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How the rich handle their money, from six financial advisers

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Stocks go up, stocks go down. But to Canadians wondering how the wealthy manage their portfolios, it may seem the rules don't apply. How do Canada's most affluent people earn so much on their investments?

While some asset classes are available only to a select, well-heeled few – think purchasing entire companies and dabbling in aircraft leasing – some simple strategies and personality traits help rich investors make their money last.

We asked six advisors what we can learn from the wealthy and ultra-wealthy.

Six financial advisers. Clockwise from top left: Christine Beaumont, Frank Danielson, Marc Bellefeuille, Susan Latremoille, Robert Janson, Terry Ritchie.

ROBERT JANSON, PRESIDENT AND CHIEF INVESTMENT OFFICER, WESTCOURT CAPITAL CORP., TORONTO

"You can extract a high rate of return by tying your money up. The wealthy will say, 'Listen, I'm going to buy a piece of real estate that I'm going to hold for 50 years.' Or, 'I'm going to invest in some sort of private business and either help run it or watch it for the next 20 years.'

"Unfortunately, retail Canadian investors have been taught that their portfolios need to be liquid – in stocks and bonds. But, if you rewind the clock 10 years ago, no one sold at the top of the market in 2007 before the crash, only to buy back in 2009. So, even though their portfolios were 100 per cent liquid, no one used it.

"Liquidity is the most expensive aspect to your portfolio. So if you can look at your portfolio and say, 'I don't necessarily need that part of this investment for years to come,' it would be in your favour to look at alternatives. The easiest one is real estate, but I've seen large clients – and even some small clients – go to far-flung places in this country and buy tracts of land to eventually sell to a timber company. They buy 500 acres at $2,000 an acre."

TERRY RITCHIE, DIRECTOR OF CROSS-BORDER WEALTH SERVICES, CARDINAL POINT CAPITAL MANAGEMENT INC., CALGARY

"Some of our wealthiest clients, when we run their long-term retirement numbers, they look really good. You might assume that they can take more risk. But they choose not to; they're more in preservation mode.

"I think it's important for folks to really understand what their appetite for risk is and then develop a game plan."

MARC BELLEFEUILLE, PORTFOLIO MANAGER AND INVESTMENT COUNSELLOR, MANULIFE PRIVATE WEALTH, TORONTO

"My wealthier clients tend to use business-like strategies. They hate to see their money sitting idle, just like they would in the businesses they run. They really want their money to be working as hard as it can. So they set return requirements, or objectives. This, of course, is still in keeping with their tolerance for risk.

"People who are building their wealth, or haven't quite gotten there yet, need to understand where they're trying to go with their money rather than just putting it aside and hoping it will get somewhere."

SUSAN LATREMOILLE, WEALTH ADVISOR AND DIRECTOR OF WEALTH MANAGEMENT, LATREMOILLE BEGG GROUP, RICHARDSON GMP LTD., TORONTO

"A lot of the wealthier investors pay attention to tax planning. I'm not talking about tax evasion or playing games, just about structuring your affairs in a way that maximizes your opportunity to save money on tax.

"One of the tactics that high-net-worth clients use is called tax-loss selling. If you have securities, whether they be stocks, bonds or mutual funds, if they're down from where you bought them, you can sell those securities and then offset the loss against any realized capital gains you have.

"Say you bought a stock for $10 and it's now worth $5 – you've got a $5 realized capital loss. But let's say you had another investment that went from $10 to $15. When the accountant files your tax return, they write off the capital loss against the capital gain. Instead of paying tax on that $5 you made, you've neutralized the tax by selling the loser."

FRANK DANIELSON, SENIOR FINANCIAL PLANNER, DANIELSON GROUP WEALTH MANAGEMENT, OF ASSANTE CAPITAL MANAGEMENT LTD., VANCOUVER

"Older wealthy people tend to be patient and disciplined. Sometimes with young people today, results don't come fast enough. When investing, they're always pulling the roots up to see how everything is growing – and they're actually killing the tree."

CHRISTINE BEAUMONT, CERTIFIED FINANCIAL PLANNER, PAUL CRAFT FINANCIAL INC., STEINBACH, MAN.

"I think a lot of people believe the very wealthy must have all these secrets, but not necessarily. It's just the same old stuff.

"For the people we deal with, the ordinary and simple things add up – like living within their means and paying off personal debt. They practice delayed gratification and don't spend it if they don't have it.

"They have worked hard to get where they are and have established good habits somewhere along the line."

Interviews have been edited and condensed.