

Being Rich vs. Being Wealthy

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“Being rich is like a pool of water, while being wealthy is like a flowing river.”
– Anonymous

Are you striving to be rich? Do you wish for abundant wealth? You may even use the two terms, **being rich** and **being wealthy**, interchangeably and think that obtaining either is basically the same notion.

As wealth advisors, our goal with clients is not just to make them rich, per se, but to continuously help them improve their lives. As our [company name](#) suggests, we think wealth is a better descriptor of this goal.

At the risk of getting too philosophical, let’s try to shed some light on these two commonly used classifiers and the difference between them.

Being rich can be viewed as having a substantial amount of “capital.” For the purpose of this discussion, let’s define capital in three broad ways:

- 1. Human capital** is one’s earnings potential. Generally, the more working years you have ahead of you, the larger your human capital will be in present dollar terms. For example, a physician who recently finished medical school may have a hypothetical balance sheet entirely comprised of human capital. However, she may have negative financial capital (assets minus liabilities) due to heavy student loan debt. Conversely, a retired corporate executive may have minimal or no human capital, but significant social and financial capital, as described next.
- 2. Social capital** is made up of external income sources, such as company pensions, trust income and Social Security. If you’ve inherited a fortune through a family trust, you may not have a single penny to your name, but you can be rich based on the lifestyle you can afford from that trust income. Company pensions are rarer to find these days, but those who have them can probably stake some claim to being rich.
- 3. Financial capital** is what usually comes to mind when we think of being rich. It is all assets represented in a balance sheet, including cash, stocks, bonds, real estate and business interests. If you offset liabilities, you’re left with net worth. Being rich and having a high net worth are often assumed to be one and the same.

Being rich isn’t so much a state of being, but rather a descriptor comparative to some other condition, such as being poor. Whether we’re looking at a balance sheet or a paycheck, we can make a reasonable distinction between a rich and poor person.



Is the richer person happier than the poor person, though? Maybe in most cases the answer is yes, but not necessarily. This leads to the concept of wealth.

Being wealthy can be more of a state of being because the definition is relative. Any one of us can define wealth on our own terms, though it usually involves having enough capital for financial independence. This is economic wealth, but there are other forms of wealth. Popular leadership guru [Robin Sharma](#) articulates some of these other forms of wealth in his [writings](#). Here are a few examples:

1. **Inner wealth** – This includes intangibles such as peace of mind and spiritual well-being. A good financial advisor tries to make an impact here with counseling and plan execution, hopefully leading to financial peace of mind.
2. **Family and social wealth** – As human beings, we need strong connections with family and friends. This gives us the strength and purpose to perform well in other areas of our lives.
3. **Career wealth** – This is often equated with our own personal potential. If we achieve great things in our profession, economic wealth often follows. But the satisfaction derived from creating something great can be its own form of wealth.
4. **Adventure wealth** – We need experiences and challenges, or else we can stagnate. A life of joy needs some adventure and spontaneity to be truly fulfilling.
5. **Physical wealth** – Great health is needed to enjoy any of these other forms of wealth above.

Notably, these forms of wealth are often intertwined with having economic wealth. As financial advisors, we help our clients articulate their goals in economic terms so we can formulate meaningful action plans. The underlying motivation behind many financial goals, however, is to accrete these other kinds of non-financial wealth.

Do you strive to be rich or to be wealthy? Ultimately, the words you use to describe your goals may not matter that much. In fact, the dictionary definitions of both are quite similar. That said, it still may be helpful to start making the subtle distinction between the two when forming your goals. This keeps us focused on what truly matters in life.

Sources:

1. Exencial Wealth Advisors: www.exencialwealth.com
2. Robin Sharma: www.robinsharma.com
3. Sharma: The 8 forms of wealth: www.success.com/blog/sharma-the-8-forms-of-wealth

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