords that seem enticing. A few that come to mind recently are “internet sales,” “flipping houses,” “speculating on virtual currencies” and the array of “cannabis activities.”

Do your homework first. Ask yourself, how much of the three elements of wealth creation will be required and how much of each can you afford to lose?

Seek good counsel from knowledgeable advisors. Be wary of opportunities that seem too good to be true. Avoid the schemers and their schemes.

Work hard, be honorable and earn your prosperity.

(Roger Nagel, CPA/PFS, CMA, CGMA, is the managing director of Nagel CPAs, LLC – Accountants and Advisors, serving the middle Rio Grande Valley and beyond. Learn more at [nagelcpa.us](http://nagelcpa.us).)