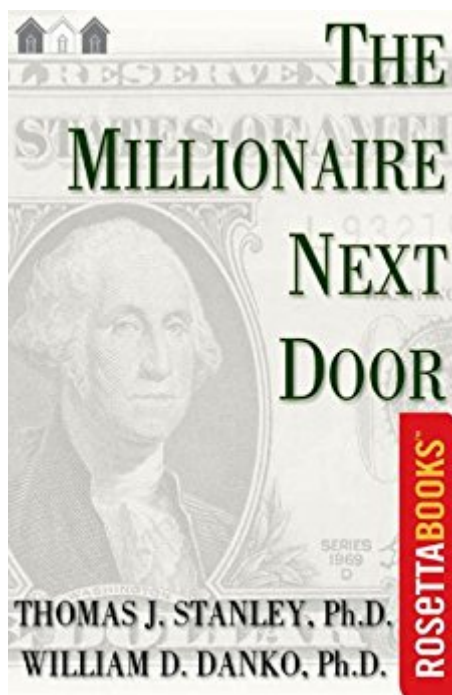


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# The Millionaire Next Door



## Synopsis

Most of the truly wealthy in the United States don't live in Beverly Hills or on Park Avenue. They live next door. America's wealthy seldom get that way through an inheritance or an advanced degree. They bargain-shop for used cars, raise children who don't realize how rich their families are, and reject a lifestyle of flashy exhibitionism and competitive spending. In fact, the glamorous people many of us think of as "rich" are actually a tiny minority of America's truly wealthy citizens and behave quite differently than the majority. At the time of its first publication in 1996, *The Millionaire Next Door* was a groundbreaking examination of America's rich exposing for the first time the seven common qualities that appear over and over among this exclusive demographic. This new edition, the first since 1998, includes a new foreword by Dr. Thomas J. Stanley updating the original content in the context of the 21st century.

**ABOUT THE AUTHOR**

Formerly a professor of marketing at Georgia State University, Dr. Stanley spent approximately 20 years interviewing America's wealthy, starting in 1973 and focusing on people with a net worth of at least \$1 million. His first book, *Marketing to the Affluent*, was chosen as a Top 10 Outstanding Business Book by the editors of *Best of Business Quarterly*. He achieved popular acclaim with *The Millionaire Next Door* selling over 2 million copies. In total, Dr. Stanley's books have spent over 170 weeks on the New York Times Bestseller list. Dr. Stanley holds a PhD in Business Administration from the University of Georgia in Athens. He currently lives in Atlanta.

## Book Information

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## Customer Reviews

This book was not at all what I was expecting, but contains some good advice that many would benefit from. For some background, my wife and I are relatively young and have career jobs. I bought this book for information on making the most of any extra income, learning more about investing strategies, options for generating passive income, and improving my personal finances. I did learn a few things, but not on these topics (maybe a bit on the last point). The book primarily focuses on interesting finds and anecdotes from the authors' years of research on millionaires in America. The book is divided into eight chapters: 1. Meet the Millionaire Next Door 2. Frugal Frugal Frugal 3. Time, Energy, and Money 4. You Aren't What You Drive 5. Economic Outpatient Care 6. Affirmative Action, Family Style 7. Find Your Niche 8. Jobs: Millionaire vs. Heirs. The author essentially splits everyone into two categories: Underaccumulators of Wealth (UAWs) and Prodigious Accumulators of Wealth (PAWs). UAWs have a low net worth relative to income, and the opposite for PAWs and uses these terms throughout the book. His primary argument is that PAWs get to be wealthy by living well below their means - these are people who do not look like millionaires, they live in modest neighborhoods, drive domestic sedans, wear a Timex, and usually have a blue-collar job that does not come with an expensive lifestyle associated and as a result can accumulate a sizeable nest egg. On the other hand, UAWs are typically well-educated professionals with high paying and high profile jobs (doctors, attorneys), but due to societal pressures associated with their social standing are forced to squander all their money living in luxury neighborhoods, driving German cars, and sending their kids to private schools. Their expensive lifestyle means that they spend most of their income and as a result have a low net worth, despite outward appearances. I agree that this is good advice for just about anyone: live below your means and prioritize financial security over social standing. Growing up in a single-income family living in a modest middle class neighborhood, I'm quite used to the live-below-your-means philosophy and I think it gave me at least some sense of good financial discipline. If my parents are any indication, it works great. Where the authors really lost my interest is that the rest of the book is chock full of anecdotes and some rather uninformative statistics to drive a few other points home. While some of these are good points and undoubtedly useful, they always seem to come with caveats or don't draw any real conclusion,

which I found frustrating. Most of the points could have been made succinctly in about 1/10 the amount of page space the authors dedicate to them. These include:- Most millionaires in America are self employed business owners, because they run their personal finances like their business finances. However, going into business for yourself is very risky so we don't really recommend that as a viable way to get rich.- Very few millionaires have ever spent much money on a nice suit, pair of shoes, or luxury watch. They usually live in modest neighborhoods or rural areas where the cost of living and social pressures of consumerism are lower.- First generation millionaires (often immigrants) tend to be succeeded by children with financial struggles, since the parent's desire to "give them a better life" pushes them into careers where they become UAWs, and their upbringing in our consumerist culture impedes their ability to live frugally. But even if it turns them into UAWs, encourage them to go to college and aspire to a white-collar professional job.- Parents giving money to their children develops and reinforces poor financial habits. This money is almost always immediately spent, and these children generally have no savings since they are looking to their parents as their safety net and counting on an inheritance. Doing things like buying children a house in an upscale neighborhood or sending grandkids to a private school actually makes the children worse off, since they have to spend more to maintain the associated lifestyle.- The authors spend an inordinate amount of time and space comparing different careers, which I found next to useless since I'm very happy with my chosen career (Engineer) and have no intention of changing. They continually deride pretty much every professional job you can think of, and simultaneously praises how great working for yourself or owning a business is while going on about how difficult and risky it is to actually own a successful business. The author does not recommend changing careers, but again, this is more of a discussion of what their research has shown than any sort of "how to" advice.- Car buyers fall into four categories: whether you buy new or used, and whether you buy from the same place or shop around. The authors devote an entire chapter to this while only coming to the following conclusions: no method of buying a car is the clear winner, but if you own a business you may benefit from your connections with the owners of car dealerships; and most millionaires drive unassuming domestic (and to a lesser extent, Japanese) cars purchased new or lightly used. A final note - curiously, I found no mention of anything real-estate related, which to me is highly unusual in any sort of book about building wealth. The only investment advice found here is in the final chapter and could be summarized as "invest in what you know." That is, if you work in a certain sector, your knowledge of the industry will help you make good investment decisions. Not sure how I feel about this one. For example: not working in technology doesn't mean blue-chip tech stocks are a bad investment. Take it with a grain of salt. One last complaint: most of the financial

figures are presented in mid-1990s dollars. I found it frustrating to have to mentally convert to today's dollars to get a relative sense. The authors took the time to update the preface in 2010, it would have been nice to see a revision to the figures quoted throughout the book. (For reference, one 1996 dollar is worth about 1.6 dollars in 2017). In summary, I was surprised about the amount of praise heaped on this book. I would hardly categorize it as a self-help book, it's more a retrospective on the authors' research and a collection of anecdotes and interesting conclusions about the countless Americans leading unglamorous lives while accumulating appreciable amounts of wealth. It's a quick read and I made it through the whole book on a 5-hour flight with time to spare. I would only recommend this book as an interesting overview of some good financial habits, or as an eye-opener for those with luxurious financial tendencies who struggle to save money despite their income level. However, for those who have already developed some discipline and are looking for detailed strategies and advice on personal finance and building wealth via investments and generating passive income, look elsewhere.

This is such an inspiring read because it shows almost anyone can become a millionaire if you live below your means and invest well. I love that the majority of millionaires are people you'd never suspect because they don't live flashy lives in big houses with high-status toys abounding. If you make \$200,000 a year, but spend \$220,000, you're in trouble. But if you make \$50,000 a year and live on \$35,000, investing the rest, over time you're going to be in great shape. I grew up in a super-affluent suburb. My friends' lived in big houses and mansions with luxury cars and country club memberships. We lived in one of the smallest houses in the suburb. My mom was so frugal. I thought it was such a drag!! But when she died (too young), she'd saved enough so that my dad, who lived another 30-some years, was comfortable in retirement. I wonder now if any of my high school friends' parents were actually living on the edge in trying to keep up with the Joneses. Years ago, I used to charge like crazy. Now I save like crazy, just like my mom.

Honestly an extremely boring read; however, if you can manage it the book will teach you a lot of valuable things that most people don't consider when trying to become the millionaire next door. The thing that I found most interesting is that the millionaires really don't live any different than you and I; however, they also don't feel the need to. Which is where the difference lies. Most people want to play keeping up with the Jones, but that doesn't work and it's definitely not how you make money. This book will teach you a lot of the methods and strategies that America's "sleeper wealthy" use to not only get their riches, but keep them.

I am not a huge fan of saving for 30 years and limiting yourself to a very frugal life to be a millionaire. I prefer going for more income, saving more, and investing better.

It is a good, well written, easy to read book (it takes about two days to read it). You even may find it hilarious sometimes. However the part devoted to "how to become a millionaire" is full of truisms actually (do not spend more than you earn and invest your savings wisely). The biggest value of this book from my point of view is the part "how to raise children if you are already affluent". How to build their responsibility, respect, independence, and not less important authors point out why it is also crucial for family so it avoids conflicts over inheritance and may stick together for generations.

While several years old, the contents are still relevant today. I had read the Millionaire earlier and have attempted to practice most of the 'lessons' it outlines as my income has allowed. If you haven't read it, do so. The book talks about money values and stresses how the mid to top income earners use their money wisely. I recently watched a Tv commercial where the actors were raving what a bargain they had made in purchasing a new, expensive auto just to keep up with their neighbors. That is the heart of Millionaire--is your life about owning 'things' or about living comfortably with an emergency, rainy-day fund while not purchasing the latest gadgets. The book is more than worth the purchase price for the awareness it instills about life's values. Buy it. You'll be glad you did.

I didn't find almost any well researched actionable information in the book.

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