Millionaire Next Door, San Diego apartment investors and *Transcript* subscribers:

12 common traits: Part 1 of 2 High Life versus High Wealth

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Our culture confuses living "the high life" with being wealthy. In America, many thousands of families with middle class incomes are wealthier than those with higher incomes, who are assumed to be "rich." This two-part article considers a dozen things that *Transcript* subscribers, millionaires and income property investors have in common. You'll read three reasons why real estate investors are more likely to be millionaires than families with equal or greater incomes.

Thousands of books have been written on finance, investing, leadership, success, and personal wealth habits. One of my favorites is *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*. The book has sold two million copies, and was on *The New York Times* bestseller list for over three years, and its findings continue to be interesting enough to merit a high level of attention.

After studying wealthy people in America, two professors, Thomas Stanley and Bill Danko wrote and published this book in 1996. Coming up on its 20-year anniversary, its findings still ring true. Income property investors who do most everything right are the ones who become wealthy. *The Millionaire Next Door* reports on families whose household net worth exceeds a million dollars. Millionaire households are about 3.5% of the families in America. This first of two parts series will consider six of a dozen things that millionaires have in common with *San Diego Daily Transcript* subscribers:

- They live well below their means and tend to live in respectable, but not glamorous neighborhoods. They drive well, but usually not imported luxury cars.
- Financial independence is more important than displaying inflated social status.
- Most save at least 15% of their income. In addition, they plan for investments and budget for expenses.
- They allocate time, energy, and money efficiently toward becoming wealthy. Building wealth and minimizing taxes are standard practice, not vague hopes.
- Most earned their fortune in one generation. Of the few who inherited money, it came only after they had become financially independent.
- Discipline, persistence, independence, and courage are among their core common values.

Apartment Owners are Likely Millionaires. Here are three explanations why income property owners are far more likely to become wealthy than families with the same income:

First, they do not spend all of their income. They use what is left to accumulate dollars for their investments. They save for down payment and or investments. Saving for income property does not even occur to most people. Savings takes discipline, persistence, and vision.

Second, *SD Daily Transcript* subscribers and income property owners tend to be more goal-oriented. They are more clearly focused on success, as they define it. They all know families with equal or greater income but the difference in lifestyle results in lower net worth.

Apartment owners and millionaires are "Frugal, Frugal, Frugal." Those with money understand its importance. Call it deferred gratification or a "wear it out, don't throw it out" style. Households with wealth are slow to spend cash. Waste and extravagance are not part of their world.

As a freshly minted MBA at the world's largest bank, I learned to **use money to increase income not expenses.** Many high-income families buy the bigger house in the fancier neighborhood and the luxury car—before they earn the fortune. Supporting the fancy lifestyle keeps these families from attaining the wealth, which might otherwise be possible.

Third, wealth begins by understanding the tax laws. A popular myth is that a huge income is required to become a millionaire. Income obviously can contribute, but the studies have shown that careful stewardship over decades is vital. The wealthy pay far less in taxes because they know how the tax laws favor investment over consumption.

Income property owners understand how to minimize taxes; this is a huge advantage. The high-income family has high taxes. We know that income property shelters ordinary income, which means less tax burden each year. Less tax burden means more financial choices.

When an investment's value increases, it does not result higher tax payments. If income goes up, tax burdens increase. The wealthy structure their financial lives so that most of the wealth increase comes from investments, not from income taxed at ordinary rates.

Millionaires are likely to hire expert advisors and experienced brokers who show them the legal ways to avoid and defer taxes.

My next article will describe six more things that millionaires have in common with *San Diego Daily Transcript* readers. Today is a great time to begin using these principles.

My offer is simple: Let me help you build and preserve legacy wealth. Elena Thompson