




Thomas J Stanley, PhD

The background features a circular diagram with various life factors labeled: Courage, Education, Money, Investments, Luck, Frugality, Possessions, Vocation, Lifestyle, Relationships, and Family. The diagram is overlaid with a faint image of a person's face.

THE MILLIONAIRE MIND

The groundbreaking *New York Times* bestseller
that examines what makes a millionaire



Dr Thomas J. Stanley is an author, lecturer and researcher who has studied the affluent since 1973. Dr Stanley has written several bestselling books including *The Millionaire Next Door* (with William D. Danko, PhD) and *Marketing to the Affluent*, which was selected as one of ten outstanding business books in America by the editors of *Best of Business Quarterly*. His work is frequently cited in the national media. Dr Stanley holds a doctorate in business administration from the University of Georgia in Athens and was formerly a professor of marketing at Georgia State University, where he was named Omicron Delta Kappa Outstanding Professor. He lives in Atlanta, Georgia.

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Also by Thomas J. Stanley, Ph.D.

Marketing to the Affluent

Selling to the Affluent

*Networking with the Affluent
and Their Advisors*

The Millionaire Next Door
(with William D. Danko, Ph.D.)

THE MILLIONAIRE MIND

J. Stanley, Ph.D.



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For Janet, Sarah, Brad, and
a million visits from Mr Flashlight

Contents

TABLES	8
ACKNOWLEDGMENTS	10
1. AN INTRODUCTION TO THE MILLIONAIRE MIND	11
2. SUCCESS FACTORS	41
3. SCHOOL DAYS	98
4. THE RELATIONSHIP BETWEEN COURAGE AND WEALTH	143
5. VOCATION VOCATION VOCATION	191
6. CHOICE OF SPOUSE	243
7. THE ECONOMICALLY PRODUCTIVE HOUSEHOLD	288
8. THE HOME	317
9. THE LIFESTYLES OF MILLIONAIRES: REAL VS IMAGINED	372
10. A FINAL NOTE ABOUT THE MILLIONAIRE MIND	397
APPENDIX 1: IN SEARCH OF THE BALANCE SHEET AFFLUENT	404
APPENDIX 2: BUSINESSES OWNED AND MANAGED BY MILLIONAIRES (NATIONAL GEODEMOGRAPHICALLY BASED SAMPLE)	406
APPENDIX 3: BUSINESSES OWNED AND MANAGED BY MILLIONAIRES (AD HOC SAMPLE)	409
AUTHOR'S NOTE	412

Tables

- 1-1 The Academic Record of Millionaires: Undergraduate College Grade Point Average (GPA) and SAT Score
- 2-1 Millionaires' Success Factors
- 2-2 Millionaires' Success Factors: Superior Intellect vs Social Skills
- 2-3 Millionaires' Success Factors: Superior Intellect vs Orientation Towards Critics
- 2-4 Millionaires' Success Factors: Superior Intellect vs Integrity/Completeness
- 2-5 Millionaires' Success Factors: Superior Intellect vs Creative Intelligence
- 2-6 Millionaires' Success Factors: Stock Market Investing vs 'One's Own Business'
- 2-7 The Investments of Millionaires: Publicly Traded Stock vs Other Financial Assets
- 2-8 Stockbrokers vs Other High-Income-Producing Occupational Groups: Who Has More Wealth?
- 2-9 Millionaires' Success Factors: Happenstance vs the Elements of Discipline
- 3-1 Enhancing Self-Discipline and Discernment: School and College Experiences That Influenced Millionaires in Becoming Economically Productive Adults
- 3-2 Millionaire, How Do You Think Your High School Teachers Judged or Evaluated You?
- 3-3 Forging Tenacity: School and College Experiences That Influenced Millionaires in Becoming Economically Productive Adults
- 3-4 Correlation Coefficients: SAT Score, Class Rank, and Grade Performance vs Net Worth and Income
- 3-5 Factors Explaining Economic Success: Millionaires with SAT Scores Under 1000 vs 1400 or Higher
- 3-6 How Their High School Teachers Likely Judged Them: Millionaires with SAT Scores Under 1000 vs 1400 or Higher
- 3-7 School and College Experiences That Influenced Millionaires in Becoming Economically Productive Adults: Those with SAT Scores Under 1000 vs 1400 or Higher
- 4-1 Actions and Thought Processes Used by Millionaires to Eliminate/Reduce Fears and Worries
- 4-2 Actions and Thought Processes Used by Millionaires to Eliminate/Reduce Fears and Worries Grouped by Domains
- 4-3 Taking Financial Risk vs Playing the Lottery: Correlates of Wealth?
- 4-4 The Patronage Habits of Multimillionaires: Investment Advisers and Other Service Providers

- 4-5 Critical Success Factors According to Self-Designated Risk Takers vs Non-Risk Takers
- 5-1 How Millionaires Select a Vocation: Important 'Discovery' Factors
- 5-2 How Millionaires Select a Vocation: Important Choice Factors
- 6-1 The Top Five Qualities of a Spouse That Contributed to Millionaires' Successful Marriages
- 6-2 The Top Five Qualities That Initially Interested Millionaires in Their Spouses
- 6-3 Males vs Females: Important Qualities of Spouse That Contributed to Their Successful Marriage
- 6-4 Males vs Females: Important Qualities That Initially Interested Millionaires in Their Spouses
- 7-1 Actions Taken by Millionaires to Reduce the Cost/Enhance the Productivity of Operating a Household
- 7-2 Economically Productive vs Nonproductive Households: Actions Taken by Millionaires to Reduce the Cost/Enhance the Productivity of Operating a Household
- 7-3 Actions Taken in the Process of Purchasing a Home: Millionaires from Economically Productive vs Nonproductive Households
- 8-1 Year of Purchase of Current Home
- 8-2 The Millionaire Home: Original Price Paid for Home vs Current Value
- 8-3 The Millionaire Home: Year of Construction
- 8-4 The Millionaire Home: The Number of Bedrooms and Full Baths
- 8-5 The Millionaire Home: Outstanding Mortgage Balance
- 8-6 Actions Taken: The Process of Purchasing a Home
- 8-7 Actions Taken in the Process of Purchasing a Home: Mr Green vs Mr Blue
- 8-8 The Homes of Millionaires in America: Average Value by Net Worth
- 8-9 Selected Average Annual Expenditures and Characteristics: Households with Incomes of \$90,000 and Over and Those with Less Than \$90,000
- 9-1 Lifestyle Activities of Millionaires: A Thirty-Day Diary
- 9-2 Categories of Lifestyle Activities of Millionaires: A Thirty-Day Diary
- 9-3 'Cheap Date' vs Costly Activities: The Realities of the Lifestyles of the Millionaire's Monthly Diary
- 9-4 Lifestyle Activities of Millionaires: A Twelve-Month Diary
- 9-5 Lifestyle Activities of Millionaires: A Twelve-Month Diary Grouped by Domains
- 9-6 'A Date' with a Tax Expert and Fund-Raising vs the 'Tonier' Activities: The Realities of the Millionaire's Twelve-Month Diary

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An Introduction to the Millionaire Mind

THEY LIVE IN LOVELY HOMES LOCATED IN FINE NEIGHBORHOODS. Balance is their approach to life. They are financially independent, yet they enjoy life – they are not ‘all work, no play’ type of people. Most became millionaires in one generation. Neither their lifestyle nor their wealth was generated from being highly leveraged financially. They are not credit junkies. How did they accomplish this? How did they balance their need to become wealthy and economically productive with their need to enjoy life? They have the millionaire mind.

Early in my career of studying wealthy people, I had a glimpse of this segment of the millionaire population. In 1983 I was asked to interview sixty millionaires from Oklahoma. What I learned from them was simple, yet the message had a lasting impact on me: You cannot enjoy life if you are addicted to consumption and the use of credit. These Oklahoma millionaires were just the opposite, as demonstrated by one focus group of ten. All ten were seasoned business owners, executives, or professionals. All were first-generation wealthy. Some were credit-dependent earlier in their careers, but they eventually saw the light. They went cold turkey, breaking the cycle of borrowing to consume, earning to consume, and borrowing more and more money. Others never became addicted to credit or the need to display their success.

All ten were multimillionaires. They lived in fine homes in well-established, older neighborhoods. They drove American-made motor vehicles. They enjoyed life. They were not

workaholics. They spent a lot of time with their families and friends, borrowed little money, and became wealthy, in most cases, before they were forty-five years old. My interview with this group was scheduled to last about two hours, but it actually went on for nearly four hours. I only had to ask a few questions – the members enjoyed telling their own stories about becoming wealthy. If there were a Focus Group Hall of Fame, all ten of these millionaires would be inducted during the first round.

There were many important points made about how one can become an economic success, but one statement was riveting. It was made by Gene. He mentioned that those who are ‘credit-dependent’ are in fact controlled by someone else, some institution.

Gene was in his late forties at the time. He listed his occupation as ‘owner of a salvage business.’ He purchased or ‘salvaged’ real estate from various financial institutions. These institutions ‘have loans that are in default . . . six months or more.’

Just a few weeks prior to the interview, Gene ‘salvaged’ sixty-eight homes, a commercial shopping center, and five multifamily apartment complexes from a financial institution with which he’d had many previous dealings. Immediately after the deal was signed, the senior credit officer of the institution signaled to Gene and walked with him over to the large window in the officer’s top-floor office. It was a tall building – they could see for miles and miles. There were thousands upon thousands of commercial buildings all around. Gene could even see some of the residential neighborhoods on the horizon.

As he looked out the window, the officer pointed to all the buildings, homes, offices, garages, shops, and so on, and said the words that made a lasting impression on Gene:

We [the lenders] own it all . . . all of it. The business out there? . . . You [borrowers] just run these businesses for us. You guys run them for us, the financial institutions.

How many people today in America run ‘their businesses,’ ‘their professional practices’ but actually work for or are being

controlled by lenders? How many live in luxury homes yet work hard to make payments to the ultimate owner of the mortgage? How many people take care of autos they lease from the real owner? Too many. But Gene is not among them, nor were any of the other members of his focus group. All possessed the millionaire mind. None had a private credit officer doling out cash. All lived in fine homes, but not one had a 'jumbo mortgage.'

The lesson I learned from Gene was repeated many times over by the millionaires surveyed for this book. They all have the millionaire mind, yet they believe it's possible to enjoy life and still become wealthy. They believe that financial independence and much economic success can be achieved without adopting a Spartan lifestyle. But there must be certain constraints, as discussed later in this book.

Some people are not controlled by credit institutions. For them it is just the opposite – they are controlled by greed. They are misers. They even shortchange their spouses and children. Money is their God. These people are not of the millionaire mind. Another millionaire who has the proper perspective said:

I taught my sons and daughters that money is not their God. You control it . . . not let it control you.

Most of the people profiled in this book became economic successes in one generation. They came from economic ground zero. Most inherited no money. They never received the proceeds of an estate or income from a trust account. How did they do it? Again, they are of the millionaire mind.

You may never be able to generate the sizable incomes that many of these millionaires have earned. You may not become a multimillionaire in a few short years. But you can still benefit from understanding how these people maintained an enjoyable lifestyle at the same time they were accumulating wealth. Only a few people, even those with high incomes, know how this can be accomplished. Those with the millionaire mind know how, and they are profiled in this book.

THE SEARCH

The research conducted for my earlier book, *The Millionaire Next Door*, and the results reported therein have expanded the knowledge about the characteristics of America's most affluent people. I decided to broaden the size and scope of my next study to include many more participants from a significantly wealthier population base. The new survey also focused on a different set of attributes and lifestyles, designed to project a deeper, more comprehensive look at the millionaire mind. The results of that study are presented in the following chapters.

It is a lot easier to profile the characteristics of people who have the millionaire mind than it is to find them. Why not survey all the households in America? Because only about 4.9 percent of the households in this country have a net worth of \$1 million or more. Nor can you just survey all the people who live in expensive homes. Often these 'big-home owners' are what I call Income Statement Affluent. They have big incomes, big homes, big debt, but little net worth. They are experts at preparing loan applications, most of which do not ask about one's real level of net worth.

In sharp contrast there are those whom I call Balance Sheet Affluent. These people are of the millionaire mind. They focus upon accumulating wealth. Their assets greatly exceed their credit liabilities. Often they have little or no outstanding credit balances.

If I surveyed people who live in fine homes nationwide, what would I find? Too many Income Statement Affluent respondents. Yet I always believed that certain types of neighborhoods attract the Balance Sheet variety and retain those with the millionaire mind, and these same neighborhoods might be unattractive to the Income Statement Affluent. My hypothesis was confirmed by the results of the survey conducted for this book.

In order to help develop a representative sample of people with millionaire minds, the Balance Sheet Affluent, I sought advice from my friend and associate Jon Robbin. He is the foremost authority on geodemography, the term used to describe the study of the characteristics of people within defined

geographic areas. Often these areas are at the zip-code level, but for my survey I wanted to get down to an even smaller level – neighborhoods or block groups. Some of these neighborhoods had fewer than fifty households.

I told Jon about my problem, and he solved it in short order. Jon is a Harvard-trained mathematician and a brilliant researcher, and his geodemographic database is also extraordinary. He developed a sophisticated mathematical model that estimates the net worth characteristics for most block groups/neighborhoods in America.

Jon found that some neighborhoods have high concentrations of people who have substantial investment income and thus would have the millionaire mind-set. From his national database of 226,399 neighborhoods, Jon selected 2,487. His mathematical model predicted that these would contain high concentrations of people who were actually wealthy, as opposed to those who had big homes with big mortgages but low net worth. A national sample was generated by randomly selecting 5,063 households from those neighborhoods.¹ Each household selected was sent a questionnaire.

Of the 1,001 fully completed responses, 733 were from millionaires. Each had a net worth of \$1 million or more. This national survey of 733 millionaires provided much of the empirical base for this book. Most of the respondents lived in old, well-established, upper-middle-class neighborhoods, in homes built in the 1950s or even in the 1940s or earlier. What? No homes with five Jacuzzis? What? No flashy new subdivisions or newly developed suburban estates? Could it be that those with the millionaire mind-set are not 'trendy' when it comes to selecting homes and neighborhoods? It seems that's the case. Plus, most of the respondents had either small outstanding balances on their home mortgages or no mortgages at all.

The methodology of how each respondent was selected on a random basis was described earlier in an article (see Thomas J. Stanley and Murphy A. Sewall, 'The Response of Affluent

¹ Details about the geodemographically based sample methodology are given in Appendix 1.

Consumers to Mall Surveys,' *Journal of Advertising Research*, June-July 1986, pp. 55-58). The nine-page questionnaire completed by each respondent contained 277 questions. This project was the most comprehensive I have undertaken. The survey data were collected and tabulated by one of the premier survey organizations in America, the Survey Research Center, Institute for Behavioral Research, University of Georgia in Athens.² The center also did the univariate and multivariate computer analyses of the data.

Earlier, the questionnaire and survey methodology were pretested on an ad hoc sample of 638 millionaires. All had income statements and balance-sheet characteristics that would qualify them for jumbo mortgages. This pretest survey was conducted by the author and his staff.

In addition, important case studies were developed from a series of personal interviews and focus groups. These cases are detailed throughout the book, and they provide an important piece of the puzzle. For it isn't easy to develop a full understanding of the millionaire mind. The results summarized in this book are intended to help people develop an understanding and appreciation of the meaning of a balanced lifestyle.

A DEMOGRAPHIC SKETCH

A demographic overview of the survey results follows below. Expanding and broadening the portrait of America's self-made millionaires provided in *The Millionaire Next Door*, here is a sketch, in their own 'voices,' of our most economically productive men and women.

A TRADITIONAL FAMILY

- I am a fifty-four-year old male. I have been married to the same woman for twenty-eight years. One in four of us has been with the same spouse for thirty-eight or more years.

² Neither the Survey Research Center nor the University bears any responsibility for the analyses or interpretations presented here.