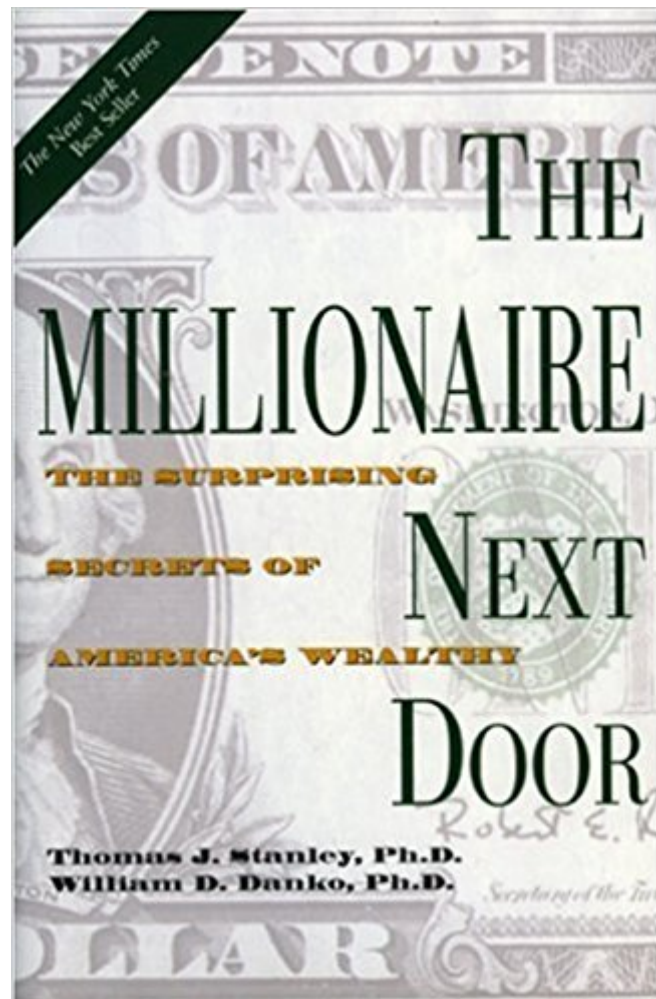


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# The Millionaire Next Door: The Surprising Secrets Of America's Wealthy



## Synopsis

"Why aren't I as wealthy as I should be?" Many people ask this question of themselves all the time. Often they are hard-working, well educated middle- to high-income people. Why, then, are so few affluent. For nearly two decades the answer has been found in the bestselling *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*, reissued with a new foreword for the twenty-first century by Dr. Thomas J. Stanley. According to the authors, most people have it all wrong about how you become wealthy in America. Wealth in America is more often the result of hard work, diligent savings, and living below your means than it is about inheritance, advanced degrees, and even intelligence. *The Millionaire Next Door* identifies seven common traits that show up again and again among those who have accumulated wealth. You will learn, for example, that millionaires bargain shop for used cars, pay a tiny fraction of their wealth in income tax, raise children who are often unaware of their family's wealth until they are adults, and, above all, reject the big-spending lifestyles most of us associate with rich people. In fact, you will learn that the flashy millionaires glamorized in the media represent only a tiny minority of America's rich. Most of the truly wealthy in this country don't live in Beverly Hills or on Park Avenue—they live next door.

## Book Information

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## Customer Reviews

Most people have it all wrong about how you become wealthy, according to the author-researchers of *The Millionaire Next Door*. Their 20-year study of how people become wealthy involved focus groups and personal interviews and accompanying statistical tables on where they shop, cars they drive, and the daily work they do. I found the statistical tables of mild interest, but insights into their

views and beliefs were surprising and revealing. The target group studied have net worths of one to ten-million dollars. The majority acquired their wealth in one generation and followed these factors of wealth accumulation: \*Live well below your means. \*Spend your time, energy and money efficiently in ways that build wealth. \*Believe that financial independence is more important than social status \*Their parents didn't help. \*Their adult children are economically self-sufficient. \*They know how to pick market opportunities. They chose the right occupation. As a group, they all have supreme confidence in their own ability. If you thought ancestry had much to do with it consider this: The highest concentrations of millionaires by ancestry in order of rank are Russians; Scots; Hungarians; Latvians; Australians; Egyptians. Self-employment is a major correlate of wealth. They are frugal and their spouses even more so. Not only are they planners and budgeters, they don't shop where you might think; their two favorite stores are J. C. Penny and Sears. Most answer these questions the right way: -Does your household operate on an annual budget? -Do you know how much your family spends each year for food, clothing, shelter? -Do you have a clear, defined set of daily, weekly, monthly, annual and lifetime goals? -Do you spend a lot of time planning your financial future?

This book, and its successor, *The Millionaire Mind*, changed my life. I am a type-B person who is smart enough -- and talented enough -- to make an okay-living but I know I'll never bring home the big bucks because I like leisure activities and time with my family too much. I am married to a man with the same outlook. Reading this book made me realize that I could build wealth by passive means rather than active (i.e. earning a big salary.) Even an ordinary person can become financially stable -- even very wealthy -- by following the basic living rules that your parents taught you (or should have taught you.) Far more than a book about money, this is really a book about values and how you live your life. The book should really be titled "Everything Your Mom Taught You (or Should Have Taught You) is Right." If you follow all the rules laid out in this book, you will never be poor (except for some disaster that you have no control over, but in that case you'd be poor no matter what you did.) The rules are the ones that Americans used to live by before the coming of the 60s and 70s and the "turn on, tune out" generation's destructive, infantile philosophy. These rules are: 1.) Complete at least high school (a college degree is better, but not necessary. 2.) Marry a hardworking reliable spouse, not a flake, and stay married. (Advice is good for both sexes -- divorce is a huge wealth-killer). 3.) Live below your means, save and invest the left-over money. 4.) Buy good quality stuff, not trendy "stuff" that goes out of style or falls apart after a few years, and keep it for a long time. 5.) Buy used, good quality stuff rather than new, poorly made junk for the same

price. 6.) Don't do stuff that harms your health, like substance abuse and promiscuous sex. 7.) Don't buy on credit.

Let us get one thing out of the way. This is NOT a bad book. In fact, it is a well-done, interesting, and much needed study that gives us all new insights about what millionaires are really like as opposed to people's misconceptions of them. If this was merely a study of what millionaires are like, I would give it five stars. The problem begins when people see this book as a recommendation: "most millionaires are frugal, hard-working, well-educated, and diligent investors - so if I will act like that I will be a millionaire". This is simply not true - and for a very simple reason discussed below. Indeed, most millionaires ARE like that. Indeed, it is good advice to be frugal, hard-working, and well-educated as opposed to the opposite. It is also gratifying to see that sometimes "doing the right thing", the protestant work ethic, and the "nose to the grindstone" attitude sometimes pay off not only in "being a better person", but in concrete monetary success. Apparently good guys DON'T finish last after all. But the book suffers from a double survivorship bias. "Survivorship bias" is what happens when one only pays attention to those who survive a certain activity, peril, or risk, and makes ungrounded conclusions about cause and effect from that. One famous example is Nietzsche's famous saying, "what doesn't kill me makes me stronger". It is based on the survivorship bias that those who survive terrible calamities tend to be stronger than other people. But it doesn't mean the calamity MADE them stronger - it might mean simply that only those who were strong to begin with survived the calamity. What survivorship bias do we see here? First, it interviews ONLY millionaires.

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