

The New York Times  
Best Seller

# THE MILLIONAIRE THE SURPRISING SECRETS OF AMERICA'S WEALTHY NEXT DOOR

**Thomas J. Stanley, Ph.D.**

**William D. Danko, Ph.D.**

*Robert E. Ku*

*Secretary of the Treasury*

THE  
MILLIONAIRE  
THE SURPRISING  
SECRETS OF NEXT  
AMERICA'S WEALTHY  
DOOR

**Thomas J. Stanley, Ph.D.**  
**William D. Danko, Ph.D.**

LONGSTREET PRESS  
Atlanta, Georgia

Published by  
LONGSTREET PRESS, INC.  
A subsidiary of Cox Newspapers,  
A subsidiary of Cox Enterprises, Inc.  
2140 Newmarket Parkway  
Suite 122  
Marietta, GA 30067

Copyright © 1996 by Thomas J. Stanley and William D. Danko  
All rights reserved. No part of this book may be reproduced in any form or by any means,  
electronic or mechanical, including photocopying, recording or by any information storage  
and retrieval system, without the prior written permission of the Publisher.

Printed in the United States of America

10th printing, 1997

Library of Congress Catalog Card Number: 96-76497

ISBN: 1-56352-330-2

Electronic Film output and separation by Overflow Graphics Inc., Forest Park, GA

Book design by Jill Dible

THE  
MILLIONAIRE  
NEXT  
DOOR

*For Janet, Sarah, and Brad—a million Christmases,  
a trillion Fourth of Julys*  
—T. J. Stanley

*For my loving wife, Connie, and my dear children,  
Christy, Todd, and David*  
—W. D. Danko

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that neither the author nor the publisher is engaged in rendering legal, investment, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

All the names in the case studies contained in this book are pseudonyms.

THE  
MILLIONAIRE

THE SURPRISING

SECRETS OF NEXT

AMERICA'S WEALTHY

DOOR

## CONTENTS

---

Tables	viii
Introduction	1
1: Meet the Millionaire Next Door	7
2: Frugal Frugal Frugal	27
3: Time, Energy, and Money	71
4: You Aren't What You Drive	109
5: Economic Outpatient Care	141
6: Affirmative Action, Family Style	175
7: Find Your Niche	211
8: Jobs: Millionaires versus Heirs	227
Acknowledgments	246
Appendix 1	249
Appendix 2	251
Appendix 3	256



## TABLES

---

- 1-1: The Top Ten Ancestry Groups of American Millionaires, p. 17
- 1-2: The Top Fifteen Economically Productive Small Population Ancestry Groups, p. 22
- 2-1: Prices Paid by Millionaires for Clothing and Accessories, p. 32
- 2-2: Credit Cards of Millionaire Household Members, p. 44
- 2-3: Contrasts among American Taxpayers, p. 57
- 3-1: Concerns, Fears, and Worries: Dr. North vs. Dr. South, p. 73
- 3-2: Consumption Habits: The Norths vs. the Souths, p. 79
- 3-3: Income and Wealth Contrasts: The Norths vs. the Souths, p. 92
- 3-4: Concerns, Fears, and Worries: PAWs vs. UAWs, p. 95
- 3-5: Investment Planning and Demographic Contrasts: Middle-Income PAWs vs. UAWs, p. 97
- 3-6: Hours Allocated: Dr. North vs. Dr. South, p. 102
- 4-1: Motor Vehicles of Millionaires: Model-Year, p. 113
- 4-2: Motor Vehicles of Millionaires: Purchase Price, p. 114
- 4-3: Motor Vehicle Acquisition Orientations of Millionaires, p. 119
- 4-4: Economic Lifestyles of Motor Vehicle Acquisition Types, p. 128
- 5-1: Economic Outpatient Care Given by Affluent Parents, p. 145
- 5-2: Receivers vs. Nonreceivers of Cash Gifts, p. 151
- 6-1: The Likelihood of Receiving a Substantial Inheritance: Occupational Contrasts, p. 177
- 6-2: The Likelihood of Receiving Substantial Financial Gifts: Occupational Contrasts, p. 177
- 6-3: Mean Annual Earnings: Men vs. Women, p. 181
- 6-4: Corporate Executive—Gifts and Inheritance, p. 188
- 6-5: Entrepreneur—Gifts and Inheritance, p. 197
- 6-6: Physicians—Gifts and Inheritance, p. 198
- 7-1: Estimated Allocations of Estates Valued at \$1 Million or More, p. 213
- 7-2: Estimated Fees for Estate Services, p. 213
- 7-3: Predicted Number and Value of Estates of \$1 Million or More, p. 217
- 7-4: Predicted Number of Estates Valued at \$1 Million or More Rank Ordered by  
Number of Estates by State for the Year 2000, p. 218
- 7-5: Estimated Number of Millionaire Households in the Year 2005, p. 225
- 8-1: Rankings of Selected Categories of Sole Proprietorships, p. 231
- 8-2: The Top Ten Most Profitable Sole-Proprietorship Businesses, p. 236
- 8-3: Selected Businesses/Occupations of Self-Employed Millionaires, p. 239

---

## INTRODUCTION

---

Twenty years ago we began studying how people become wealthy. Initially, we did it just as you might imagine, by surveying people in so-called upscale neighborhoods across the country. In time, we discovered something odd. Many people who live in expensive homes and drive luxury cars do not actually have much wealth. Then, we discovered something even odder: Many people who have a great deal of wealth do not even live in upscale neighborhoods.

That small insight changed our lives. It led one of us, Tom Stanley, out of an academic career, inspired him to write three books on marketing to the affluent in America, and made him an advisor to corporations that provide products and services to the affluent. In addition, he conducted research about the affluent for seven of the top ten financial service corporations in America. Between us, we have conducted hundreds of seminars on the topic of targeting the wealthy.

Why are so many people interested in what we have to say? Because we have discovered who the wealthy really are and who they are not. And, most important, we have determined how ordinary people can become wealthy.

What is so profound about these discoveries? Just this: Most people have it all wrong about wealth in America. Wealth is not the same as income. If you make a good income each year and spend it all, you are not getting wealthier. You are just living high. Wealth is what you accumulate, not what you spend.

How do you become wealthy? Here, too, most people have it wrong. It is seldom luck or inheritance or advanced degrees or even

intelligence that enables people to amass fortunes. Wealth is more often the result of a lifestyle of hard work, perseverance, planning, and, most of all, self-discipline.

### How come I am not wealthy?

Many people ask this question of themselves all the time. Often they are hard-working, well-educated, high-income people. Why, then, are so few affluent?

## **MILLIONAIRES AND YOU**

---

There has never been more personal wealth in America than there is today (over \$22 trillion in 1996). Yet most Americans are not wealthy. Nearly one-half of our wealth is owned by 3.5 percent of our households. Most of the other households don't even come close. By "other households," we are not referring to economic dropouts. Most of these millions of households are composed of people who earn moderate, even high, incomes. More than twenty-five million households in the United States have annual incomes in excess of \$50,000; more than seven million have annual incomes over \$100,000. But in spite of being "good income" earners, too many of these people have small levels of accumulated wealth. Many live from paycheck to paycheck. These are the people who will benefit most from this book.

The median (typical) household in America has a net worth of less than \$15,000, excluding home equity. Factor out equity in motor vehicles, furniture, and such, and guess what? More often than not the household has zero financial assets, such as stocks and bonds. How long could the average American household survive economically without a monthly check from an employer? Perhaps a month or two in most cases. Even those in the top quintile are not really wealthy. Their median household net worth is less than \$150,000. Excluding home equity, the median net worth for this group falls to less than \$60,000. And what about our senior citizens? Without Social Security benefits, almost one-half of Americans over sixty-five would live in poverty.

Only a minority of Americans have even the most conventional types of financial assets. Only about 15 percent of American households have a money market deposit account; 22 percent, a certificate

of deposit; 4.2 percent, a money market fund; 3.4 percent, corporate or municipal bonds; fewer than 25 percent, stocks and mutual funds; 8.4 percent, rental property; 18.1 percent, U.S. Savings Bonds; and 23 percent, IRA or KEOGH accounts.

But 65 percent of the households have equity in their own home, and more than 85 percent own one or more motor vehicles. Cars tend to depreciate rapidly. Financial assets tend to appreciate.

The millionaires we discuss in this book are financially independent. They could maintain their current lifestyle for years and years without earning even one month's pay. The large majority of these millionaires are not the descendants of the Rockefellers or Vanderbilts. More than 80 percent are ordinary people who have accumulated their wealth in one generation. They did it slowly, steadily, without signing a multimillion-dollar contract with the Yankees, without winning the lottery, without becoming the next Mick Jagger. Windfalls make great headlines, but such occurrences are rare. In the course of an adult's lifetime, the probability of becoming wealthy via such paths is lower than one in four thousand. Contrast these odds with the proportion of American households (3.5 per one hundred) in the \$1 million and over net worth category.

## THE SEVEN FACTORS

---

Who becomes wealthy? Usually the wealthy individual is a businessman who has lived in the same town for all of his adult life. This person owns a small factory, a chain of stores, or a service company. He has married once and remains married. He lives next door to people with a fraction of his wealth. He is a compulsive saver and investor. And he has made his money on his own. *Eighty percent of America's millionaires are first-generation rich.*

Affluent people typically follow a lifestyle conducive to accumulating money. In the course of our investigations, we discovered seven common denominators among those who successfully build wealth.

1. They live well below their means.
- 
2. They allocate their time, energy, and money efficiently, in ways conducive to building wealth.
-

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

---

4. Their parents did not provide economic outpatient care.

---

5. Their adult children are economically self-sufficient.

---

6. They are proficient in targeting market opportunities.

---

7. They chose the right occupation.

---

In *The Millionaire Next Door*, you will study these seven characteristics of the wealthy. We hope you will learn how to develop them in yourself.

## THE RESEARCH

---

The research for *The Millionaire Next Door* is the most comprehensive ever conducted on who the wealthy are in America—and how they got that way. Much of this research was developed from the most recent survey we conducted that, in turn, was developed from studies we had conducted over the previous twenty years. These studies included personal and focus group interviews with more than five hundred millionaires and surveys of more than eleven thousand high-net worth and/or high-income respondents.

More than one thousand people responded to our latest survey,\* which was conducted from May 1995 through January 1996. It asked each respondent about his or her attitudes and behaviors regarding a wide variety of wealth-related issues. Each participant in our study answered 249 questions. These questions addressed topics ranging from household budget planning or lack of it to financial fears and worries, and from methods of bargaining when purchasing automobiles to the categories of financial gifts, or “acts of kindness,” wealthy people give to their adult children. Several sections of the questionnaire asked respondents to indicate the most they ever spent for motor vehi-

\*For details on how we targeted respondents for our survey, see Appendix 1.

cles, wristwatches, suits, shoes, vacations, and the like. This study was the most ambitious and thorough we have ever undertaken. No other study has focused on the key factors that explain how people become wealthy in one generation. Nor has a study revealed why many people, even most of those with high incomes, never accumulate even a modest amount of wealth.

In addition to our survey, we gained considerable insight into the millionaire next door from other research. We spent hundreds of hours conducting and analyzing in-depth interviews with self-made millionaires. We also interviewed many of their advisors, such as CPAs and other professional experts. These experts were very helpful in our exploration of the issues underlying the accumulation of wealth.

What have we discovered in all of our research? Mainly, that building wealth takes discipline, sacrifice, and hard work. Do you really want to become financially independent? Are you and your family willing to reorient your lifestyle to achieve this goal? Many will likely conclude they are not. If you are willing to make the necessary trade-offs of your time, energy, and consumption habits, however, you can begin building wealth and achieving financial independence. *The Millionaire Next Door* will start you on this journey.



---

## MEET THE MILLIONAIRE NEXT DOOR

---

*These people cannot be millionaires! They don't look like millionaires, they don't dress like millionaires, they don't eat like millionaires, they don't act like millionaires—they don't even have millionaire names. Where are the millionaires who look like millionaires?*

The person who said this was a vice president of a trust department. He made these comments following a focus group interview and dinner that we hosted for ten first-generation millionaires. His view of millionaires is shared by most people who are not wealthy. They think millionaires own expensive clothes, watches, and other status artifacts. We have found this is not the case.

As a matter of fact, our trust officer friend spends significantly more for his suits than the typical American millionaire. He also wears a \$5,000 watch. We know from our surveys that the majority of millionaires never spent even one-tenth of \$5,000 for a watch. Our friend also drives a current-model imported luxury car. Most millionaires are not driving this year's model. Only a minority drive a foreign motor vehicle. An even smaller minority drive foreign luxury cars. Our trust officer leases, while only a minority of millionaires ever lease their motor vehicles.

But ask the typical American adult this question: Who looks more like a millionaire? Would it be our friend, the trust officer, or one of the people who participated in our interview? We would wager that most people by a wide margin would pick the trust officer. But looks can be deceiving.



This concept is perhaps best expressed by those wise and wealthy Texans who refer to our trust officer's type as

### Big Hat No Cattle

We first heard this expression from a thirty-five-year-old Texan. He owned a very successful business that rebuilt large diesel engines. But he drove a ten-year-old car and wore jeans and a buckskin shirt. He lived in a modest house in a lower-middle-class area. His neighbors were postal clerks, firemen, and mechanics.

After he substantiated his financial success with actual numbers, this Texan told us:

*[My] business does not look pretty. I don't play the part . . . don't act it. . . . When my British partners first met me, they thought I was one of our truck drivers. . . . They looked all over my office, looked at everyone but me. Then the senior guy of the group said, "Oh, we forgot we were in Texas!" I don't own big hats, but I have a lot of cattle.*

## PORTRAIT OF A MILLIONAIRE

---

Who is the prototypical American millionaire? What would he tell you about himself?\*

- ◆ I am a fifty-seven-year-old male, married with three children. About 70 percent of us earn 80 percent or more of our household's income.
- ◆ About one in five of us is retired. About two-thirds of us who are working are self-employed. *Interestingly, self-employed people make up less than 20 percent of the workers in America but account for two-thirds of the millionaires.* Also, three out of four of us who are self-employed consider ourselves to be entrepreneurs. Most of the others

\* Our profile of the typical millionaire is based on studies of millionaire households, not individuals. It is, therefore, impossible in most cases to say with certainty whether our typical millionaire is a he or a she. Nevertheless, because 95 percent of millionaire households are composed of married couples, and because in 70 percent of these cases the male head of the household contributes at least 80 percent of the income, we will usually refer to the typical American millionaire as "he" in this book.