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The MILLIONAIRE NEXT DOOR; The Surprising Secrets of America's Wealthy,

Thomas J. Stanley, Ph.D.

William D. Danko, Ph.D. \$29.95, hard cover, 258pp.,

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Recipe for a millionaire

Do you think all millionaires drive flashy cars and shop in expensive boutiques? Think again. *The Millionaire Next Door*: is about to change that. After twenty years of interviewing and collecting data about millionaires, the authors, Doctors Thomas J. Stanley and William D. Danko have written a book filled with sensible information and statistics. No get rich schemes here. Just plain, old fashioned common sense and advice. Advice that was most probably passed on to us by our grandparents. And advice that is crucial if one aspires to be a millionaire or hopes to lead a financially comfortable life.

According to Stanley and Danko, a millionaire is a person whose net worth is over one million dollars. And a millionaire could be your next door neighbour with a cleaning business, a small town auctioneer or your baker. And a millionaire most probably never received a college or university education. So the question remains, how did these people become millionaires?

Stanley and Danko in their studies of millionaires discovered that this elite group of people shared common characteristics. They were frugal, they planned, and they practised the economics of scarcity. And this behavior continued throughout their lives. One of the unusual facts discovered was, that millionaires do not live above their means.

According to the authors: *they live well below their means. Millionaires consider frugality as the cornerstone of wealth-building. Therefore, the majority of millionaires lead lives in line with this philosophy. They do not wear custom-made clothes, expensive shoes or watches, and, least of all, eat or drink expensive foods and wines. To strengthen their point, the authors used a number of examples of their encounters with millionaires. First, at an interview session to gauge the needs of millionaires, the authors requested a gourmet caterer to provide pates, caviar and expensive wines. Surprisingly, the participants didn't touch the food. Therefore, the authors targeted one of the participants and offered him a 1970 Bordeaux.. It was refused. The participant's response? I drink scotch and two kinds of beer --free and BUDWEISER. But their frugality doesn't end there. It continues into their personal shopping habits.*

In a second example, Stanley and Danko discovered that millionaires do not favor expensive clothing or accessories. In their studies, they noted that the most money ever spent for a suit was \$399 and this purchase was a rarity. The reason--it was bought for a *twenty-fifth wedding anniversary party*. The most expensive shoes cost \$73 or less and the most ever spent for a wristwatch was \$47. But their frugality doesn't end there. Frugal millionaires also lived with frugal companions. In a third example, the authors drew a classic picture of a frugal wife. A millionaire gave his wife \$8 million worth of stock from his company. On receiving this gift, she said, *"I appreciate this, I really do."* Then she smiled and continued *to cut out twenty-five-cents-off food coupons from the week's supply of newspapers.*

As frugality is the cornerstone of wealth accumulation, so is planning the bricks and mortar of maintaining that wealth. Millionaires contribute a vast portion of their time and energy in planning activities. According to Stanley and Danko, *planning and controlling consumption are key factors underlying wealth accumulation. Millionaires or (Prodigious Accumulators of Wealth) spend time on their budgeting and controlling the*

family's consumption. They knew how much their family spent each year *for food, clothing and shelter*. Whereas, budgeting isn't high on the priority list in many households, millionaires were aware of the movement of every cent within their household. Therefore, they kept a tight grip on their economy. In addition, they spent a vast amount of time planning their investments. From their studies, the authors also noted that, on average, millionaires spend about 120 hours a year studying and planning their investments.

Although the majority of millionaires did not have a diploma or degree that could contribute to their successful lives, millionaires have taken a page from the economists' books. They practise what is known in economic circles as the *economics of scarcity*. That is, they live on the premise that there is never enough money to go around. Therefore, they shopped for bargains, lived in middle-class neighbourhoods and kept their cars ten years or longer. With this practice embedded in their lives and a total disregard for the status quo, millionaires were able to accumulate and maintain wealth.

The Millionaire Next Door is a good, healthy, inspiring read. In this book, there are no self-indulgent millionaires, but rather ordinary people who worked and saved hard. Forget the media hype about millionaires. Take a stab at this book. You might not become a millionaire, but you might achieve a financially comfortable life.