“The Millionaire Next Door Revisted”

By Tommy Williams, CFP®

Back in the 1980’s Thomas J. Stanley wrote a blockbuster book entitled “The Millionaire Next Door” debunking many myths most of us had about wealth and what those people looked like. A lot has happened since his first version of the book. Many others have also weighed in on this intriguing topic. For example, just how many millionaires does America have? By the latest estimation of Spectrem Group, a research firm studying affluent and high net worth investors, it has more than ever before. In 2015, the U.S. had 10.4 million households with assets of $1 million or greater, aside from their homes. That represents a 3% increase from 2014. Impressively, 1.2 million of those households were worth between $5 million and $25 million.

An equally interesting question; did they come from money? In most cases, the answer is no. The 2016 edition of U.S. Trust’s *Insights on Wealth and Worth* survey shares characteristics of nearly 700 Americans with $3 million or more in investable assets. Seventy-seven percent of the survey respondents reported growing up in middle class or working class households. A slight majority (52%) said that the bulk of their wealth came from earned income; 32% credited investing.

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It appears most of these individuals benefited not from silver spoons in their mouths, but from taking a particular outlook on life and following sound financial principles. U.S. Trust asked these multi-millionaires to state the three values that were most emphasized to them by their parents. The top answers? Educational achievement, financial discipline, and the importance of working.

Is education the first step toward wealth? There may be a strong correlation. Ninety percent of those polled in a recent BMO Private Bank millionaire survey said that they had earned college degrees. (The National Center for Education Statistics notes that in 2015, only 36% of Americans aged 25-29 were college graduates.)

Interestingly, a lasting marriage may also help. Studies from Ohio State University and the National Bureau of Economic Research (NBER) both conclude that married people end up economically better off by the time they retire than singles who have never married. In fact, NBER finds that, on average, married people will have ten times the assets of single people by the start of retirement. Divorce, on the other hand, often wrecks finances. The OSU study found that the average divorced person loses 77% of the wealth he or she had while married. If that is true, then I must ask an important question: If a man is alone in the woods, and has an opinion – is he still wrong? I'll leave you to figure that one out.

Most of the multi-millionaires in the U.S. Trust study got off to an early start. On average, according to Forbes.com, they began saving money at 14; held their first job at 15; and invested in equities by the time they were 25. And do you think that most of these millionaires are entrepreneurs? No. The aforementioned Spectrem Group survey found that millionaires and multi-millionaires come from all kinds of career fields. The most commonly cited occupations? Manager (16%), professional (15%), and educator (13%). Perhaps sometimes successful individuals don't need advisors to make them rich, but it may very well be that often when you have become rich that a trusted advisor can be invaluable!

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