Here's How to Maximize Your Wealth Over the Next Decade
By Elizabeth O'Brien

Updated November 25, 2022 / Original November 24, 2022

Investors accustomed to blockbuster returns faced a reckoning this year, as the great bull market ended with high inflation, soaring interest rates, and fears of a recession.

The uncertainty persists, but one thing is clear: The path to wealth over the next 10 years will look very different than it has over the past decade. The bull market that powered annual 19% gains for more than 10 years is gone, and in its place is an environment where investors need to be much more strategic than prior conditions required. Vanguard projects 4.7% to 6.7% nominal annualized returns for U.S. equities over the next 10 years, and 4.1% to 5.1% returns for U.S. aggregate bonds.

These moderate expectations leave investors less room for careless decisions. That's why this Guide to Wealth is all about smart financial-planning moves for the next decade. We provide you with tax- and estate-planning strategies that will help you keep more of what you earn, a retirement guide, and tips to help you make smart real estate and other purchases.

"We know we can't control the market, but what you can control is some of the planning strategies you use in this type of market," says Jill Fopiano, CEO and president of O'Brien Wealth Partners in Boston.

How You Invest

You know the saying: It isn't how much you make that matters, it's how much you keep. This holds especially true when market returns are muted. If your portfolio isn't returning as much as it used to, you definitely don't want to lose money to poor planning.

Tax-efficient investing is a key part of this effort; it involves paying attention to where you hold your assets. Taxable brokerage accounts are good vehicles for investments that stand to lose less of their worth to taxes, such as low-turnover funds, stocks you plan to hold for the long term, and municipal bonds. Save the income-generating securities and higher-turnover funds for tax-preferred accounts like 401(k)s and traditional individual retirement accounts, or IRAs.

And when it comes to income, make sure you're only taking what's necessary to cover your expenses or meet the Internal Revenue Service's required minimum on withdrawals from IRAs. "The best way to save on taxes is to not generate income that you don't need," says Tim Steffen, director of tax planning at Baird in Milwaukee.

Another way to keep more of what you make is to ensure that you're not overpaying for your investments. You can add an extra 0.30% to your returns a year by moving to low-cost funds from average-cost funds, regardless of how the market performs, according to Vanguard. The difference is even greater if you compare high-cost and low-cost funds.

How You Spend

Smart spending is important at any net worth. That means asking critical questions ahead of large purchases, such as a home, car, or jewelry, says Alex Guiliano, founder and managing partner of

Resonate Wealth Partners in Ridgewood, N.J. The first question is, what is the intended purpose? Is it for fun, to pass along to the next generation, or for exposure to a certain asset class? Will it appreciate or depreciate? Especially with sudden wealth, enthusiasm tends to overshadow this kind of measured assessment, he notes.

If you're considering a purchase for fun—a vacation home, for example—would it be more advantageous to rent than buy? If a purchase makes sense, is it better to finance it or buy outright with cash? If the asset requires maintenance, are you factoring in those costs over its entire life? What happens if the primary user dies—is there someone else who's interested in enjoying and taking care of it?

Buying something for a legacy or for capital appreciation requires different considerations. Whether it's wine or private equity, do you have previous ownership experience or advisors who can help guide you? If you intend to pass the asset along to the next generation, are you titling it correctly? Thinking through these questions can help you determine whether to buy an asset in the first place and, if so, the best way to buy it, Guiliano says.

Similar considerations apply when parents want to help their adult children with a home purchase. Parental assistance can give young buyers a leg up in today's competitive real estate market, where interest rates have soared but home prices remain resilient. One option is for parents to grant their children a loan at the applicable federal rate—the rate the IRS sets as the minimum for private loans, recently at 4.34% compounded annually. Some parents then use their annual gift exclusion to forgive payments on the loan, says Matt Pullar, partner and senior vice president of Sequoia Financial Group in Cleveland.

When parents buy property for children, emotional considerations are just as important as the financial ones, Guiliano says. Make sure your expectations are aligned ahead of time and discuss the what-ifs: If parents pay a portion of a child's mortgage as a gift, for example, what happens if the child loses his job? Would the expectation be that the parent takes over the full payment? Or, in the opposite scenario, what if the child gets a big promotion? Would she expect parental help to continue at the same level, nonetheless? "You can save a lot of trouble by getting on the same page" beforehand, Guiliano says.

What You Leave Behind

Maybe you've given generously to family members and any number of charitable causes, but have you taken a step back to identify your philanthropic goals? Gifts are more effective when done in the context of a holistic plan. "The most important thing about the plan is actually having one," says Don Heberle, head of PNC Private Bank in Pittsburgh.

PNC helps clients with their philanthropic giving, asking them what they want to accomplish and what their passions are. Heberle recommends making the discussion a multigenerational affair. One of the best ways to get the next generation connected to their family wealth is to involve them in philanthropic giving. In addition to deepening family bonds, nurturing relationships with charities can also lead to a second act in retirement, in the form of a seat on the board or other types of volunteer work.

Families of means have an additional consideration when it comes to charitable giving: The federal estate-tax exemption, set at $12.92 million per person for 2023, is set to drop to no less than $6.46 million in 2026. Edward Renn, a partner at international law firm Withers in New York, is telling wealthy clients to use up their exemptions now, within the bounds of what they're comfortable giving. While it's always possible that Congress will extend the higher exemption, it's more likely that lawmakers will let it sunset as scheduled to generate revenue, he says. What's more, advisors generally recommend planning for what we know now, instead of what might be.

Gifts to family members can take many forms. For 2023, you can give up to $17,000 per person, tax free. You can stretch your exclusion and offer the gift of education by paying a loved one's tuition directly to the school, since that won't count toward the lifetime exemption if done properly.

Gifts to a 529 college savings account, by contrast, do count toward the lifetime exemption if they exceed the annual exclusion.

One important but sometimes overlooked gift that you can give your family is to have your affairs in order, says Valerie Newell, principal and senior wealth advisor at Mariner Wealth Advisors in Cincinnati. "It's striking how laborious and difficult the estate-settlement process is when someone dies," she says. One way to make it easier for your heirs is to make sure all of your assets are properly titled.

Newell has seen even wealthy clients balk at high attorney's fees, but think of it this way: If you don't get your affairs in order, that responsibility—and expense—will become your heirs' burden.

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