9 Huge Investing Mistakes Millionaires Often Make

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Individuals with a high [net worth](https://www.biggerpockets.com/rei/glossary/net-worth?itm_source=ibl&itm_medium=auto&itm_campaign=glossary) face investment challenges that are fundamentally different than others just beginning to accumulate wealth. While the same rules apply to the affluent as they do to all investors, the psychology of managing significant wealth and a large portfolio of investments and assets comes with its own pitfalls and risks.

What are some of the critical mistakes that high-net-worth investors make?

9 Common Mistakes Investors Make

They Are Risk Averse

A sound financial foundation is the dream goal of every investor. Nevertheless, being too conservative with assets can be a risk unto its own. It’s still generally true that the higher the risk, the higher the possible reward will be. That’s why an overly conservative investment strategy can put the future at risk.

They Concentrate Equity

Those who have a large portion of their portfolio invested with a single company have concentrated [equity](https://www.biggerpockets.com/rei/glossary/equity?itm_source=ibl&itm_medium=auto&itm_campaign=glossary). It's a precarious position to be in. Putting all of your eggs in one basket. Diversified investment portfolios can better respond to market disruptions and fluctuations.

They’re Too Self-Reliant

Many wealthy investors consider themselves “self-made.” Managing a wide range of assets and resources takes different skills than it took for you to claw your way to the top. Accept your limitations and seek wealth management advice when appropriate.

They Don’t Hire the Best Advisors

Who gets even more attention than the attractive blonde sitting alone at the bar? Wealthy people, that’s who. They receive hundreds of marketing letters and phone calls from financial planners, CPAs, private bankers, and other professionals. A lot of these folks talk a good game, but not all of them are truly top-notch.

Some of these “professionals” are actually:

* *Inexperienced:* Professionals who may have good intentions but lack expertise, especially when it comes to sophisticated financial and estate planning. They may want to help you, but usually do not know their limitations.
* *Predatory:* These are criminals who use their charm and deceit to embezzle money.
* *Exploiters:* Professionals who often [offer](https://www.biggerpockets.com/rei/glossary/offer?itm_source=ibl&itm_medium=auto&itm_campaign=glossary) complex, legally suspect financial plans that may not work out. These solutions may not be illegal, but there is a good chance they will self-destruct in the not-too-distant future. Exploiters promote these complicated solutions because they earn a lot of money from them.

So, how do you distinguish the competent advisors from the bad? Get referrals from other high-quality professionals. For example, an eminent money manager probably knows elite wealth planners and outstanding insurance specialists.

Of course, you want to keep costs low, but getting the best results sometimes means paying higher fees. The goal is to determine a provider’s ability to produce value year in and year out—not just run a quick price comparison among vendors.

They Don’t Stress Test

Ensuring that decisions are both worthwhile and sustainable means detecting problems before they become critical issues. For many high-net-worth investors, stress testing is similar to an annual doctor’s visit for a checkup. Something is not necessarily amiss, but you need to check the vitals from time to time.

That’s why wealthy people don’t just rely on one expert or money manager. They consult with a range of professionals to evaluate a strategy or financial plan.

Their Team Isn’t Working Together

So, we’ve discussed the importance of getting help, getting the best help available, and getting a range of professionals to stress test your approach.

*Related:*[*How to Hire Amazing Team Members for Every Real Estate Process—From Finding Deals to Renting Them Out*](https://www.biggerpockets.com/blog/2016-06-17-building-teamultimate-guide)

Once you’ve found the right advisors, who will do what? You’re not just looking for an avalanche of “second opinions.” You’re looking for a group of people whose skills and ideas complement one another.

Put another way: large portfolios need risk management strategies, and these need to be tackled from the top down. Investors that diversify their advisors are basically playing them as pieces on a board. The best approach is to have one advisor that can see the entire board, rather than multiple advisors who are strategizing from different angles with a limited perspective.

They Define Success By Returns

High-net-worth individuals want better annual returns for their portfolios and assets, sure. But according to Rich Henry, managing director for Hawthorn, PNC Family Wealth, high-net-worth families should measure success according to what they are trying to achieve. Philanthropy and long-term security for your family may be your real motivators, with higher returns being simply a means to that end. You want to reach your goals and live your values, rather than “just having a portfolio benchmarked to an artificial number,” Henry said.

They Are Too Obsessed With Taxes

No one wants to pay Uncle Sam more than they have to. But you can be overzealous with your tax avoidance strategies. Here’s another area where it pays to get competent legal and tax advice. Some people become so focused on reducing their tax bill that they cross the line into participating in illegal schemes (intentionally or not). Ultimately, it can be very costly.

*Related:*[*How to (Legally!) Avoid Capital Gains Taxes on Real Estate*](https://www.biggerpockets.com/blog/real-estate-investing-legally-avoid-capital-gains-taxes)

They Invest in Their Interests

A collection of classic cars, may be fun, but it's not likely that you can consider it a wise investment. Every time there's an economic [downturn](https://www.biggerpockets.com/rei/glossary/downturn?itm_source=ibl&itm_medium=auto&itm_campaign=glossary), collectibles are the first investments to drop in value. This can affect their liquidity value as part of an estate. And there's never any guarantee that collectibles will remain valuable in the future. Have fun with your money, but when you're investing for the long-term, make sure you're sticking to what works.