



The Millionaire Next Door Summary for Powerful Money Lessons

Description

When you hear the word millionaire, what comes to your mind? A luxury car.....a nice house in a posh area.....branded clothes, this is a common understanding. But the authors, [Thomas Stanley](#) and William D Danko in this book The Millionaire Next Door have presented an altogether different type of millionaire who might be living in your neighborhood without you knowing about their millionaire status. The authors have explained the most practical way to become a millionaire next door in this book, so read this summary till the end.

The book is based upon the survey conducted by the authors during the course of 9 months where they interviewed more than eleven thousand high net worth people including more than 500 millionaires. The people were asked around 249 questions related to their household budget, financial fears, methods of bargaining, etc. The authors after the survey found out the following 8 common things in the millionaires which you can incorporate easily and become a millionaire.



1. Meet the Millionaire Next Door

The authors explain that most of the millionaires in the world prefer to enjoy a quiet modest life without showing off their wealth. They don't eat expensive food or drink expensive wine nor do they wear expensive brands.

The common perception of the millionaire is of a person with Big Hat But No Cattle. But this is not true as in reality most of the millionaires are people with no cat and a lot of cattle. This means that people with a large number of expensive material possessions are perceived to be wealthy but in reality, these people have very few or even nil appreciable assets, income-producing assets, stocks, etc. On the other hand, truly wealthy people believe in having income-generating or appreciating assets rather than expensive material possessions.

Now how do you know if you are wealthy enough? For this, the authors have given a formula. Multiply your age with your pre-tax annual income and divide it by ten. The figure that comes out should be your net worth at your current age. The income here should not include your inheritance.

2. FRUGAL FRUGAL FRUGAL

The authors during their survey first invited decamillionaires. For the survey, they made high-end arrangements like they booked a posh penthouse and included expensive dishes and drinks in the food menu. When the interviews started, the authors observed that most of the millionaires were dressed in a normal fashion, in fact, they were under-dressed for the occasion. Also to their surprise,

most of the millionaires didn't order anything fancy to drink or to eat.

Being frugal was one of the main reasons why these millionaires were able to accumulate wealth and were also able to maintain it. They do budgeting and control their expenses. They know where and how much they spend their money. These people value financial independence and security more than possessing expensive materialistic things.

3. Time, Energy and Money

The Millionaire next door spends their time, energy, and money in ways that lead towards wealth.

PAWs (Prodigious Accumulator of Wealth – Those who accumulate great wealth) spend at least twice as much time in financial planning than UAWs (Under Accumulator of Wealth). When it comes to spending money, most millionaires prefer investing in assets that will help them accumulate wealth.

Every financial decision that wealthy millionaires take, they give it proper time and energy.

They instill this quality in their kids as well, otherwise, the high-income non-wealthy millionaires have to support their children and even grandchildren financially.



4. You aren't what you drive

This is one of the best points in the summary of The Millionaire Next Door which we need to implement in our life. After a house, the second biggest financial decision in our life is buying a car. When it comes to buying a car, these millionaires plan it properly. They even go for the second-hand car as they know how to keep their pride aside. It is a fact that 50% of the vehicles purchased by millionaires were 2 years old at the time of purchase. They prefer buying it and not leasing it.

One of the millionaires interviewed, Mr. Allan once got to know that he would be gifted a Rolls Royce by his business associates. But he was not comfortable with having a Rolls Royce. He knew he wouldn't be able to do things he could do now, like going to low-end restaurants, fishing and even going to his office in his manufacturing plant. That is why for him having a Rolls Royce was "unnecessary". Hence he refused to take it. How many of us would do that?

5. Economic outpatient care

Now, when asked about the upbringing that these millionaires got, one thing that was found common in most of them was that they didn't get Economic Outpatient Care (EOC – Money that parents give to their children to help them with their working life) from their parents. Parents don't want their children to struggle the way they did and that's why they give EOC. But what they don't realize is that this makes their children complacent about accumulating wealth.

This is what makes the difference when children of millionaires become decamillionaires or lose it all.

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6. Affirmative action, Family style

The children of the wealthy millionaires are mostly self-sufficient. There is a high chance of providing EOC to temporarily unemployed adult children. However, to ensure that your children become financially independent following rules can be implemented –

- a. Never tell children that their parents are wealthy.
- b. No matter how wealthy you are, teach your children discipline and frugality.
- c. Assure that your children won't realize that you are affluent until after they have established a mature, disciplined, adult lifestyle and profession.
- d. Minimize discussion of the items that each child and grandchild will inherit as a gift.
- e. Never give cash or other significant gifts to your adult children as part of a negotiation strategy.
- f. Stay out of your adult children's family matters.
- g. Don't try to compete with your children.
- h. Always remember that your children are individuals.
- i. Emphasize your children's achievements, no matter how small, not their or your symbol of success.
- j. Tell your children that there are a lot of things more valuable than money.



7. Find your niche

To become a millionaire you have to be proficient in using the market opportunities. The authors in this book have highlighted the fact that there are many opportunities in the market where you can target the affluent or their family members. It is often seen that people who target the affluent will become affluent.

The authors have also given examples of various professions where you can target affluent people like medical care specialists, attorneys, asset liquidators or facilitators, travel agents, etc. So, find your niche with which you can target millionaires and become wealthy.

8. Jobs: Millionaires versus heirs

The authors in this chapter have said that there is no specific list of businesses from which you can select one and become a millionaire. It is not just about the type of business, it is about how you do it?..... do you love it or not?....how do you manage your personal finances? Being a business owner has more chances of becoming a millionaire than a person who works for others.

The one thing that the authors have mentioned multiple times in this book is that wealthy millionaires always put freedom above any risk that their businesses have. They liked to be their own boss.

So readers this was the summary of one of the best personal finance books The Millionaire Next Door by Thomas Stanley and William D Danko. Incorporate these 8 things in your life to become a millionaire and stay as a millionaire. If you liked this summary and believe that these things can change your financial situation then feel free to share this article with your near and dear ones. Let us know

your thoughts about the article through the comment section below.

Category

1. Book Summary

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