

What makes millionaires tick?



MONEY 301 | Columnist **Ellen Roseman** launches a new series that will review the best books, magazines, websites and other resources on personal finance topics

What does it take to be a millionaire? And how do millionaires spend their money?

Many authors try to tell you how to get rich and stay that way. Some have already made millions, while others have simply studied wealthy people.

Today, we launch a new series of Money 301 columns on personal finance books and websites. We start with the question: What do rich people do that others don't do?

Thomas Stanley, a former marketing professor at Georgia State University, has spent years trying to figure out what makes millionaires tick.

His book, *The Millionaire Next Door*, came out in 1996 and was on the *New York Times* best-seller list for three years.

A sequel published last year, *Millionaire Women Next Door* (Andrews McMeel, \$41.95), highlights the gender differenc-

es among the wealthy.

Both books emphasize that millionaires never draw attention to themselves through big spending. And most are self-employed business owners.

Millionaires are "a cheap date," in Stanley's words, but women are even more frugal than men. The most they've ever spent for a suit for themselves or family members is \$400 (U.S.). For a pair of shoes, it's \$139 (U.S.).

These rich ladies have other thrifty habits: 81 per cent make a detailed list before grocery shopping; 61 per cent switch long-distance telephone companies to save money; and 58 per cent have furniture re-upholstered or refinished before buying new.

They tend to support noble causes. On average, they donate 7 per cent of annual income to charity, compared with 2 per cent for all U.S. households.

They also support family members, allocating 5 per cent of annual income to adult children, grandchildren and other relatives — compared with only 2 per cent for wealthy men.

I found this book a terrific read, but wished it had more insight on Canadians.

Then, I discovered Iris Nowell's book, *Generation Deluxe: Consumerism and Philanthropy of the New Super-Rich* (Dundurn, \$24.99).

Nowell, who lives in Toronto, has interviewed people here and around the world on their spending. You'll find stories about Hilary and Galen Weston and entertainers Celine Dion and Shania Twain.

She concentrates on a higher level of wealth, those with a billion in net worth, and she's horrified at their showy hyper-consumption.

"As I began to uncover the opu-

lence of this world, a dark underside emerged," Nowell says.

It became clear to her that spending on mansions and vehicles and personal luxuries was causing serious environmental damage and threatening many forms of life, as well as fuelling social conflict in poorer countries.

The last few chapters show how the rich give away their money, operating like any CEO running a billion-dollar enterprise. Philanthropists take everlasting pride in their donations and some say it is the best thing they do.

Rich Dad Poor Dad is another bestseller. It tries to tell you what the rich teach their children about money that the poor and middle class do not.

The book is based on author Robert Kiyosaki's experiences growing up in Hawaii.

His father (Poor Dad) had a steady job as a school principal. But he went into politics and lost his job, then bought a franchise business and lost his shirt.

Kiyosaki says he learned more from his friend's father (Rich Dad), a school dropout and street-smart entrepreneur. He

taught him how to make money by creating passive income from starting businesses or investing.

My favourite in this series is *Rich Dad's Cash Flow Quadrant* (Warner, \$26.95), which tries to help people move from employment to self-employment.

Kiyosaki stresses you can become poorer, rather than richer, if you set up a business that requires constant devotion. It has to be something you can set in motion and leave alone for months at a time.

He's a big believer in buying real estate. At his website, www.richdad.com, you'll find active discussion forums aimed at both first-time and advanced real estate investors.

Darren Weeks of Edmonton gives seminars based on Kiyosa-

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ki's philosophy. At his website, www.fasttracktocashflow.com, you'll find success stories and discussions with a Canadian slant.

Finally, there's *The Automatic Millionaire* (Doubleday, \$29.95) by David Bach, whose catchphrase is "the latte factor."

Give up your fancy coffees (or any other guilty pleasures), save your money and you'll get rich, he says.

If only self-denial were enough. I think his title is silly — there's nothing automatic about making a million — and his advice about paying yourself first is derivative.

I'm more impressed with his recent book, *Start Late, Finish Rich* (Doubleday, \$32.95). It's meatier and talks about starting a business, with advice similar to Kiyosaki's.

Bach is an American, but his books are all adapted for the Canadian market. He's been hired as a poster boy for saving money by Scotiabank.

But a customer review at Amazon.ca expressed disappointment with the lack of in-depth financial advice. "I followed that advice on spending less and promptly returned the book."

★ Next week, we'll look at where to find good information on doing your income taxes.

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