

# The Minds of Millionaires

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# To Clarify

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- “Characteristics of Self-Sufficiency”  
Presentation? ...or...
  - Are people who strive to be self-sufficient just better at growing their wealth?
  - The slides will refer to “millionaires”, but perhaps their habits and actions can be used to motivate clients to improve their financial situation...even if they don’t become a millionaire
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# THE CULTURE



# Spending Money is Easy...





# ...and Fun



THE OHIO LOTTERY'S PICK 4  
LEARN HOW TO PLAY

continue

The following content and materials are for information purposes only. This is a simulation, not an official Ohio Lottery game or drawing. No eligibility for prizes exists by reason of this simulation.



# Charging Things is Fun, Too



Average credit card debt per household in December 2018 was \$8,187

# American Eagle's Move-In Crew



“On Campus, It’s One Big Commercial” New York Times 9/10/11

# Target's College Night



# Red Bull Chariot Races



# The Game of Life (No One Loses!)



# Sports Figures

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- Adrian Peterson has made \$100M+ but “Lawsuit Claims Adrian Peterson is Millions in Debt” ([www.StarTribune.com](http://www.StarTribune.com) 7/24/19)
- Bernie Kosar, Michael Vick, Dorothy Hamill, Terrell Owens, Lenny Dykstra, Alan Iverson, Mike Tyson, Andre Rison, Sean Salisbury, Curt Schilling, Jamal Mashburn

On the other hand...

- Rob Gronkowski (Patriots) didn't touch any of his salary or signing bonuses (~ \$50 million); lived off endorsement money
  - Kirk Cousins (Vikings) drives a dented GMC Savana passenger van he bought from his grandma (his 3-year contract is for \$84 million)
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# Monthly Spending



- Avg. spent each month on non-essentials:
  - \$838 (Millennials)
  - \$538 (Gen X)
  - \$683 (Baby Boomers)
- They defined non-essential expenses as:
  - vacations, eating out, electronics, spa services, entertainment, gym membership, streaming services, coffee

# Today's Workforce

- 19% of workers (and spouse) have < \$1,000
- 40% of workers (and spouse) have < \$25,000
- Includes all savings and investments (and spouse's balance, if married)
- Excludes primary residence and pension plans



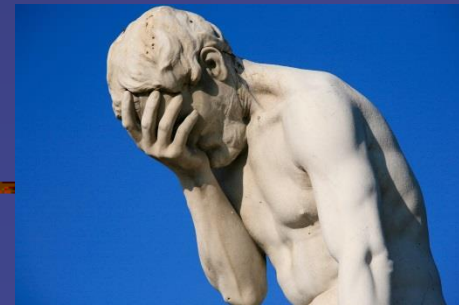
# No Change

- Survey found that the top financial resolutions for the upcoming year were to:
  - Pay down debt
  - Spend less
  - Save more
- These have been the same top 3 results for the past 10 years



# Math Challenges

- A&W 1/3 lb. burger vs. McDonald's 1/4 lb.
  - New York Times
- What remains if you subtract 25% from 8?
  - Center for Economic Literacy
- Start with \$200, 10% interest, compounded annually, total amount 2 years later?
  - Dartmouth College study of people ages 51-56
- Weather forecast on t.v.
  - New York Times



# Hmmm...



When restaurants try to scam you.

# Pot of Gold

- “Borrowers are Tapping Their Homes for Cash, Even as Rates Rise” 11/25/18 Wall Street Journal

## Ka-Ching

Share of mortgage refinances that involve a borrower taking cash out of their home



Note: Shows percentage of refinances resulting in at least 5% higher loan amounts

Source: Freddie Mac

# Financial Stress with Cars

- Average new car loan is \$32,187 (record high)
  - Average for used car is \$20,137
- Most common loan is for 6 years; 72 months
- Second most common is for 7 years; 84 months



Source: [www.lendingtree.com](http://www.lendingtree.com)

“Americans Buy Cars with Piles of Debt” WSJ 10/2/19

# Too Much Stuff

- **The More of Less** by Joshua Becker
- **Minimalism** by John Williams
- **Spark Joy** by Marie Kondo
  - Keep only what sparks joy and discard the rest



# CHOICES AND HABITS



# Staying In Shape

- “Have you ever noticed those people whom you see jogging day after day? They are the ones who seem not to need to jog. But that’s why they are fit...Those who are wealthy work at staying financially fit. But those who are not financially fit do little to change their status.”

From *The Millionaire Next Door*



# FIRE Movement

- FIRE (Financial Independence, Retire Early)
  - Your Money or Your Life by Vicki Robin
  - Early Retirement Extreme by Jacob Fisker
  - Mr. Money Moustache blog
- Fiercely frugal and intentional with money
- Books, blogs, podcasts, conferences

*“Most of us are shocked to realize how much we actually spend.”*

*“It’s a lot harder to find meaning than save 70% of your income.”*

# Different Paths to Wealth

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- Some are surprised (i.e. tortoise)
  - Others are quite driven
  - Entrepreneurs
  - Employees
-

# Spend Less

## 1. They live well below their means.

- Frugal; many save 15-20% of their income
- Avoid big purchases like luxury cars/yachts
- Tend to be very practical



# Income and Outgo

## **Income**

*Money coming to you*

## **Expenditures**

*Money leaving you*

## **Assets**

*Pay you*

## **Liabilities**

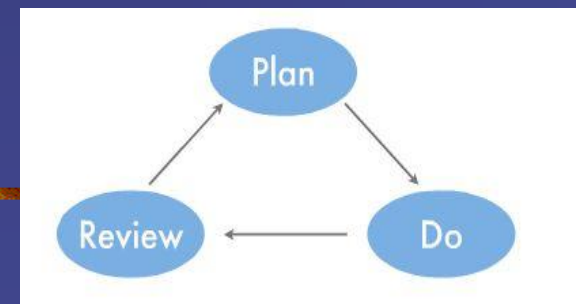
*Cost you*



# Thoughtful & Deliberate

**2. They allocate their time, energy and money efficiently, in ways conducive to building wealth.**

- They really think about what they're doing, choices they make and goals they set
  - Not “rowing in the ocean”
- Have a budget and stick to it



# Financial Independence

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**3. They believe that financial independence is more important than displaying high social status.**

- They don't respond to:
    - peer pressure and other expectations
    - “lifestyle creep” (i.e. get a raise, have more money, spend more money, repeat)
-

What do people report as the most negative influence when managing their money?

## Social Media



# Many millionaires know that it's easier to appear wealthy than to be wealthy

## ➤ “Income Statement Affluent”

- Big income, big home
- “Look, Dad. They have a lot of money!”
- Lots of debt, small net worth

*“You’ve always had money.”*



## ➤ “Balance Sheet Affluent”

- Nice income, nice home
- Not ostentatious
- Little debt, large net worth



# Keys to Building 401(k) Wealth

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- 1. The amount saved
- 2. Investment allocation / diversification
- 3. Specific investments

# "Rule of 72"

## Grow Your Money

$$\frac{72}{\text{Rate of Return}} = \text{Time for Investment to Double}$$

	Earning 8%, the approx. value would double every 9 years
Age 23	\$5,000
Age 32	\$10,000
Age 41	\$20,000
Age 50	\$40,000
Age 59	\$80,000
Age 68	\$160,000
Age 77	\$320,000

These results are hypothetical in nature and do not represent any specific investment. Your actual results will vary. Investing involves market risk including potential loss of principal.

# “Rule of 72”

## Become a Millionaire

$$\frac{72}{\text{Rate of Return}} = \text{Time for Investment to Double}$$

	Earning 8%, the approx. value would double every 9 years
Age 25	\$31,250
Age 34	\$62,500
Age 43	\$125,000
Age 52	\$250,000
Age 61	\$500,000
Age 70	\$1,000,000

These results are hypothetical in nature and do not represent any specific investment. Your actual results will vary. Investing involves market risk including potential loss of principal.

# Had to Find Their Way

## 4. Their parents didn't provide too much financial help after they grew up.

- Their parents made them feel like:
  - If they received money, they would just consume more
  - If they got too much assistance, they would become too dependent
  - It was in their best interest that they find their own way and make a life
    - Walter: "You can live here rent-free for 15 months."



# Required Their Kids to Do the Same

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## **5. Their adult children are economically self-sufficient.**

- They fear that if they gave them too much money, the kids would become financially dependent and just consume more
  - By not providing too much financial assistance, their kids have been motivated to develop a path, a life, a career for themselves that they can pay for
    - Bob: “You can’t come home.”
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# Trouble




## ➤ “A Generation of Americans is Entering Old Age the Least Prepared in Decades”

➤ [www.wsj.com/articles/a-generation-of-americans-is-entering-old-age-the-least-prepared-in-decades-1529676033](http://www.wsj.com/articles/a-generation-of-americans-is-entering-old-age-the-least-prepared-in-decades-1529676033) (6/22/18)

## ➤ “Adult Children are Costing Many Parents Their Retirement Savings” www.cbsnews.com (4/25/19)

➤ 2M people age 60+ have college loans outstanding not for themselves but for their kids and grandkids



# Big Trouble

- Chris Raymond, age 60, taught high school history for 32 years and owes \$136,000 in Parent Plus loans that he used for college educations for his 2 kids (\$17,000 / year / child)

*How do you say to your child, 'We insisted you work hard and go for the brass ring and oops, we can't help you?'*

*Despite the burden, Mr. Raymond said he doesn't regret giving his children the opportunity to go to college. He just wishes there was a way to make his monthly payments more manageable.*

School Year	Direct Plus Loan Rate
'19-'20	7.08%
'18-'19	7.60%
'17-'18	7.00%
'16-17	6.31%
'15-'16	6.84%
'14-'15	7.21%
'13-'14	6.41%



# Seize Opportunities

## 6. They are proficient in targeting market opportunities.

- They are self-motivated
- They recognize financial opportunities and seize them when others simply stay frustrated or say it's impossible
  - Mr. Richard's junkyard



# They Love Their Job

## 7. They choose the right occupation.

- They are motivated & enjoy their job
  - e.g. engineer, accountant
- They have a strong desire to succeed
- The wealthier they are, the more likely they were to say that their success is a direct result of loving their career/business



# PROFILES OF MILLIONAIRES



# Myths

## ➤ The wealthy:

- didn't earn their money
- don't deserve their money
- took big risks to make their money
- received a leg up in education/careers
- are just lucky
- inherited all their money



# Reality

- 79% inherited 0
- 16% inherited \$100K+
- 3% inherited \$1M+
  
- 4% lower class
- 27% lower-middle class
- 48% middle class



# They Say: Define “Luck”

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- Getting hit by a truck – bad luck
  - i.e. It's an imperfect world
- Driving sober – avoid bad luck
  - i.e. Be smart, learn to say “no”
- Take the right steps – make your own luck
  - i.e. Plan your work, then work your plan

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*“The harder I work, the luckier I am.”*

# Discipline

- Discipline comes up over and over again
- They don't believe their success depends on anyone else
- They set their own agenda, create their own goals
- They don't make excuses

*"We don't wait for people to tell us what to do at work, in our personal life, or anything else. We set our own agenda, create our own goals."*



# Excuses



- Many millionaires noticed that some people:
  - Expect to get a job by completing a couple of online applications without also networking, practicing interview skills, etc.
  - Focus on what they perceive or hope to be the problem vs. the true problem
  - Want to make more money in their jobs but aren't interested in career advice
  - Want to get out of money trouble but don't want to change or receive advice

# No More Excuses!

## ➤ Anna Bastek

- [www.wolfestone.co.uk/blog/my-journey-from-couch-potato-to-ironman-within-a-year/](http://www.wolfestone.co.uk/blog/my-journey-from-couch-potato-to-ironman-within-a-year/)



## ➤ Jim Oldfield

- [www.heartinsight.heart.org/Spring-2015/From-Couch-Potato-to-Ironman/](http://www.heartinsight.heart.org/Spring-2015/From-Couch-Potato-to-Ironman/)



## ➤ Steve Baxter

- <https://www.myown.com.au/en/mystory/couch-potato-to-triathlete.html>



# “Success Factor” Survey

- 226,000 neighborhoods were identified that were likely to have millionaires
- Narrowed the list to 2,400 homes and sent a survey
- 733 of the 1,001 that responded said they were millionaires
  - 10 “success factors” were identified



# Success Factors 1-5

- I am honest with all people
- I am disciplined
- I get along with people
- I am very well organized
- I work harder than most people

*“Integrity is not a pass/fail course.”*

*“I am a finisher in a society of starters.”*

*“I have the ability to sell my ideas and products.”*



# Success Factors 6-10

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- I love my career/business
  - I have strong leadership qualities
  - I have a very competitive spirit/personality
  - I have an ability to sell an idea/product
  - I have a supportive spouse
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# Choice of Spouse

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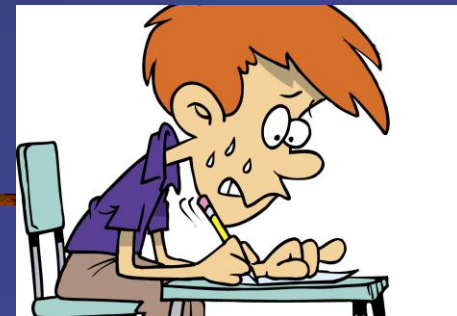
- Describe your spouse:
  - Down to earth, unselfish, has traditional values, my emotional backbone, patient, understanding
- Qualities that contributed to our marriage:
  - Honest, responsible, loving, capable, supportive

*They remind themselves that if they lost everything, they would still have their spouse and kids. 'They would never abandon me.'*

*My wife said, "What happens if you don't make money?" I said, "Well, I'll get another job." And she said, "Okay."*

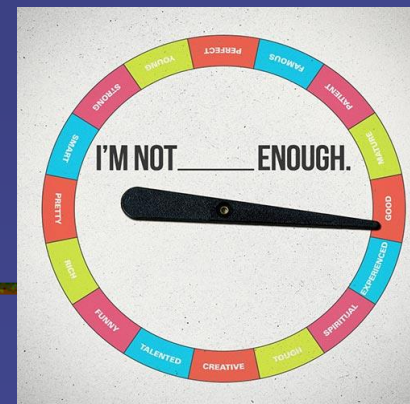
# School Results

- 2% were in the top of their college class
- ~70% said they made more B's, C's and D's than A's
- 90% graduated from college with an average GPA of 2.9



# While in School

- Most were told by 1) some authority figure or 2) their standardized test scores that they were not:
  - Intellectually gifted
  - Of law-school caliber
  - Medical school material
  - Qualified to pursue an MBA
  - Smart enough to succeed



# Parents' Response to a Bad Report Card

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- *“You can do better.”*
  - *“Figure out a plan to get back on track.”*
  - *“I’ll work some problems with you.”*
  - *“I know of a great tutor who will help you master these topics.”*
  - *“I always had problems with this topic but you’ll just have to work through it.”*
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# Intellect isn't Everything

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- School helped me learn how to fight for my goals because someone labeled me as having “average or less ability”
- School helped me understand that hard work was more important than being “book smart”
- School helped me learn how to use my time wisely and make accurate judgments about people

*“It’s not how smart you are, the question is...  
how are you smart?”*

# Roberto Goizueta

CEO of Coke 1980-1997

- “...Robert did not finish at the top of his class. But not for lack of trying...Grades did not come easily (and even one of his professors said)...‘I would not have expected him to become chief executive of the Coca-Cola company.’”



“I’d Like the World to Buy a Coke” by David Greising

# School Bus Driver with a Plan

- He and his wife were frugal and valued education for their kids
- During his free time each workday, he started reading about investments
- They sent their kids to private colleges, medical school and graduate school
- Their net worth at retirement: \$3 million+

vs.

- UPS driver



# Often Unreported

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- They are optimistic, enjoy risk taking and problem solving but rarely play the lottery or gamble
  - Majority of millionaires have had:
    - Stable upbringing
    - Love of parents
    - Loyal and supportive spouse
    - Strong religious faith
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# Not a Lot of Room for Variation

- The path to becoming a millionaire isn't revolutionary
- Millionaire interviews at [www.esimoney.com](http://www.esimoney.com)

*"I never considered my dreams wasted energy. When I dreamed about having a lemonade stand, for example, it wasn't long before I set up a lemonade stand."*

-- Ray Kroc, founder of McDonalds



# Unlikely Millionaires

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Sylvia Bloom legal secretary \$8.2M to charity

Alan Naiman social worker \$11M to various charities

Leonard Gigowski grocer \$13M to a private high school

Margaret Southern special needs teacher \$8.4M to various

Ronald Read gas station attendant/janitor ~\$5m to hospital

Kathleen Magowan teacher \$5M to various charities



# 10 Secrets to Success\*

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1. HOW YOU THINK IS EVERYTHING: Always be positive. Think success, not failure. Beware of a negative environment.
2. DECIDE UPON YOUR TRUE DREAMS AND GOALS: Write down your specific goals and develop a plan to reach them.
3. TAKE ACTION: Goals are nothing without action. Don't be afraid to get started now. Just do it.
4. NEVER STOP LEARNING: Go back to school or read books. Get training and acquire skills.
5. BE PERSISTENT AND WORK HARD: Success is a marathon, not a sprint. Never give up.

\* Investor's Business Daily newspaper has spent years analyzing leaders and successful people in all walks of life. Most have 10 traits that, when combined, can turn dreams into reality. Each day, they highlight one.

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# 10 Secrets to Success, cont'd

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6. LEARN TO ANALYZE DETAILS: Get all the facts, all the input. Learn from your mistakes.

7. FOCUS YOUR TIME AND MONEY: Don't let other people or things distract you.

8. DON'T BE AFRAID TO INNOVATE; BE DIFFERENT: Following the herd is a sure way to mediocrity.

9. DEAL AND COMMUNICATE WITH PEOPLE EFFECTIVELY: No person is an island. Learn to understand and motivate others.

10. BE HONEST AND DEPENDABLE; TAKE RESPONSIBILITY: Otherwise, Numbers 1-9 won't matter.

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# Resources

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- The Millionaire Next Door
    - By Thomas Stanley and William Danko
  - The Millionaire Mind
    - By Thomas Stanley
  - Everyday Millionaires
    - By Chris Hogan
  - The Instant Millionaire
    - By Mark Fisher
  - Your Money or Your Life
    - By Vicki Robin & Joe Dominguez
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# Final Thought

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If you want to feel rich,  
just count the things you have  
that money can't buy.

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# Thank You!

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