How to Create Wealth Without Stocks

Stocks have always been part of the investor success playbook, but some say you can rip those pages out.

By Lou Carlozo | Contributor July 14, 2016, at 9:00a.m.

Building wealth sans stocks or mutual funds may be feasible, but is it practical? (GETTY IMAGES)

For 25 years now, John Jamieson of Detroit has experienced financial success and failure, just like many an investor. He has built wealth and taught others to do the same – again, just like many an investor.

But here's where he takes the road less, less traveled: Jamieson doesn't buy any stock. Nada. Zip. Bupkis. He doesn't play Powerball, rob banks or panhandle on Mark Zuckerberg's block in Palo Alto, either (though, like Zuck, he's a college dropout).

Instead, Jamieson brings the same energy to avoiding stocks as some investors bring to embracing them. Not that he's an anti-stock zealot, mind you: "I do encourage people to have an active stock portfolio based on their individual goals and objectives."

But, "I tell people if you're looking for the same old pie charts and predictions, we are not the company to seek out."

Assuming you do seek out his website, brace yourself for some good old-fashioned salesmanship, which reads like this: "STOP. Only watch this presentation if you are looking for life-changing information."

But hey: If stocks and annuities are sold, why not a self-styled system? When Jamieson began sharing his methods in 2009, "I would teach people little known insurance strategies and combine those with the secretive world of real estate investing and private lending," he says. "The response to this way of looking at investing and wealth creation was very well received by audiences and my clients."

Jamieson's theories have inspired him to write two books on the subject, the most recent being "Wealth Without Stocks or Mutual Funds." As far as some financial experts see it, though, the title might as well have a question mark at the end of it. After all, this isn't exactly the Warren Buffett way we're talking about.

"As many top professionals such as Buffett consistently recommend, it would not be prudent to stray from keep-it-simple balanced portfolios of cash, bonds and stocks," says Preston McSwain, founder and managing partner of Boston-based Fiduciary Wealth Partners. "To do so is not only harder and more expensive, but importantly, according to the evidence, consistently harms investor returns."

So then: Wealth without stocks? Or mutual funds?

"Feasible? Sure. Practical? Not at all," says Dan McElwee, executive vice president of Ventura Wealth Management, in Ewing, New Jersey. "Having a diversified portfolio that includes equities and fixed income is necessary to keep up with inflation and earn a rate of return that will meet the demands of retirement."

There's also a question of the barrier to entry with investments such as private equity or different types of partnership investments. And hedge funds are closed to all but accredited investors – those with a net worth of $1 million or more.

"It would be harder to generate long-term wealth with many investments that are non-stock in nature unless you are incredibly wealthy right from the start," says Mason Williams, managing director and chief investment officer for Coral Gables Trust Co. in south Florida. "Liquidity can become an issue as well leaving one to have a longer time horizon that might not be ideal for the average financial plan."

Yet investment and wealth management – being the numbers games they are – tend to respect certain percentages even more than earnings increases or dividend rates. Such as: How many people succeed at a certain strategy. And in this case, there's no place like home. Or industrial park. Or even marshland.

"Roughly 90 percent of millionaires – yes, nine out of 10 – created their wealth through real estate," says Kurt M. Westfield, managing partner of WC Cos. in Tampa, Florida. "Not stocks. Not gold. Not baseball cards or other seasonal or whimsical investment vehicles."

Real estate, you might say, is grounded in ways other non-stock investments are not, and hence explains why it's integral to Jamieson's game plan. There's supporting evidence enough in urban markets such as San Francisco and Boston, where apartments prove scarce year after year.

"Building compound wealth through rental assets has taken off," Westfield says. "With an average annual appreciation of 3 percent and rental rates rising, income properties have started filling more investors' portfolios."

Then again, there was also this little thing called the subprime mortgage crisis. "We don't need to remind what happened to those over exposed to real estate in the financial crisis of 2008," McElwee says.

Jamieson in fact was one of those hurt. "I struggled like most other business people to keep moving forward," he says.

Meanwhile in the collectibles department, at east one category has undergone a mutation of Incredible Hulk proportions: comic books. And when ambitious investors take a look, a great many of them turn green.

In 2011, actor Nicholas Cage sold a near-mint copy of Action Comics No. 1 at a record $2.16 million. That book, which marked the debut of Superman, was sold for far more than the $150,000 or so he paid for it in 1997. Other copies have gone for as much as $3.2 million. Not bad for an investment that originally cost 10 cents in 1938.

"It's not just the older books that are valuable," says Vincent Zurzolo, the co-founder of New York's Metropolis Comics, which handled Cage's sale. "Comic books from the last 20 years are becoming more collectible. Some have jumped from just a few dollars each five years ago to $50 to $100 today. Smart investors are finding that they can make money off of this trend, but only if they treat it like they would any serious investment."

As for Jamieson, he's no superhero out to save the world from Wall Street. In fact, he's gotten used to being called a contrarian, among the more polite labels. "I love challenging long held financial beliefs," he says, "or as I say, 'Slaying sacred cows one piece of bull at a time.'"

And as a man who's built his own company, Jamieson undoubtedly appreciates another tried-and-true, yet trying-and-tough way, to make a go of it without a single share in your portfolio: starting your own business.

"Business owners often continuously reinvest in their companies," McElwee says. "They sometimes take concentrated positions within their industries or sectors they know particularly well."

Plus, if things go particularly well and the company goes public, there's something special a successful business owner can offer:

Stock, of course.