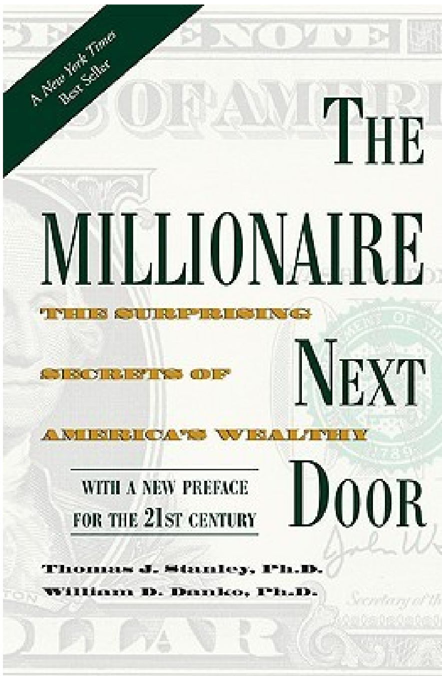

The Millionaire Next Door: The Surprising Secrets of America's Wealthy

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The bestselling The Millionaire Next Door identifies seven common traits that show up again and again among those who have accumulated wealth. Most of the truly wealthy in this country don't live in Beverly Hills or on Park Avenue-they live next door. This new edition, the first since 1998, includes a new foreword for the twenty-first century by Dr. Thomas J. Stanley.

The Millionaire Next Door: The Surprising Secrets of America's Wealthy Details

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From Reader Review The Millionaire Next Door: The Surprising Secrets of America's Wealthy for online ebook

Jay says

I learned that there are seven characteristics or common denominators among millionaires in America.

They are:

1.They live well below their means - They are frugal,frugal, frugal. They make more than they can spend. Pretty cool.

2.They allocate their time, energy, and money efficiently, in ways conducive to building wealth - How else did they get there right? Well this goes for those millionaires who didn't inherit their wealth.

3.They believe that financial independence is more important than displaying high social status - Practical. You can display high social status all you want, but if you're still dependent on active income then you're one very vulnerable fella.

4.Their parents did not provide economic outpatient care - Pretty good training ground, don't you think? They train their kids to be survivors and in the end, to be winners. This is the best legacy they can leave to their children.

5.Their adult children are economically self-sufficient -Pass on the buck right? That's why the rich get richer and the poor get poorer.

6.They are proficient in targeting market opportunities - Now this is one handy skill I want to get my hands on.

7.They chose the right occupation - Right! To wake up everyday itching so badly to get yourself to do the things you love. Ain't that a ball!

Learn from this. The lessons and ideas may seem repetitive, but the author is really trying so hard to drive home a point. We need to learn the lessons. He want us to. Well, we ought to. =)

ScienceOfSuccess says

There are no secrets.

Also, the millionaires are not the kind you'd like to read about. Just bunch of people who saved for 30years and they have 1'000'000$ in the bank, living almost poor, and praising education.

Julia says

The book points out that many millionaires do not look rich, they are frugal people who live below their means and save money. I feel like I was convinced after the first few chapters, and was annoyed to find the rest of the book just rehashing its main thesis over and over again.

Kressel Housman says

According to this book, there are two kinds of people: under-accumulators of wealth (UAWs), who spend everything they earn as soon as they get it (to say nothing of credit cards); and prodigious accumulators of wealth (PAWs), people who live frugally, save, invest, and end up becoming millionaires. So when you see someone who lives in a fancy house and drives a fancy car, chances are, he’s not a millionaire. He may be a high earner, but he’s also a big spender, so he’s a UAW. A real millionaire lives humbly and isn’t into consumption. He might even live right next door.

Now that’s an inspiring idea, one that made me go into this book with some hope of getting rich someday, but I didn’t have to read very far to realize that I’m in a hopeless UAW rut. That made reading it a pretty unpleasant look in the mirror, especially since I believe that what the authors are saying is completely true. I’ve seen it first-hand. I’ve worked for two estate planning attorneys and a bankruptcy attorney. I’ve seen both sides.

For me, the most painful, shame-inducing part of the book was the analysis of parental “outpatient economic care.” I guess it’s not really news, but parents who bestow too much of their wealth too easily on their children end up providing for them even in their forties and fifties. This was the longest section of the book, and I found it a bit repetitive, but then again, perhaps that’s part of my shame reaction.

Aside from this emotional reaction, I have a few technical criticisms. I didn’t finish the chapter called “You Are Not What You Drive,” since cars just don’t interest me that much. And though the book was full of charts with stats showing the authors’ research, I stopped looking at these about halfway through the book. On the flip side, I would have liked to read more about why the millionaires chose the businesses they did. The authors did give some advice on lucrative careers (estate planner was number one), but I would have liked more.

All of that might have induced me to give the book a rating of 2, but I don’t think that’s fair. Just because the book was mostly a downer for me doesn’t mean it isn’t worth reading. It really has gotten me to look more closely at my spending. I just fear that as the book itself warns, crash budgeting can be like crash dieting. Will the effect really last?

Angela Randall says

There's a lot to say about this book, both positive and negative. It had some great ideas in it, some which are possibly quite revelatory for some people, and some really useful information which I would love to ensure certain people I know read. However, it was also a very dry read, somewhat repetitive and dwelled on some things I didn't think were all that fascinating (like what sorts of cars millionaires drive). It also had a lot of charts, which is fun from a stats perspective and lends credibility, but it's a bit too much irrelevant info to take in.

I honestly didn't care what sort of ancestry millionaires had or what cars they drove, but I saw that the authors were doing the Mythbusters thing and making sure people didn't believe in completely false things.

I felt they spent an incredible amount of this book talking about what happens to the kids of the rich. However, this can be used as a great parental tool to ensure parents teach their kids the right money tactics, whether starting rich or not. It also ends with sensible career ideas to suggest to kids (which make a lot of sense with the reasoning).

In essence, the lessons from the book are to remain frugal, save money and to ensure you keep your money wherever possible. Employ good financial and legal help to ensure you save on taxes, invest wisely and whatnot.

Anyway, if you're frugal and live below your means you're on the right path. Then increase your income without changing your habits and be sure to invest the rest well and you'll be fine.

Craig says

Getting rich is most often done by being frugal, not by making outrageous, Trump-like gambits. The last 10 years or so have been marked by periods of investment euphoria (tech & housing), followed by terrible hangovers that have destroyed the wealth of millions within a few years or even months. The latest bubble (George Soros actually thinks 2 bubbles popped simultaneously last year -- the housing bubble and the 20 year credit bubble) could potentially be much more devastating than the tech bubble, because the bubble was based on leverage and credit, and so participants often risked everything they owned (and more), and a mere 20% decline in home prices wiped away their entire wealth, and left them without the means to even pay the mortgage once it reset. There have been many foreclosures in the past year. Look for more, and soon a flood of bankruptcies. Bankruptcies will be especially devastating because of recent legislation modifying bankruptcy laws.

It should be noted that there are many so-called self-help finance books out there that are very dangerous for the common man, among them the "Rich Dad" series. They encourage normal people, uneducated in finance, to make such risky leveraged investments like buying second homes with no money down. Such books and advice should be avoided like the plague. Robert Kiyosaki (Rich Dad author) has absolutely no shame in not only misrepresenting himself and his so called Rich Dad (a figment of his imagination), but tickling man's inclination to gamble. Except that when people lose playing his game, they can lose literally everything.

Turning attention to the actual book being reviewed, a large part of the book is devoted to profiling the "typical" millionaire. Some common qualities are:

a) Most millionaires are married couples, never divorced. This should make sense for several reasons. First, there are no alimony/child support bills to weigh down expenses. Second, married people tend to be more emotionally stable, and thus are less prone to spending sprees or other extravagance. Third, married people don't feel they need fancy things to impress others. Although children do indeed cost a lot of money, the reality of parenthood encourages people to change their goals to be more far-sighted, which usually encourages saving.

b) Most millionaires aren't extravagant, nor do they have a desire to live like rock stars. Money provides security to them and their family, and often their tastes and needs are as simple as the rest of ours. I remember the story of the husband in the book who, after selling his business for millions of dollars, gave his wife a check for a large chunk of that money while she was clipping coupons at the kitchen table. She said "Oh thanks honey, that's very nice of you," and went right on clipping coupons.

c) It is true that a disproportionate number of millionaires are business owners. This makes sense though -- although most businesses fail, the ones that succeed are bound to rise in value (it costs much more to buy a successful business than to start a new one). So the sale of a successful business is often likely to generate a one-time windfall that blue/white collars are unlikely to experience. The main point of this section was to point out that certain cultures -- I think Irish and certain sections of Eastern Europe -- encourage members to open businesses and "make their own way". That is reflected in the statistics.

I like this book because it brings together common sense with hard data to present a convincing argument that the best way to attain wealth is to a) save, b) be frugal/tame your desires, c) work hard, d) become a self starter, and e) get married and don't divorce. Common sense all of them, and all of which have happy side effects beyond the monetary ones.

David says

This was a great audio and text book (yes, I got both versions) - I especially enjoyed the chapter that had "Working for the Tax Man" and "The Martin Method."

95% of the millionaires own stocks - most have 20% or more of their wealth in publicly traded stocks.

Build a good money team: accountant, attorney, financial advisor, and you (and spouse).

Looking to build your money team? Ask your CPA. If you do not have CPA... get one.

Be frugal, know your financial picture, and have goals with your money.

The good millionaires know how much their costs are in life - how much they spend shopping, traveling, etc.

You heard of emergency fund, car fund, retirement fund, etc. well I am adding the "Go to Hell Fund."

The typical millionaire has a "Go to Hell Fund" which allows them to quit their job and not work for like 10 years or more. So when you quit your job or get fired, you can say to your employer "go to hell" and walk out the door and not worry about working.

I like this part in the book about UAWs and PAWs. You got three categories to millionaires.
UAW = Under Accumulator of Wealth (1/2 of AAW)
AAW = Average Accumulator of Wealth
PAW = Prodigious Accumulator of Wealth (2 * AAW)

To figure out what category you are in - do the following formula: Age/10 x Income

Example: Age 30, Income $45,000
30/10*45000 = $135,000

This person should have net worth of $135K.

UAW = $67,500
AAW = $135,000
PAW = $270,000

To figure out your actual net worth - do the following formula: Assets - Liabilities

Example: Age 30, Income $45,000, Credit Card Debt $12,0000, Car Loan $20,000

45000-(12000+20000) = $13,000

This person has Net Worth of $13K.

Sabine says

I very much enjoyed listening to this audio book. It was very interesting, easy to understand and not boring at all.
The bottom line is Millionaires and those wanting to become Millionaires live well below their means. People wanting to look rich will never accumulate any wealth since they are busy paying off debts. This book talks mainly about self employed people but everyone with a decent household income living frugal and investing money can become a financially independent.
A highly recommended read.

Ken says

Rubbish.
It is not written about the majority of us. It is written FOR the majority of us to make us believe that wealth is everpresent and easily accessible in our society.

The numbers are often listed in a manner that does not acknowledge any actual analysis. Nor is inflation considered with any degree of seriousness. As most cheerleading books for market boosterism it gives its sideways genuflection to supply siders by completely ignoring the operating differences between income and wealth.

Pat says

It's rare that you can find a book that is as boring as it is sanctimonious. But they pulled it off!

In a nutshell, millionaires aren't made by extraordinarily high incomes (those people's spending tends to increase as well), in fact they're typically people with merely very good incomes who are zealous about frugality and long term investments. Not a huge surprise actually, but its nice to have numbers to back up the story and they do. Many are small business owners, many don't spend much on cars or suits and 80% are first-generation millionaires (not those who happened into big inheritances).

And that's it.

The rest of the book is filled with awkward, pedantic number-twisting to prove that people who spend less on houses and cars will have more left for retirement. What's maddening is the constant tone that people who choose to spend now instead of when they're 65 are "hyperconsumers". Can you believe this doctor, he makes $700,000 per year and spent a whopping $7000 of it on a vacation! What a dope! Wouldn't the $65,000 he spent on a Porsche have felt just as good in an IRA account?

They constantly fawn over blue-collar superstars who drive around in F-150s while their wives clip coupons. They start with the assumption from the very beginning that money is pre-ordained to end up in a retirement account and anything you do to interfere with that is stupid and indicative of poor discipline.

I can't wait for the next book about how Rock and Roll is too loud and women's skirts are too short.

Renee says

The point of this book comes through loud and clear, the people that we think are millionaires are more than likely swimming in debt. Just because you live in a fancy neighborhood and drive an expensive car does not make you rich. In fact it goes as far as to say that most millionaires live in less costly areas because it costs alot of money to keep up with the JONES! In fact their study showed 37 percent of their millionaires bought used cars opposed to new and paid cash of course. Now their used cars may be Mercedes but they save on the depreciation of the person that bought it new.

They reference one guy nameed W. W. Allen who is a self made MUTImillionaire. "He and his wife have lived in the same three-bedroom house in the same middle class neighborhood for nearly forty years" "Living in less costly areas can enable you to spend less and to invest more of your income. You will pay less for your home and correspondingly less for your property taxes. Your neighbors will be less likely to drive expensive motor vehicles. You will find it easier to keep up, even ahed of the Joneses and still accumulate wealth"

Ok, makes total sense but not something that is usually pointed out by the financial world. People tend to spend more than they make making it nearly impossible to accumulate wealth. I love the message of this book and their is extensive research used to back it up.

Chad Warner says

Most Americans believe "wealthy" and "high-income" are synonymous. Surprisingly, most high-income earners are not wealthy; although they earn a lot of money, they don't keep much of it. To be wealthy is not to amass material possessions, but to increase net worth by collecting appreciating assets.

The book categorizes people as PAWs or UAWs; Prodigious Accumulators of Wealth (PAWs) achieve, create wealth, become financially independent, and build from scratch. Under Accumulators of Wealth (UAWs) simply display a high-status lifestyle. Most wealthy people (PAWs) don't drive new cars, buy expensive clothes, or live in upscale neighborhoods.

I read this book because it was recommended by one of my favorite financial authors, Robert Kiyosaki, author of the Rich Dad Poor Dad series. This book explains 7 factors that contribute to wealth-building. These factors aren't set forth in a step-by-step "how to become wealthy" checklist, but are more indirectly investigated through statistics and interviews explaining the behavior of the wealthy.

The briefest formula for wealth given: be frugal, invest, and own a profitable business.

I found it interesting that (as of 1996) self-employed people (entrepreneurs and self-employed professionals) are less than 20% of the American workforce, but 33% of millionaires. Also, 80% of American millionaires are 1st-generation rich, people who earned their wealth rather than inheriting it.

I liked the comparison between budgeting and dieting or exercising. When you see a fit person eating healthy or working out, you're tempted to think "Why do they need to diet and exercise? They're in great shape!" Of course, the reason they're in shape is because of their diet and exercise regimen. The same goes for the wealthy. You might think that they don't need to budget because they're wealthy, but it's often due to their budgeting that they became wealthy.

To determine your expected net worth, multiply your age by your gross (pretax) annual income, then divide by 10.

The 7 factors of wealth

They live well below their means.
Control spending by creating an artificial economic environment of scarcity. Pay yourself first by investing at least 15% of income before spending on anything else.
Minimize realized (taxable) income, maximize unrealized (non-taxable) income.
Sacrifice high consumption today for financial independence tomorrow.
Get a mortgage less than twice your annual income.

They allocate their time, energy, and money efficiently, in ways conducive to building wealth.
Save and invest early. An early start with low income can outweigh a late start with high income.
Invest at least 15% of gross/pretax income.
Follow a budgeting and plan your finances.
Invest passively with a buy-and-hold method to reduce capital gains and turnover.

They believe that financial independence is more important than displaying high social status.
Dollars are like seeds; you can consume them or plant them to grow.

Their parents did not provide economic outpatient care.
The more dollars adult children receive, the fewer dollars they accumulate. Those forced to provide for themselves tend to be wealthier than those who are given financial aid.

Their adult children are economically self-sufficient.
Helping the financially weak generally makes them weaker.

They are proficient in targeting market opportunities.
Offer goods and services to the affluent. Although they're often frugal concerning consumer goods and services, they're not as price-sensitive about investment services, accounting services, tax advice, legal services, medical care, educational products, homes, and products and services for their businesses.

They chose the right occupation.
Sell your intellect; it's portable across industries and geographic locations.

Nikolay says

Some people live as they will never die, and die as they had never lived.

It looks much more absurdly when you read about all those "millionairs" who are spending all of their lifetime for meticulous accumulation of wealth accompanied by greed and avarice.

I don't know if there were "researches" conducted by authors indeed, and if all the written is truth. If so, I feel sorry for these poor guys, "millionaires". Having an opportunity to do what they want at least sometimes, they heroically sweep it aside for sake of pure wealth accumulation.

Ok, they've decided to get away from the affairs at the age of 60. I can imagine how it's funny for them, old wrecks, to travel, enjoy summer nights, stare at the ocean, dance in bars, love, enjoy speed of bike/car/surf. At last they can spend their hard-gained money after lifetime spent for calculation of profit and saving...saving...saving!

The book itself generally teaches you only one major thing:
Be greedy. Don't buy nothing you like. Why to buy watches for 500 dollars if there is much cheaper one for 20. Don't travel, it's too expensive. Don't have too much friends, they eat and drink too much. Don't have hobby (except of avarice, of course), it always take your money away. Buy cheapest shoes, clothes, cars. You have only one true hobby - MONEY. And when it's time to die, you can donate all your wealth to some charity or religious organization, to avoid exessive taxation. Sounds as a good plan for you? Go ahead, buy and read this book.

Susan says

This book was so difficult to get through.
I have been trying to read one financial book a week. I love Suze Orman, Dave Ramsey. I enjoyed the Millionaire Mind; I found it inspiring. I did not enjoy the Millionaire Next Door.

This book is heavily recommended on so many of the financial online forums and blogs I read, so I borrowed it from my library this week.

I found the first chapter very interesting, and then they lost me. I think the premise of this book could be summarized into one chapter. But then, you can't sell a book on one chapter!

I do not think the writing is good. The authors are annoyingly repetitive. I think they bored their editor so much that the editor didn't catch that they repeat sentences over, and over, and over. The book is fluffed out with tons of boring, didactic charts. The writing is not organized - at times, it seems like streams of conscientiousness writing- jumping around too much.

I think they completely lost my interest on page 75 when they write: "How else does one explain why two experts on wealth are not wealthy? in part, because they spent a combined total of nearly 20 years pursuing higher education."

So on page 106 they tell a great story of Mr. Martin who won't hire advisers who don't have personal accounts of at least $200,000, because otherwise they are "full of baloney." But back on page 75, they admit they are poor themselves! So why should I listen to their advice??

They spend a lot of time on topics that completely lose my interest. To spend pages showing how rich guys typically buy cars by the pound, and then to review how many pounds each car weighs ...this really put me to sleep. They list the cars millionaires typically buy, and then to go on to list pretty much every car in existence. Or to review for pages and pages the ancestral backgrounds of the 3,000 millionaires they happened to pick from geocoded neighborhoods proves nothing to me.

But then the authors lose confidence, and slap a disclaimer- quietly- on page 228. "we have gone out of our way to emphasize that there are no sure steps one can take to become wealthy." . But wait. Then what are the other 254 pages about? I am lost again. Because they spend a whole lot of time enumerating some pretty sound steps that millionaires take to get wealthy (1. they live well below their means. 2. they allocate...)

Most importantly, there were 5.3 million households in America in 1997 (when the book was written) that were millionaires. Yet they only interviewed 3,000 households. To put forth statistics as "typical" based on the low percentage they interviewed can't possibly be accepted as statistical or fact.

On page 249, they review that they chose the millionaires they surveyed based on geocoded neighborhoods- but this goes against what they spent 248 pages proclaiming! They spend the entire book professing that millionaires don't live in certain neighborhoods, then go on to say they only know this because they surveyed certain probable high-net-worth neighborhoods.

With all this said, I am not disagreeing with any of the tenants of wealth accumulation they advocate- I follow them myself, and highly, highly recommend them! So I reluctantly recommend people read the book just to glean that bit, but with hesitance because I understand they will have to sort through boring charts, stereotyping, and bad writing to get advice. Readers would be better off reading a Ramsey book, which is captivating and not doesn't drown out the message with boring stats. There is some good insight in here - live below your means, don't spend 10 years in advanced education with hundreds of thousands of dollars in student loans to hold you back, invest your money at an early age, don't cripple your children by making them economically dependent, teach your children to fish, don't get caught up with keeping up with Joneses, work hard, plan, pick a compatible spouse, use a budget, track your spending, etc. All of this is great advice.

According to .05% of the millionaires in America.

Viraj says

Main message is: Be Frugal, invest.
One driving a Benz is quite likely less worth than one driving a Ford F150 (since the Benz owner has already spent money). Max price paid by 75% millionaires for: Suit $600, Shoes: $200, watch $235 (50%)!
JCPenney has toughest quality control amongst all stores. Millionaires' wives are all frugal too. They save coupons etc...
1. All have annual household budget
2. All have accountant
3. All have investments in stocks, real estate, business etc
4. Shopping method and principles (i.e. car purchase)
VIMP: It takes only one fancy item to start the snowball effect. i.e. Rolls Royce as a gift was denied by a millionaire because all his accessories, clothes etc things would needed an upgrade to match that status symbol. Millionaires don't care about status symbols. The author calls them artifacts. They own, Ford (F150), Cadillac, Lincoln Town cars, Jeep, Lexus, Mercedes,, Oldsmobile, Chevy, Toyota, Buick, Nissan, Volvo, Chrysler, Jaguar. They tend to go for more weight per dollar criteria subconciously (comforts, reliability, safety).

The book gives distribution of folks per their ancesterial origin, job function, inheritance.
Frugal millionaires have less worries in general.
Doctors & Lawyers typically earn a lot and spend a lot.

The book could have been a little less lengthy; however, good thing is that it has come out of a thorough statistics from numerous interviews of millionaires.

Household net worth = Household Income + Investments - expenses.
Typically, one tries to maximize income but also increases expenses to either show off or to be at par with the society or because one thinks that spending = enjoying.
It takes only one high-class item to start the snow-ball effect.
Worth of a person should be >= Age / 10 * Annual earnings before taxes (no investment).
i.e. for a 30 year old making $100k/year, his worth should be: $300k or more.

If you are rich, your kids could have less net worth if you get into a teaching of spending or supporting them financially.
The question that remains unanswered for me is: What to do with all the money when I save say a few millions?
- I don't end up spending it due to my habit,
- If I start spending, I am doing so when I am old and can supposedly enjoy less
- If there is a recession or major financial problem (heart transplant), then I have more chances of survival (assuming US doesn't adapt good strategies of Europe and Canada about healthcare).
- Once I die, Govt takes most for doing nothing.

It talks about what one should do with all the money (main part is to donate and distribute and how). I shall read it when I am older or a millionaire, whichever happens first. :)

The issues with financially helping out kids and continuing the help when they are adults is well listed. (Economic Outpatient Care). We weaken the weak by helping him financially.

1. Never tell children that their parents are wealthy.
2. Teach discipline and frugality
3. Don't let them realize that you are affluent until after they have established a mature, disciplined, and adult life-style and profession.
4. Minimize discussions of the items that each child and grandchild will inherit or receive as gifts
5. Never give cash or other significant gifts to your adult children as part of a negotiation strategy.
6. Stay out of your adult children's family matters
7. Don't try to compete with your children
8. Always remember that you children are individuals
9. Emphasize your children's achievements, no matter how small, not their or your symbols of success.
10. Tell your children that there are a lot of things more valuable than money

I, however, would rather have that questions hanging over me than having worries of how to sponsor my brother's / kids' education while carrying a $500 Nokia phone and driving a 8 cylinder fancy sports car...