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Millionaire Secrets

by Jonathan Chia

Live like a Millionaire Now

In high school, teachers would sometimes ask me, “What do you want to be when you grow up?” My answer was simple: “I want to be rich.” However, since I didn’t know how I could actually become rich, my goal faded away. It became a forgotten dream, a distant memory, and a latent desire, until I found an easy path to becoming a millionaire: invest 100 dollars a month.

According to CNN Money’s millionaire calculator, if I invest 100 dollars each month at an 8% return (the average return investors receive from the S&P 500 Stock Index), I will become a millionaire in 53 years.¹ That’s a long time to wait, but it’s only a worst-case scenario; with luck, I’ll see much better (and quicker) returns on my investments.

But, of course, it can't be that simple. Millionaires have several secrets of success; many of them are hidden within mounds of data and surveys, but they do exist, and they do work. According to a U.S. Trust survey of American millionaires, eighty-six percent of these rich people didn’t acquire their wealth through family inheritance; instead, they developed certain habits, skills, and values that led to their success over time.² Much of the research on how such millionaires have succeeded can be boiled down to three common principles: (1) be frugal, (2) invest for growth, and (3) develop proactive personality traits.

Millionaires are Frugal

According to Sarah Stanley Fallaw, director of research for the Affluent Market Institute, millionaires are very frugal.³ This includes several that we know of, such as Jim Pattison, Richard Branson, Judy Faulkner, Mark Zuckerberg, and Jennifer Lawrence. Each of these people, according to Business Insider, has an “average” car, and many of them live in normal neighborhoods or apartments. Even Warren Buffet “still lives in his modest Omaha, Nebraska, home, which he bought for \$31,500 in 1958.” Additionally, Charlie Ergen, former CEO of Dish Network, eats a sack lunch consisting of a sandwich and a Gatorade every day.⁴

On the popular financial blog ESI Money, the blog’s millionaire writer ESI interviewed another 150 millionaires, and he also found that most millionaires are indeed frugal. When discussing how much to save, he said, “In the end, I think 20% to 25% is a pretty good estimate. It’s also a decent level of savings, especially given their high salaries. When you couple solid savings with strong earnings, you get a great one-two financial punch.” He noted, however, that some people in the Financial Independence and Early Retirement (FIRE) community save 50% or more.⁵

You can start improving your saving and spending habits now. Consider putting your savings first by automatically sending a portion of your paycheck to your savings every month. Track your expenses and budget. Put the effort into becoming more frugal, and you will already be on the path to become a millionaire.

Most importantly, save to invest. If you know the savings you are putting away will go into your favorite investments, you will feel much more satisfaction from saving.

Millionaires Invest for Growth

Millionaires invest often, and they think ahead. After all, becoming a millionaire can take decades, and investments can take a long time to compound. According to the U.S. Trust study, about 83% of wealthy Americans say that using buy-and-hold strategies contributed to part of their wealth. This study also found that most multi-millionaires start investing in stocks at around age 25.⁶

Millionaires also tend to diversify across many different potential sources of income. The 2019 World Wealth Report shows millionaires overall keep almost 75% of their assets in investments of all sorts, including about 40% in equity (or stocks) and real estate.⁷

However, Gallup, which annually tracks financial statistics, illustrates that these investing habits are not universal. According to the investment-tracking poll, as of 2018, only about half of Americans even invest in stock at all.⁸ This sets the above investing habits apart as secrets of success. Instead of having their income sit in a bank, these millionaires send their money out to grow.

You can start investing easily, in a variety of different ways. Some of these include index funds, which are diversified, low-cost investments that track the market, and Real Estate Investment Trusts (REITs), which are like diversified real estate portfolios split into tiny pieces. You can put as little or as much money as you want into them, but if you want to become a millionaire, aim to have the bulk of your savings in investments.

Millionaires Plan, Take Bigger Risks, and Never Give Up

Millionaires have many wonderful traits, but these three traits in particular stand out and work in tandem.

First, millionaires are great planners. These wealth accumulators keep good track of their budgets and read investment news often in order to better plan for the future.

Second, they are perseverant. According to Russ Alan Price and Lewis Schiff, the authors of the famous book *The Middle-Class Millionaire* who surveyed over 600 millionaire households, "millionaires typically fail professionally twice as often as other middle-class Americans, but they do not give up."⁹

Finally, they are greater risk-takers regarding their careers and their investments. Price and Schiff's research found that millionaires typically choose riskier jobs with better pay, and that such people tend to be more willing to take careful risks in their investments as well.⁹

Millionaires combine all three of these traits. They plan well so they understand the risks and returns of their endeavors; then, because they take higher risks, they fail more; however, they persevere, so when they do succeed they have high returns.

Consider how you can plan better, take more risks, and persevere.

Conclusion

Now that I'm an adult, instead of getting asked, "What do you want to be when you grow up?", I get asked about career aspirations, graduate school, marriage, and a lot of other stressful adult things. The first answer I give is still the same as when I was young: "I want to be rich,"—but now I have a plan.

Dave Ramsey, financial adviser extraordinaire, says "Everybody should retire a millionaire," for valid reasons.¹⁰ Everybody should start investing early, develop a frugal lifestyle, plan well, take risks, and never give up.

The path to wealth is well lit. Will you take it?

¹ "Becoming A Millionaire," Cable News Network, accessed October 29, 2019, <https://money.cnn.com/>.

² Jennifer Harper, "The Millionaire Mind-Set," *Insight on the News*, October 2-9, 2000, <https://search.proquest.com/docview/205905298?accountid=4488>.

³ John E. Grable, PhD., C.F.P., Michelle Kruger, and Sarah Stanley Fallaw, PhD., "An Assessment of Wealth Accumulation Tasks and Behaviors." *Journal of Financial Service Professionals* 71, no. 1 (Jan 2017): 55, <https://search.proquest.com/docview/1856095159?accountid=4488>.

⁴ Hoffower, Hillary, "Inside the Lives of Surprisingly Frugal Millionaires and Billionaires, from Businessmen like Warren Buffett and Richard Branson to A-List Celebs like Jay Leno and Jennifer Lawrence," *Business Insider*, March 1, 2019, <https://www.businessinsider.com/frugal-billionaires-millionaires-lifestyle-money-car-house-habits-net-worth-2019-2>.

⁵ ESI, "What I've Learned from 150 Millionaire Interviews," *ESI Money*, September 28, 2019, <https://esimoney.com/what-ive-learned-from-150-millionaire-interviews/>.

⁶ "The Secret Formula for Becoming a Millionaire," *M2 Presswire*, November 2, 2016, <https://search.proquest.com/docview/1834803252?accountid=4488>.

⁷ Caggemini, "Asset allocation of high net worth individuals in North America in 2019," Statista Chart, July 9, 2019, accessed October 30, 2019, <https://www-statista-com.erl.lib.byu.edu/statistics/300495/high-net-worth-individuals-asset-allocation/>.

⁸ Gallup, "Share of adults investing money in the stock market in the United States from 1999 to 2018," Statista Chart, April 22, 2018, accessed October 30, 2019. <https://www-statista-com.erl.lib.byu.edu/statistics/270034/percentage-of-us-adults-to-havemoney-invested-in-the-stock-market/>.

⁹ Mark Egan, "'Middle-Class Millionaires' have Traits in Common; Book Analyzes Behaviour of Americans with \$1 Million to \$10 Million: [Final Edition]," *Edmonton Journal*, D2, February 29, 2008, <https://search.proquest.com/docview/253509485?accountid=4488>.

¹⁰ Ramsey, Dave, "A Proven Plan for Financial Success," Dave Ramsey, accessed October 30, 2019, <https://www.daveramsey.com/>.