

Stop Acting Rich

...and Start Living Like a Real Millionaire

by Thomas J. Stanley, Ph.D.

Live Like the Wealthy

Put your money where your values are.

QUICK OVERVIEW

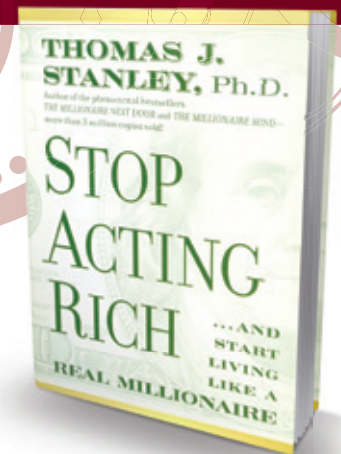
In his 1996 book *The Millionaire Next Door*, Thomas Stanley brought millionaire myths to light. In his latest book, Stanley offers a glimpse into the minds of millionaires—and the people who attempt to act like the ultra-wealthy. The message: Go beyond the superficial and you'll discover that people who “put on airs” are likely to be far less wealthy—and less happy—than they'd like people to believe.

Stanley offers research findings and relates personal experiences to help explain our spending and investing habits. He also explains why people “hyperspend,” and why they need to stop if they dream of ever becoming financially independent. In this summary, we'll look at the chapters that explain some of the disparities between the glittering rich and those who try to keep up with them. We'll also learn where the affluent place their value and how they find true happiness—something anyone can do, regardless of their income.

APPLY AND ACHIEVE

Thomas Stanley is unabashedly frugal. But that doesn't mean he doesn't enjoy life. He, and other millionaires like him, simply refuse to be told they must purchase a specific brand, drive a prestige car, or live in a mansion in order to be happy. Happiness comes not from wearing, driving or drinking a label, but from within.

In a time when millions across the United States (and around the world) are struggling financially, more people are taking the time to evaluate what's really important. Keeping up with the Joneses is vanity. Rather than proving you are as wealthy as your apparently well-to-do neighbors, it proves that you can purchase on credit as swiftly as they can. Before swiping that card one more time, or purchasing a vacation home, stop and ask yourself why you want to lay down your hard-earned cash (or commit to payments for the next 30 years). Being frugal doesn't mean you *can't* purchase those things; it simply means you are aware of the costs and you are mindful of your reasons.



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SUCCESS Points

From this book you will learn:

- What your net worth should be
- Why it is unproductive to model your spending habits after the “glittering rich”
- How the truly wealthy spend their leisure time

SUMMARY

Stop Acting Rich

More people look richer than they really are, and the really rich often don't look anything like what we think they should look like.

THE DIFFERENCE BETWEEN BEING RICH AND ACTING RICH

From the age of 13 to 17, I caddied, carrying a lot of golf bags between early April and mid-September. This helped fund my passion for model airplanes and boats, but I received a lot more than money from caddying. I learned a great deal about people. In fact, much of the knowledge I gained on the golf course provided a base for my lifelong career studying rich people—and those who only act rich.

As a caddy, I alternated between two distinctly different golf courses. One was a public course; the other was part of a private country club. Most of the private club members were lawyers, physicians, dentists, accountants, and corporate middle-level managers. In the minority were business owners and senior corporate executives. Nearly all private club goers drove prestige makes of cars.

Things were different at the public course. Golfers there had the option of hiring a caddy or carrying their own bag. About half paid for a caddy. Many of those who did were self-employed types, ranging from craftsmen to owners of small and medium-size blue-collar businesses such as plumbing firms, hardware stores, contracting, and the like. Some of my best clients were sales and marketing professionals.

During each loop around the course, each and every customer at the public golf course offered to buy me a hot dog and a Coke for lunch. Only about one in four players at the private club made such an offer. In addition, about two-thirds of my public course clients tipped. Most of the golfers at the private club never tipped their caddies, although those who did tipped very well.

Just who were those extraordinarily generous people at the private course, the big tippers? How did they differ from those members who never tipped a caddy or even offered him a hot dog for lunch? Today I have a clearer understanding of both of these types of people.

Most of the big tippers were classic big spenders. At the top were very successful owners of privately held corporations.

Millionaires at a Glance

Average Age (median years)	57
Marital Status	
Married, never divorced	59.0%
Now married	32.0%
Never married	2.2%
Separated/Divorced	4.0%
Widowed	3.0%
Annual Household Income	\$212,888
Primary Occupation	
Business owner / self-employed	28%
Senior corporate executive	16%
Middle manager / executive	11%
Engineer	9%
Physician	8%
Marketing / sales professional	7%
Attorney	5%
Education	3%
Accountant	2%
Homemaker	2%
Other	9%

Some were senior corporate executives of public corporations. My best client was a physician and his wife. These “glittering rich” had the economic means required to generate considerable wealth and simultaneously support a high-consumption lifestyle. Paying club-related fees and buying lunches for caddies didn't put even a minor dent in their financial statements.

What about the other type of golfer I encountered at the private course? I believe that a lot of them were, in fashion and retail parlance, “aspirational”—people who act rich, want to be rich, but actually aren't rich. Aspirational have two “highs”: high occupational status and a high-consumption lifestyle. They often try to imitate the big-spending, glittering rich, but it is nearly impossible to do it all. It takes a lot of money, relative to income and net worth, to be an aspirational. Perhaps that is why more than two-thirds of those who are country club members are not millionaires.

Think of the millionaire population as a continuum. At one end are the glittering rich. They generate extremely high

incomes, have vast sums of wealth at their disposal, and spend accordingly on high-prestige cars, mansions, dinner every night at \$300-plus per person restaurants, couture attire, and the like. No matter what they spend their money on, though, it's just a fraction of their overall net worth. In other words, even the glittering rich spend below their means. They are a very small minority, about 2 percent of U.S. millionaire households; no more than 80,000 in total.

So why are we talking about the glittering rich, and why do they even matter, as they make up such a small percentage of the population? They really matter to us because, sadly, we have become a society that seeks to emulate their consumption lifestyle to the detriment of our financial health. We have been acting rich but we aren't rich by any means.

WHY WE BUY

Why do so many people overspend? Prior to the economic reversals we have recently encountered, most people had similar sets of beliefs about the positive relationship between spending on products and happiness. But in reality, increased spending does not make one more satisfied with life overall. For many people, it actually has the opposite effect. But, conversely, who are those who are happy? Typically they are those who spend below their means while building wealth and ultimately becoming financially secure.

There's a difference between looking rich and being rich. Most people who look rich, actually aren't rich.

To a considerable degree, it is the uniquely American upward socioeconomic mobility that fuels much of the hyperconsuming engine of the market for luxury goods, prestige products, upscale brands, expensive homes, and so on. In America, it is not at all unusual for children from modest means to become high-income-producing adults. Then they are fooled into thinking that all those with the means to do so hyperconsume. They are wrong. Most rich people become wealthy and stay

that way because they are frugal and are investment, not consumption, oriented. Most of those who have high wealth indices said that they came from families that lived well below their means. Their parents taught them:

- Never judge the true quality, the caliber of a person, by what can be purchased.
- Often people who dress and drive as if they are rich are not.
- Shakespeare was right: "All that glitters is not gold."

EVERYTHING YOU THINK ABOUT RICH IS WRONG

You can act rich or actually become rich. Few of us will ever be able to do both, and we certainly won't get rich by acting the part before we have the financial resources with which to pay for *la dolce vita*. We live in a time when it has never been easier to act rich than to actually become rich, even with the devastation of the financial crisis. At the end of the day, not only are we bad actors because it is simply impossible for us to keep up with the glittering rich (if we buy one expensive, prestige car, they buy 20), but we are terribly misguided and ill informed about how millionaires really spend and what they actually buy. Instead of focusing on millionaires generally, we are enamored with the few glitteringly rich people, but we miss that even though they spend like crazy and often ostentatiously, their spending is nonetheless well within their means—in fact, below their means.

The reality is that most millionaires are quite consistent when it comes to the price points for the items they purchase. The term "moderately priced" typically applies to how the majority of millionaires allocate their dollars. This applies across the wide spectrum of the things they own. But moderate spending on suits, cars, homes, and such will not get one noticed or much envied by strangers on the street. But neither notoriety nor envy will pay your mortgage, fund your children's college education, nor even support you when you are retired.

The data show that many of our assumptions about wealth—who has it, what they spend it on, how they live—are downright wrong. We have confused status and prestige with wealth. The glittering rich spend below their means, and the merely wealthy spend below their means. The hyperconsumers, particularly high-income individuals, have little wealth and spend on those things they assume their flush

counterparts spend on. We try to emulate the consumption patterns of the glittering rich, not realizing that we can never pass muster and will only erode our own wealth by doing so.

We need to stop acting rich and start living like real millionaires.

THE ROAD TO HAPPINESS

You can't drive your way to happiness. Yet some people believe otherwise. They may see some fellow driving a fully accessorized BMW, Corvette, or Cadillac and assume something about him. They whisper to themselves, "There goes a happy guy. If I had that car instead of my Toyota, I would be off the far end of the happy scale."

But just what is the relationship between the car you drive and your level of satisfaction with life? According to my research: *There is no significant correlation between the make [brand] of motor vehicle you drive and your level of happiness with life.*

People who live below their means understand this. The data tells the story. Consider the results from my most recent national survey of high-income-producing households. Each of the 1,594 respondents was asked about the make of motor vehicles he had acquired over the prior 10 years as well as his most recent acquisitions. Guess what? Not one significant correlation was found between the make of motor vehicle acquired and overall satisfaction with life. That's right, not 1 of the 46 makes studied had any measurable effect on satisfaction with life overall.

Most people who are economically successful in objective terms do not need status brands to convince themselves or others in their social circles of this fact. Nor is their high level of satisfaction in life based on the make of vehicle they drive.

Ask the average person on the street, particularly anyone under the age of 30, what make of car they'd like to drive, and few will say "Toyota." You will hear a lot of Mercedes, BMWs, Jaguars, and so on. What's the big deal? Who wouldn't want to drive one of these "nicer" cars, and isn't the question really a proxy for the success people envisioned for themselves?

The problem is that people, particularly younger people, have come to focus on the trappings of wealth over everything else, including the work or savings to accumulate the wealth to be able to reasonably afford luxury brands. When we think about "rich" we think about acting rich over being rich.

The glittering rich worked hard to achieve success. First it was about the success, and *then* came the high-consumption lifestyle—which is congruent with their level of success. Buying a Mercedes hardly puts a dent in their financial statement. Contrast them with the acting-rich actors who work to acquire brands with which to imitate the consumption lifestyles of the Mercedes Millionaires. Not surprisingly, wannabes in general are less satisfied with their lives and have lower levels of job satisfaction than do millionaires. Driving a leased Mercedes, wearing an expensive watch, or filling up a heavily mortgaged home with Grey Goose will not make one rich or happy.

THE MONEY PIT

When we make home-buying choices, we look at several factors, mostly the carry costs of the home such as mortgage and taxes. It's basic math: Do I make enough money to pay the bills? Stupid loans aside, it has long been a fairly easy question to answer

Success is winning the Nobel Prize or some other accomplishment. Success is not a second home.

when buying a home. As the cost of borrowing dropped, we could move up so much more easily. New homes were especially enticing. Most people think of homes being a money pit in upkeep and repair or remodeling. But if we could buy a brand-new home, then we would avoid these problems.

What we don't realize is that the true cost of living in certain homes and neighborhoods is unseen but truly devastating. I believe the greatest detriment to building wealth is our home/neighborhood environment. If you live in a pricey home and neighborhood, you will act and buy like your neighbors. In other words, human beings have an innate tendency to act and be like those around them—to fit in—and even to compete (in a neighborly way, of course). The type of home we live in and where we choose to live often takes the greatest toll on our financial wealth, and from it, all other perils flow.

From cars to haircuts, and from wine to watches, those living in "prestige estates" spend more. We take consumption cues from

our neighbors. If many of our neighbors have a much higher level of income and wealth than we do, we will have set ourselves up to lose the war before we have even begun to battle.

If the priority is to act rich, then move from a modest community to a high-consumption neighborhood. Here there will be enormous social pressure for you to spend, spend, and spend more on just about every category of consumer products and services.

If you spend in anticipation of becoming rich, you are unlikely to ever become truly wealthy.

Contrary to popular belief, however, most of the self-made millionaires I have studied have one thing in common: They were able to build wealth precisely because they never lived in a home or neighborhood environment where their domestic overhead made it difficult for them to build wealth. In essence, they ran their households like a productive business. It is not only about how much you make (or generate in sales). More important, it is how much you keep. And the “keep” component begins and ends at your home address.

ALL THAT GLITTERS IS NOT THE MILLIONAIRE’S GOAL

There is something else about wealthy people that sets them apart from others. Most wealthy people have a wide variety of interests and activities. In fact, there is a substantial correlation between the number of interests and activities that people are involved in and their level of financial wealth.

Some wealthy people feel that owning a vacation home, for instance, would restrict them, obligate them to spend a lot of time there. And if they do not spend much time there, they feel guilty for allocating lots of dollars on something that is underutilized. Most millionaires came to this realization without first having to make the mistake of purchasing a vacation home. Many respondents have told me about the emotions associated with owning vacation homes. First, joy and euphoria, shortly followed by a loss of interest, and then resentment at having to pay for something that is rarely used

Wealth Equation

How do you know what your net worth should be? Stanley offers the following equation:

Simply stated, your net worth [augmented] should equal 10 percent of your age times your annual realized household income ($0.10 \times \text{age} \times \text{income} = \text{expected net worth}$).

If your actual net worth is above this expected figure, I consider you affluent, given your age and income characteristics.

but drains financial resources. Many rich people, however, rank high on the cosmopolitan scale. They like variety and change in their lives. Being tied down to a vacation home is “just so parochial.” (They say the same thing about owning a boat.)

So if millionaires don’t own vacation homes, what do they do? I asked the decamillionaires I surveyed about some of the activities that they engaged in during the prior 12 months. Here are some of the more popular activities reported:

- Visiting museums (83 percent)
- Raising funds for charities (75 percent)
- Consulting tax experts (75 percent)
- Attending fundraising balls (75 percent)
- Participating in civic activities (69 percent)
- Attending major league sporting events (69 percent)
- Vacationing overseas (69 percent)

Popular activities that decamillionaires listed in their diaries over a 30-day period included:

- Socializing with children/grandchildren (95 percent)
- Planning investments (94 percent)
- Entertaining close friends (87 percent)
- Watching their children/grandchildren playing sports (66 percent)
- Studying art (63 percent)
- Playing golf (60 percent)
- Attending religious services (52 percent)

What do these wealthy people know that many vacation homeowners, boat owners, and seekers of prestige brands have overlooked? You cannot be in two places at one time. Mostly, what they know is that it is life activities that give pleasure and satisfaction, not the watch on your wrist.

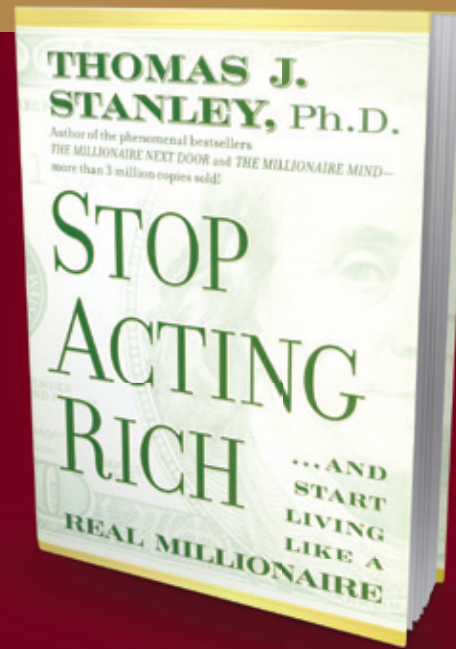
SUMMARY

Stop Acting Rich

➔ ACTION STEPS

Get more out of this SUCCESS Book Summary by putting what you've learned into action. Here are a few questions and thoughts to help you get started.

1. *Millionaires look for high-value, moderately priced products and services. High quality doesn't have to come with a high price tag. On what products or services are you spending more than necessary?*
2. *Create a budget and keep track of what you're spending. The basic rule for building wealth is whatever your income, live below your means.*
3. *What civic or charitable organizations are you involved in? Why not make an appointment today with a local or national organization that could use your expertise?*
4. *Be purposeful in the way you allocate money. Investing in your financial independence and in others' lives will yield greater satisfaction than purchasing an overpriced home or vehicle.*
5. *Much of the perceived need to purchase high-dollar brands comes from living around and spending time with others who do so (even if they purchase those items on credit). Make a point to spend time with those whose values and spending habits mirror your own.*
6. *Instead of buying what you think you need, focus on buying what you actually need.*
7. *Do the math. Use the "Wealth Equation" to figure your real financial standing.*



About the Author

Thomas J. Stanley is a respected researcher, advisor and author of several highly regarded, award-winning books on America's wealthy.

His books, *The Millionaire Next Door* and *The Millionaire Mind*, spent more than 170 weeks combined on *The New York Times* best-sellers list. Stanley has authored more than 40 published articles that deal with the affluent in America and has appeared as a featured guest numerous times on *The Today Show*, *20/20*, and *The Oprah Winfrey Show*. His work has been cited in the national media, including *The Wall Street Journal*, *The New York Times*, *Forbes*, *Fortune*, *Time*, *Money*, *U.S. News & World Report*, and *USA Today*.

Stanley lives in Atlanta, holds a doctorate of business administration from the University of Georgia in Athens and was formerly a professor of marketing at Georgia State University.

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