



10 Things Millionaires Won't Tell You

By Daren Fonda
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1. "You may think I'm rich, but I don't."

A million dollars may sound like a fortune to most people, and folks with that much cash can't complain — they're richer than 90 percent of U.S. households and earn \$366,000 a year, on average, putting them in the top 1 percent of taxpayers. But the club isn't so exclusive anymore. Some 10 million households have a net worth above \$1 million, excluding home equity, almost double the number in 2002. Moreover, a recent survey by Fidelity found just 8 percent of millionaires think they're "very" or "extremely" wealthy, while 19 percent don't feel rich at all. "They're worried about health care, retirement and how they'll sustain their lifestyle," says Gail Graham, a wealth-management executive at Fidelity.

Indeed, many millionaires still don't have enough for exclusive luxuries, like membership at an elite golf club, which can top \$300,000 a year. While \$1 million was a tidy sum three decades ago, you'd need \$3.6 million for the same purchasing power today. And half of all millionaires have a net worth of \$2.5 million or less, according to research firm TNS. So what does it take to feel truly rich? The magic number is \$23 million, according to Fidelity.

2. "I shop at Wal-Mart..."

They may not buy the 99-cent paper towels, but millionaires know what it is to be frugal. About 80 percent say they spend with a middle-class mind-set, according to a 2007 survey of high-net-worth individuals, published by American Express and the Harrison Group. That means buying luxury items on sale, hunting for bargains — even clipping coupons.

Don Crane, a small-business owner in Santa Rosa, Calif., certainly sees the value of everyday saving. "We can afford just about anything," he says, adding that his net worth is over \$1 million. But he and his wife both grew up on farms in the Midwest — where nothing was wasted — and his wife clips coupons to this day. In fact, most millionaires come from middle-class households, and roughly 70 percent have been wealthy for less than 15 years, according to the AmEx/Harrison survey. That said, there are plenty of millionaires who never check a price tag. "I've always wanted to live above my means because it inspired me to work harder," says Robert Kiyosaki, author of the 1997 best seller *Rich Dad, Poor Dad*. An entrepreneur worth millions, Kiyosaki says he doesn't even know what his house would go for today.

3. "...but I didn't get rich by skimping on lattes."

So how do you join the millionaires' club? You could buy stocks or real estate, play the slots in Vegas — or take the most common path: running your own business. That's how half of all millionaires made their money, according to the AmEx/Harrison survey. About a third had a professional practice or worked in the corporate world; only 3 percent inherited their wealth.

Regardless of how they built their nest egg, virtually all millionaires "make judicious use of debt," says Russ Alan Prince, coauthor of *The Middle-Class Millionaire*. They'll take out loans to build their business, avoid high-interest credit card debt and leverage their home equity to finance purchases if their cash flow doesn't cut it. Nor is their wealth tied up in their homes. Home equity represents just 11 percent of millionaires' total assets, according to TNS. "People who are serious about building wealth always want to have a mortgage," says Jim Bell, president of Bell Investment Advisors. His home is probably worth \$1.5 million, he adds, but he owes \$900,000 on it. "I'm in no hurry to pay it off," he says. "It's one of the few tax deductions I get."

4. "I have a concierge for everything."

That hot restaurant may be booked for months — at least when Joe Nobody calls to make reservations. But many top eateries set aside tables for celebrities and A-list clientele, and that's where the personal concierge comes in. Working for retainers that range anywhere from \$25 an hour to six figures a year, these modern-day butlers have the inside track on chic restaurants, spa reservations, even an early tee time at the golf club. And good concierges will scour the planet for whatever their clients want — whether it's holy water blessed personally by the Pope, rare Mexican tequila or artisanal sausages found only in northern Spain. "For some people, the cost doesn't matter,"

says Yamileth Delgado, who runs Marquise Concierge and who once found those sausages for a client — 40 pounds of chorizo that went for \$1,000.

Concierge services now extend to medical attention as well. At the high end: For roughly \$2,000 to \$4,000 a month, clients can get 24-hour access to a primary-care physician who makes house calls and can facilitate admission to a hospital "without long waits in the emergency room," as one New York City service puts it.

5. "You don't get rich by being nice."

John D. Rockefeller threatened rivals with bankruptcy if they didn't sell out to his company, Standard Oil. Bill Gates was ruthless in building Microsoft into the world's largest software firm (remember Netscape?). Indeed, many millionaires privately admit they're "bastards in business," says Prince. "They aren't nice guys." Of course, the wealthy don't exactly look in the mirror and see Gordon Gekko either. Most millionaires share the values of their moderate-income parents, says Lewis Schiff, a private wealth consultant and Prince's coauthor: "Spending time with family really matters to them." Just 12 percent say that what they want most to be remembered for is their legacy in business, according to the AmEx/Harrison study.

Millionaires are also seemingly undaunted by failure. Crane, for example, now runs a successful company that screens tenants for landlords. But his first business venture, a real estate partnership, went bankrupt, costing him \$20,000 — more than his house was worth at the time. "It was the most depressing time in my life, but it was the best lesson I ever learned," he says.

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6. "Taxes are for little people."

Most millionaires do pay taxes. In fact, the top 1 percent of earners paid nearly 40 percent of federal income taxes in 2005 — a whopping \$368 billion — according to the Internal Revenue Service. That said, the wealthy tend to derive a higher portion of their income from dividends and capital gains, which are taxed at lower rates than wages (15 percent for long-term capital gains versus 25 percent for middle-class wages). Also, high-income earners pay Social Security tax only on their first \$97,500 of income.

But the big savings come from owning a business and deducting everything related to it. Landlords can also depreciate their commercial properties and expenses like mortgage interest. And that's without doing any creative accounting. Then there are the tax shelters, trusts and other mechanisms the superrich use to shield their wealth. An estimated 2 million Americans have unreported accounts offshore, and income from foreign tax shelters costs the U.S. \$20 billion to \$40 billion a year, according to the IRS. Indeed, "an increasing number of people want to establish an offshore fund," says Vernon Jacobs, a certified public accountant in Kansas who specializes in legal foreign accounts.

7. "I was a B student."

Mom was right when she said good grades were the key to success — just not necessarily a big bank account. According to the book "The Millionaire Mind," the median college grade point average for millionaires is 2.9, and the average SAT score is 1190 — hardly Harvard material. In fact, 59 percent of millionaires attended a state college or university, according to AmEx/Harrison.

When asked to list the keys to their success, millionaires rank hard work first, followed by education, determination and "treating others with respect." They also say that what they absorbed in class was less important than learning how to study and stay disciplined, says Jim Taylor, vice chairman of the Harrison Group. Granted, 48 percent of millionaires hold an advanced degree, and elite colleges do open doors to careers on Wall Street and in Silicon Valley (not to mention social connections that grease the wheels). But for every Ph.D. millionaire, there are many more who squeaked through school. Kiyosaki, for one, says the only way he survived college calculus was by "sitting near" the smart kids in class — "we cheated like crazy," he says.

8. "Like my Ferrari? It's a rental."

Why spend \$3,000 on a Versace bag that'll be out of style as soon as next season when you can rent it for \$175 a month? For that matter, why blow \$250,000 on a Ferrari when for \$25,000 it can be yours for a few weekends a year? Clubs that offer "fractional ownership" of jets have been popular for some time, and now the concept has extended to other high-end luxuries like exotic cars and fine art. How hot is the trend? More than 50 percent of millionaires say they plan to rent luxury goods within the next 12 months, according to a survey by Prince & Associates. Handbags topped the list, followed by cars, jewelry, watches and art. Online companies like Bag Borrow or Steal, for example, cater to customers who always want new designer accessories and jewelry, for prices starting at \$15 a week.

For Suzanne Garner, a millionaire software engineer in Santa Clara, Calif., owning a \$100,000 car didn't make financial sense (she drives a Mazda Miata). Instead, Garner pays up to \$30,000 in annual membership fees to Club Sportiva, a fractional-ownership car club in San Francisco that lets her take out Ferraris, Lamborghinis and other exotic vehicles on weekends. "I'm all about the car," she says. And so are other people, it seems. While stopped at a light in a Ferrari recently, Garner received a marriage proposal from a guy in a pickup truck. (She declined the offer.)

9. "Turns out money can buy happiness."

It may not be comforting to folks who aren't minting cash, but the rich really are different. "There's no group in America that's happier than the wealthy," says Taylor, of the Harrison Group. Roughly 70 percent of millionaires say that money "created" more happiness for them, he notes. Higher income also correlates with higher ratings in life satisfaction, according to a new study by economists at the Wharton School of Business. But it's not necessarily the Bentley or Manolo Blahniks that lead to bliss. "It's the freedom that money buys," says Betsey Stevenson, coauthor of the Wharton study.

Concomitantly, rates of depression are lower among the wealthy, according to the Wharton study, and the rich tend to have better health than the rest of the population, says James Smith, senior labor economist at the Rand Corporation. (In fact, health and happiness are as closely correlated as wealth and happiness, Smith says.) The wealthy even seem to smile and laugh more often, according to the Wharton study, to say nothing of getting treated with more respect and eating better food. "People experience their day very differently when they have a lot of money," Stevenson says.

10. "You worry about the Joneses — I worry about keeping up with the Trumps."

Wealth may go a long way toward creating happiness, but the middle-class rich still can't afford the life of the billionaire next door — the guy who writes charity checks for \$100,000 and retreats to his own private island. "What makes people happy isn't how much they're making," says Glenn Firebaugh, a sociologist at Pennsylvania State University. "It's how much they're making relative to their peers."

Indeed, for all their riches, some 40 percent of millionaires fear that their standard of living will decline in retirement and that their money will run out before they die, according to Fidelity. Of course, it may not help if their lifestyle is so lavish that they're barely squeaking by on \$400,000 a year. "You can always be happier with more money," says Stevenson. "There's no satiation point." But that's the trouble with keeping up with the Trumps. "Millionaires are always looking up," says Schiff, "and think it's better up there."

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