THE DIFFERENTIATORS OF WEALTH

The Neglected Principles of Financial Design

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ABOUT THE AUTHORS

Gary Preisser

Gary Preisser is the co-founder of Stonebriar Wealth Advisors. With a background in mathematics, accounting, and small-business consulting, he brings a systems-based approach to wealth management rooted in clarity, timing, and stewardship.

He applies analytical rigor and disciplined decision-making to help families align their wealth with their lives. His approach centers on understanding when financial decisions matter most—and applying timing-based principles to structure wealth with clarity and purpose.

Shea Swenson

Shea Swenson is a Registered Financial Consultant specializing in wealth preservation, tax-efficient planning, and long-term stewardship. Raised by his grandparents in rural Utah, he developed an early understanding of the financial challenges facing retirees and the importance of thoughtful preparation.

He works closely with families to help them make informed, purpose-driven financial decisions. As co-founder of Stonebriar Wealth Advisors, he leads the firm's marketing and growth strategy while helping translate complex financial concepts into clear and actionable plans.

Introduction

Something important is missing from your financial plan.

Not new investment strategies.
Not predictions about markets.
Not complicated formulas.

In fact, the ideas are remarkably simple.

That is what makes their absence so surprising.

These principles are rarely discussed clearly.
They are almost never applied together.
Yet they quietly shape how wealth grows, how risk is experienced, and whether financial plans ultimately succeed or fail.

They are easy to understand.

But they are often neglected.

They are *The Differentiators of Wealth*.

And once you see them, they become impossible to ignore.

Timing

Every dollar you own exists for a reason.

Some money will be used soon.
Some will be used later.
Some may never be used during your lifetime.

That purpose defines what your wealth is meant to do.

And once purpose is clear, the next question becomes unavoidable:

When will that money be needed?

Purpose Defines Timing

Financial decisions are not abstract.

They occur when money must be used.

Income must be received at specific moments.
Expenses must be met when they are due.
Savings must be accessed when they are required.
Assets must begin supporting your life at a defined point.

These moments are not flexible.

They do not adjust to projections.
They do not wait for markets to recover.

They arrive when they are needed.

Timing defines those moments.

Time and Timing

Time and timing are not the same.

Time is measured in years, ages, and projections into the future. It is extended, estimated, and averaged. Time describes duration, but it is finite. It cannot be extended or recovered.

Financial plans are built around time. They project forward, estimate outcomes, and extend assumptions across years.

But financial decisions are not made across years.

They are made at specific moments.

The timing of those moments determines the outcome—not the average return or the long-term projection.

The same wealth can produce different results, not because it performed differently, but because it was required at a different time.

Where Investing Goes Wrong

Most investors are placed into a portfolio based on two things:

Age and risk classification.

A 60/40 portfolio.
A target-date retirement fund.
A conservative, moderate, or aggressive allocation.

These portfolios attempt to match volatility to an investor's age or comfort level.

But they treat all of the money as if it shares the same timeline. They do not consider when it will actually be needed.

Your investments may be labeled conservative or aggressive. They may be diversified across stocks and bonds.

But if the structure of your portfolio does not account for timing, something essential is missing.

The Hidden Problem

Most portfolios are built as a single pool of investments.

When spending or withdrawals occur, that pool must generate cash. Every withdrawal changes the allocation of the portfolio.

Rebalancing requires the portfolio to sell growth assets to restore the allocation after income assets are withdrawn.

Sometimes those sales occur during strong markets.
But sometimes they occur during declining ones.

When that happens, long-term investments may be sold before they can recover.

This is sequence risk.

Whenever money must be taken from a volatile portfolio during a market decline, long-term growth assets can be permanently reduced.

The problem is not volatility.

Markets have always been volatile.

The problem is needing money at the wrong time.

Design Follows Timing

When purpose defines timing, design becomes clear.

Money that will be used soon cannot be exposed to volatility.

Money that will be needed later must be protected.

Money that will not be used for many years must be allowed to grow.

Without this separation, timing conflicts with itself.

Short-term needs interfere with long-term investments.
Long-term assets are used for short-term demands.
Volatility becomes a threat instead of a tool.

Intentional design ensures that investments provide for liquidity needs at the right time.

The Three Time Zones

Structure separates money based on when it will be needed.

The Lazy Zone — Money that will be used
The Lazy Zone holds money that is needed now. Its primary job is liquidity. This money must be accessible and dependable because it supports near-term spending.

Emergency reserves belong in this zone as well, because unexpected expenses are simply another form of near-term cash flow.

The Lazy Zone is not designed to maximize return. It may lose to inflation over time, but inflation's effect is minimal over short periods. Liquidity remains the priority.

The Safe Zone — Money that must be protected
The Safe Zone holds money that will be needed soon, but not immediately. Its job is protection with modest growth.

Safe Zone assets have more time to grow but cannot be exposed to market volatility. They must be available to replenish the Lazy Zone when needed.

The Volatility Zone — Money that must grow
The Volatility Zone holds money that will not be needed for many years. Its job is growth—not for the sake of accumulation alone, but to serve future purpose.

Time allows volatility to become part of the compounding process rather than a threat to spending.

Structure Improves Behavior

Most investment mistakes are not mathematical. They are behavioral.

When all of your money sits in one portfolio, every market decline feels threatening. You may worry that your income or lifestyle is at risk.

But when near-term cash flow is clearly protected, long-term investments gain something extremely valuable: time to grow.

Time allows markets to recover.
Time allows compounding to work.
Time allows you to remain patient instead of reacting to short-term volatility.

The Realization

Risk is not volatility.

Risk is needing money when the market is down.

Volatility only becomes dangerous when timing is misunderstood.

This is why time is the first differentiator.

When short-term spending and long-term investments are mixed together, every downturn feels dangerous. Investors panic, sell at the wrong time, and damage their plan.

But when money is aligned with purpose and timing—when near-term income is secure and long-term money is left undisturbed—volatility stops being a threat and becomes opportunity.

If your financial plan does not clearly separate money that will be used from money that must grow, you are not managing risk.

You are hoping markets behave exactly when you need them to.

Is hope enough for your financial plan?

Earning What You Should

When your portfolio is exposed to volatility, are you being properly rewarded for it?

You may believe the answer can be found by looking at one number:

Return.

If your portfolio gained 8%, you may be thrilled.
If it lost 5%, you are likely disappointed.

But that number hides an important truth.

Return alone does not tell you what you should have earned.

The Illusion of Average Returns

Investment performance is often presented as an average.

Over long periods, markets may produce an average return that looks steady and predictable.

But investing never happens in averages.

It happens through gains and losses that occur in different years and in different orders.

Losses affect the outcome far more than most investors realize.

If an investment declines 20%, it must gain 25% just to return to where it started.

If it declines 50%, it must gain 100% to recover.

Average returns do not show this experience.

They smooth over the volatility investors actually live through.

Which is why the question is not simply what your investments returned.

The real question is whether the return you received justified the volatility in your portfolio.

Volatility and Expectations

Volatility reflects how dramatically an investment moves up and down.

It is necessary for long-term growth.

Volatility by itself is not dangerous.
It becomes a problem only if you need money while markets are down.

Since volatility is required for growth, how much should it earn?

Volatility alone does not guarantee higher returns.

To understand whether volatility is being rewarded, two concepts become critical: **beta** and **alpha**.

Beta measures how volatile an investment is relative to its benchmark.

A beta of 1.0 means the investment has the same volatility as the market.

A beta greater than 1.0 means it tends to move more dramatically.

A beta below 1.0 means it moves less.

Risk labels (conservative, moderate, aggressive) are meaningless because they are subjective terms that mean different things to different people at different times in their lives.

Beta quantifies volatility, putting it in terms that can be clearly measured.

It also does something very important.

Beta tells you what the volatility in your portfolio should earn.

Lower volatility should come with lower returns.

Higher volatility should come with higher returns.

If the market rises 10% and your portfolio carries a beta of 0.5, you should expect to earn at least 5%, half of the market.

Anything less suggests something in the structure is working against you.

Unfortunately, what should happen is not what actually happens.

This is where **alpha** enters the conversation.

Alpha measures the difference between the return you received and the return your level of volatility should have produced.

Positive alpha means the investment delivered more return than expected.

Negative alpha means it delivered less.

Beta sets the expectation.
Alpha judges the result.
Together they define real performance.

An alpha of zero means the investment delivered the return its level of volatility would normally be expected to produce.

Zero alpha is not difficult to achieve.

Index funds are widely available and extremely inexpensive.

They are designed to deliver the return of the market itself.

Matching the market's return relative to volatility is accessible to nearly every investor.

Which makes persistent negative alpha impossible to justify.

Investors may not be able to outperform the market every year.

But consistently earning negative alpha is completely unnecessary.

Matching the market is the starting point.

Falling short year after year is not a strategy.

The Hidden Cost of Negative Alpha

Negative alpha is one of the most common problems in investment portfolios.

It may not be big or even noticeable.

But over time, small differences compound into large ones.

A portfolio that underperforms by one or two percent every year may miss out on thousands—or even millions—of dollars over a lifetime.

Most investors never realize this because their accounts still grow.

Average returns can hide underperformance for years.

Markets rise.

Balances increase.

But growth alone does not mean the portfolio performed as it should have.

Negative alpha means that when the market rises, your portfolio grows less than it should.
And when the market declines, you lose **more**.

Why It Happens

Negative alpha is extremely common.

Many funds fail to outperform the market. In fact, the majority fall short of the market return they are trying to beat.

This happens because structural forces work against performance.

Mutual funds must respond to the flow of money into and out of the fund.

When new money arrives during strong markets, the fund must buy assets—often at higher prices.

When investors withdraw money during downturns, the fund may be forced to sell assets at lower prices.

These pressures make it difficult for funds to outperform the market.

Over time, the result is predictable—consistent underperformance.

What Are You Paying For?

Performance must also be evaluated after costs.

Advisory fees, fund expenses, trading costs, and internal management fees reduce the return you keep.

If those costs produce better outcomes, they may be justified.

But if your portfolio produces negative alpha, those costs are not improving performance.

They are reducing it.

In simple terms, you should ask one question:

Did the return I received justify the volatility in my portfolio and the costs I paid?

If the answer is yes, the strategy created value.

If the answer is no, then what are you paying for?

The Realization

Average return does not tell the whole story.

A portfolio can rise with the market and still underperform it.

Returns may appear reasonable while value is quietly lost to negative alpha, unnecessary costs, or inefficient structure.

These losses rarely appear dramatic.

But they compound.

And over time, they become significant.

No one would intentionally choose to underperform in their investments.

Yet many investors unknowingly accept underperformance in their portfolio.

Not because better outcomes are impossible.

But because they never realized the difference.

Are you underperforming?

When You Pay Tax

You may think taxes are something that simply happens.

You earn income.
You invest.
At the end of the year you discover what you owe.

But taxes do not simply appear.

They occur when **you trigger them**.

Selling investments can trigger capital gains.
Withdrawing retirement funds triggers ordinary income.
Required minimum distributions force taxable withdrawals whether you need the income or not, often pushing retirees into higher tax brackets later in life.

Every one of these events has something in common.

They are **timing decisions**.

Which means taxes are not simply a rate problem.

They are a **timing problem**.

When you pay tax determines **how much tax you ultimately pay**.

The Three Tax Buckets

Before deciding when you should be taxed, you must understand how you are taxed.

Every dollar you own exists in one of three tax environments, often called **tax buckets**.

Taxable.
Tax-deferred.
Tax-free.

Each behaves differently over time.

Taxable accounts are taxed as income and gains occur. Interest, dividends, and realized gains can generate taxes every year.

Tax-deferred accounts postpone taxation until withdrawals occur.
Traditional IRAs and 401(k)s allow investments to grow without immediate tax, but every dollar withdrawn is eventually taxed as ordinary income.

Tax-free accounts, such as Roth IRAs, are funded with after-tax dollars and allow future growth to be withdrawn without tax.

Understanding which bucket your assets occupy is the foundation of effective tax planning.

The Power of Tax Rate Timing

One of the most important decisions you face is whether to pay taxes now or later.

Tax-deferred accounts postpone taxation into the future.
Roth accounts pay taxes now and eliminate taxes on future growth.

The correct decision depends on one critical question:

Will your tax rate be higher or lower in the future?

No one can predict the future, but a **tax forecast** can provide a reasonable picture of how taxes may affect you over time.

If you expect to pay a lower tax rate later, deferring taxes may make sense.

But if your future tax rate is likely to be the same—or higher—paying taxes earlier may preserve more of your wealth over time.

Roth conversions can be powerful.

But not everyone should convert to Roth.

A tax forecast can help you decide.

Only after that decision is clear do market conditions become relevant.

In many cases, taxes and investments are managed separately. They shouldn't be.

When markets decline temporarily, conversions may allow you to move assets into tax-free accounts while paying tax on a lower amount.

In that case, the market recovery occurs inside your Roth account — tax-free.

Timing, once again, determines the outcome.

An Overlooked Tool

Tax timing also affects how money is distributed later in life.

Some strategies allow withdrawals to occur far more efficiently.

For example, **Qualified Charitable Distributions (QCDs)** allow individuals over age 70½ to transfer funds directly from an IRA to a qualified charity.

When done correctly, those distributions satisfy required minimum distributions while avoiding taxable income.

Most retirees are unaware that this option exists.

But like other tax strategies, its effectiveness depends entirely on timing.

The Cost of Ignoring Tax Timing

When taxes are triggered without planning, they reduce the wealth available for the future.

Assets that could have continued compounding are instead transferred to tax payments.

These effects may seem small in a single year.

But over decades, they compound.

Higher taxes reduce reinvested capital.
Reduced capital produces lower future returns.
Lower returns reduce the resources available later in life.

The result is less flexibility, less security, and fewer choices.

The Realization

You may think the goal of tax planning is to pay as little tax as possible this year.

But wealth is not taxed in a single year.

It is taxed over a lifetime.

You can earn the same income, invest the same way, and still keep far more of your wealth simply by controlling **when** taxes are paid.

Taxes are not just a cost.

They are a schedule.

If you have never examined when taxes will be paid—during withdrawals, conversions, and inheritance—your taxes are not being managed.

They are simply happening.

When will your taxes be paid?

Where You Pay Tax

Once you understand when taxes are paid, the next question is:

Where should your investments live?

This decision is called asset location.

Asset location simply determines which tax bucket is best for each investment.

Think of it like planting a garden.
The seed matters, but the soil matters too.
A seed planted in poor soil struggles to grow, while the same seed planted in fertile soil can flourish.

Investments work the same way.
The investment matters, but where it is held determines how well it grows.

Most investors spend enormous energy choosing investments.

They compare funds.
They analyze managers.
They debate which strategies might perform best.

But far less attention is paid to where those investments are actually held.

That decision can determine how much of your growth you ultimately keep.

Why Location Matters

Different investments generate different kinds of taxable income.

Bonds produce interest.
Dividend-paying stocks distribute income.
Actively traded funds generate capital gains.
Growth-oriented investments may produce little taxable income while they compound.

At the same time, different accounts treat taxes differently.

Taxable accounts recognize taxes every year.
Tax-deferred accounts postpone taxes until the money is withdrawn.
Tax-free accounts eliminate taxes on future growth.

When these two are mismatched, taxes interrupt compounding.

Compounding is where wealth is created.

A Simple Principle

Higher volatility often produces higher long-term growth.

That growth is most valuable when it is not taxed along the way.

For that reason, growth-oriented investments are often best placed in tax-free accounts whenever possible.

At the same time, not all investments can accept the same level of volatility.

Lower volatility investments often produce interest or dividend income.

If those investments sit in taxable accounts, that income creates taxes every year.

Those taxes remove capital that could have continued compounding.

For that reason, income-producing investments are often more efficient in tax-deferred accounts, where taxes are postponed until the money is used.

The goal of asset location is not complexity.
It is efficiency.

The rule is simple:

Let growth compound where it will not be taxed.
Let income sit where taxes are deferred.

What Happens When Location Is Ignored

Most portfolios are never structured this way.

The same investments often appear in every account.

The same mutual funds.
The same stock allocations.
The same bond funds.

Brokerage accounts.
IRAs.
401(k)s.
Roth accounts.

Everything looks diversified.

Everything appears to work.

But if the location of those investments is inefficient, a portion of your growth is lost every year.

You will not see it on your statement.

Your portfolio will still grow.

Markets will rise.

Balances will increase.

But the compounding process becomes less powerful.

And over decades, that difference becomes significant.

The Realization

Your portfolio will rarely align perfectly for asset location.

Some growth investments will inevitably sit in taxable accounts.

Some income-producing assets may remain in accounts where taxes occur sooner than you would like.

But this is not about perfection.

It is about intention.

When you begin placing investments according to how they are taxed, even small improvements can make a meaningful difference.

Growth in tax-free accounts compounds without tax drag. Income in tax-deferred accounts compounds longer before taxes occur.

The investments themselves may not change.

But the structure supporting them does.

When that structure improves, the compounding process becomes more powerful.

Asset location is one of the simplest adjustments an investor can make.

It does not require predicting markets.

It does not require choosing different investments.

It simply requires placing the right investments in the right accounts.

Over time, that intentional design allows your wealth to grow more efficiently.

Where your investments live may not seem important at first—but over time, asset location determines how much of your wealth you keep.

Where are your assets located?

True Diversification

Many investors believed they were diversified.

Then came 2022.

Stocks declined as the Federal Reserve raised interest rates.

Bonds declined as well, because rising interest rates reduce the value of existing bonds.

Portfolios that appeared balanced suddenly moved in the same direction.

Investors who thought they were protected discovered something unsettling.

Different investments do not guarantee different outcomes.

What Diversification Is Not

Diversification is not the number of investments you own.

It is not how many funds appear in your portfolio.

It is not a pie chart with many slices.

In many portfolios the underlying holdings overlap significantly.

Different funds often hold many of the same companies.

Different strategies may react to the same economic forces — interest rates, inflation, or growth.

When those forces shift, portfolios that appear diversified can move together.

The names are different.

The behavior is not.

What Actually Creates Diversification

True diversification begins with purpose.

Every dollar you own exists for a reason.

Some money must remain stable because it will be used soon.

Some money can accept volatility because it is intended for long-term growth.

Some assets exist in different tax environments to preserve flexibility later in life.

When these roles are defined, the structure of your portfolio must change.

Assets that serve different purposes respond differently when economic conditions change.

Not because they have different labels.

But because they have different behavior.

The Result of Design

Diversification is not the starting point of portfolio design.

It is the result.

Purpose determines timing.

Timing determines design.

Design determines how your portfolio behaves.

When each portion of the portfolio serves a different role, diversification becomes possible.

Some assets remain stable.

Some pursue long-term growth.

Some exist in different tax environments.

Each behaves differently because it serves a different purpose.

Why It Matters

Diversification protects flexibility.

It allows long-term assets to remain invested during volatility.

It allows short-term needs to be met without disturbing long-term growth.

It allows investors to remain patient when markets become unpredictable.

The Realization

You may believe your portfolio is diversified.

But diversification is not determined by how many investments you own.

It is determined by how those investments behave when conditions change.

Portfolios built around generic allocations often move together when markets shift.

But portfolios designed around purpose and timing behave differently.

Because each investment has a role.

Diversification is not something you add to a portfolio.

It is something you design.

When each part of your wealth serves a different purpose, the portfolio behaves differently.

Some assets remain stable when markets fall.

Some continue compounding for the future.

Some provide flexibility when conditions change.

That is what real diversification provides:

protection for your plan.

Without it, a single economic force can damage the entire portfolio.

With it, no single event can disrupt everything you have built.

Are you protected?

Alignment

Alignment is the first step toward managing wealth intentionally.

Timing reflects the purpose of wealth.

Earning what you should reveals whether your volatility is properly rewarded.

When you pay tax influences how much of that return you keep.

Where you pay tax shapes how efficiently your return compounds.

True diversification protects your plan when conditions change.

Without these principles, even the best financial plans are incomplete.

You may never notice these gaps because nothing appears obviously broken.

Accounts grow.
Assets accumulate.
The plan seems to be working.

Small inefficiencies compound just as powerfully as returns do.

A little unnecessary tax here.
A little lost return there.
A little volatility at the wrong time.

Over decades, these small differences shape the outcome of your financial life.

The Hidden Structure

The Differentiators of Wealth are not separate strategies.

They are parts of the same structure.

Purpose defines when money will be needed.

Timing shapes how that money must be invested.

Design guides how each part of the plan behaves.

When these elements align, every investment serves a role.

Together they form a system capable of supporting the purpose of your wealth.

Why Alignment Matters

When structure is aligned, everything changes.

You know where your income will come from.

You understand how volatility affects different parts of the portfolio.

You know when taxes will occur and how they influence future decisions.

Diversification is no longer something you hope for—it is the natural outcome of thoughtful design.

Alignment replaces chaos.

Clarity replaces uncertainty.

Confidence replaces anxiety.

Calm replaces fear.

Your plan becomes something you can trust.

The Realization

Most financial plans are not intentionally designed.

They are governed by risk classifications, average returns, blended portfolios, and annual tax decisions.

Nothing about the process appears wrong.

But when timing, performance, taxes, location, and diversification fail to align, small inefficiencies compound.

Not dramatically.

Gradually.

When purpose defines the timing of your wealth, intentional structure follows.

And once that structure becomes visible, there is only one question that matters:

Is your wealth aligned?

Something important is missing
from your financial plan.

Simple ideas.
Easy to understand concepts.
Truths that are often overlooked.

The Differentiators of Wealth reveals the neglected principles of financial design that impact your wealth the most.

What are you missing?

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