Presents

The Millionaire Next Door

The Surprising Secrets of American's Wealthy

By THOMAS J. STANLEY, Ph.D and WILLIAM D. DANKO, Ph.D

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CHAPTER ONE

Meet the Millionaire Next Door

> These people cannot be millionaires! They don't look like millionaires, they don't dress like millionaires, they don't eat like millionaires, they don't act like millionaires--they don't even have millionaire names. Where are the millionaires who look like millionaires?

The person who said this was a vice president of a trust department. He made these comments following a focus group interview and dinner that we hosted for ten first-generation millionaires. His view of millionaires is shared by most people who are not wealthy. They think millionaires own expensive clothes, watches, and other status artifacts. We have found this is not the case.

As a matter of fact, our trust officer friend spends significantly more for his suits than the typical American millionaire. He also wears a $5,000 watch. We know from our surveys that the majority of millionaires never spent even one-tenth of $5,000 for a watch. Our friend also drives a current-model imported luxury car. Most millionaires are not driving this year's model. Only a minority drive a foreign motor vehicle. An even smaller minority drive foreign luxury cars. Our trust officer leases, while only a minority of millionaires ever lease their motor vehicles.

But ask the typical American adult this question: Who looks more like a millionaire? Would it be our friend, the trust officer, or one of the people who participated in our interview? We would wager that most people by a wide margin would pick the trust officer. But looks can be deceiving.

This concept is perhaps best expressed by those wise and wealthy Texans who refer to our trust officer's type as

Big Hat No Cattle

We first heard this expression from a thirty-five-year-old Texan. He owned a very successful business that rebuilt large diesel engines. But he drove a ten-year-old car and wore jeans and a buckskin shirt. He lived in a modest house in a lower-middle-class area. His neighbors were postal clerks, firemen, and mechanics.

After he substantiated his financial success with actual numbers, this Texan told us:

[My] business does not look pretty. I don't play the part . . . don't act it.... When my British partners first met me, they thought I was one of our truck drivers.... They looked all over my office, looked at everyone but me. Then the senior guy of the group said, "Oh, we forgot we were in Texas!" I don't own big hats, but I have a lot of cattle.

PORTRAIT Of A MILLIONAIRE

Who is the prototypical American millionaire? What would he tell you about himself?(*)

* I am a fifty-seven-year-old male, married with three children. About 70 percent of us earn 80 percent or more of our household's income.

* About one in five of us is retired. About two-thirds of us who are working are self-employed. Interestingly, self-employed people make up less than 20 percent of the workers in America but account for two-thirds of the millionaires. Also, three out of four of us who are self-employed consider ourselves to be entrepreneurs. Most of the others are self-employed professionals, such as doctors and accountants.

* Many of the types of businesses we are in could be classified as dullnormal. We are welding contractors, auctioneers, rice farmers, owners of mobile-home parks, pest controllers, coin and stamp dealers, and paving contractors.

* About half of our wives do not work outside the home. The number-one occupation for those wives who do work is teacher.

* Our household's total annual realized (taxable) income is $131,000 (median, or 50th percentile), while our average income is $247,000. Note that those of us who have incomes in the $500,000 to $999,999 category (8 percent) and the $1 million or more category (5 percent) skew the average upward.

* We have an average household net worth of $3.7 million. Of course, some of our cohorts have accumulated much more. Nearly 6 percent have a net worth of over $10 million. Again, these people skew our average upward. The typical (median, or 50th percentile) millionaire household has a net worth of $1.6 million.

* On average, our total annual realized income is less than 7 percent of our wealth. In other words, we live on less than 7 percent of our wealth.

* Most of us (97 percent) are homeowners. We live in homes currently valued at an average of $320,000. About half of us have occupied the same home for more than twenty years. Thus, we have enjoyed significant increases in the value of our homes.

* Most of us have never felt at a disadvantage because we did not receive any inheritance. About 80 percent of us are first-generation affluent.

* We live well below our means. We wear inexpensive suits and drive American-made cars. Only a minority of us drive the current-model-year automobile. Only a minority ever lease our motor vehicles.

* Most of our wives are planners and meticulous budgeters. In fact, only 18 percent of us disagreed with the statement "Charity begins at home." Most of us will tell you that our wives are a lot more conservative with money than we are.

* We have a "go-to-hell fund." In other words, we have accumulated enough wealth to live without working for ten or more years. Thus, those of us with a net worth of $1.6 million could live comfortably for more than twelve years. Actually, we could live longer than that, since we save at least 15 percent of our earned income.

* We have more than six and one-half times the level of wealth of our nonmillionaire neighbors, but, in our neighborhood, these nonmillionaires outnumber us better than three to one. Could it be that they have chosen to trade wealth for acquiring high-status material possessions?

* As a group, we are fairly well educated. Only about one in five are not college graduates. Many of us hold advanced degrees. Eighteen percent have master's degrees, 8 percent law degrees, 6 percent medical degrees, and 6 percent Ph.D.s.

* Only 17 percent of us or our spouses ever attended a private elementary or private high school. But 55 percent of our children are currently attending or have attended private schools.

* As a group, we believe that education is extremely important for ourselves, our children, and our grandchildren. We spend heavily for the educations of our offspring.

* About two-thirds of us work between forty-five and fifty-five hours per week.

* We are fastidious investors. On average, we invest nearly 20 percent of our household realized income each year. Most of us invest at least 15 percent. Seventy-nine percent of us have at least one account with a brokerage company. But we make our own investment decisions.

* We hold nearly 20 percent of our household's wealth in transaction securities such as publicly traded stocks and mutual funds. But we rarely sell our equity investments. We hold even more in our pension plans. On average, 21 percent of our household's wealth is in our private businesses.

* As a group, we feel that our daughters are financially handicapped in comparison to our sons. Men seem to make much more money even within the same occupational categories. That is why most of us would not hesitate to share some of our wealth with our daughters. Our sons, and men in general, have the deck of economic cards stacked in their favor. They should not need subsidies from their parents.

* What would be the ideal occupations for our sons and daughters? There are about 3.5 millionaire households like ours. Our numbers are growing much faster than the general population. Our kids should consider providing affluent people with some valuable service. Overall, our most trusted financial advisors are our accountants. Our attorneys are also very important. So we recommend accounting and law to our children. Tax advisors and estate-planning experts will be in big demand over the next fifteen years.

* I am a tightwad. That's one of the main reasons I completed a long questionnaire for a crispy $1 bill. Why else would I spend two or three hours being personally interviewed by

these authors? They paid me $100, $200, or $250. Oh, they made me another offer--to donate in my name the money I earned for my interview to my favorite charity. But I told them, "I am my favorite charity."

"WEALTHY" DEFINED

Ask the average American to define the term wealthy. Most would give the same definition found in Webster's. Wealthy to them refers to people who have an abundance of material possessions.

We define wealthy differently. We do not define wealthy, affluent, or rich in terms of material possessions. Many people who display a high-consumption lifestyle have little or no investments, appreciable assets, income-producing assets, common stocks, bonds, private businesses, oil/gas rights, or timber land. Conversely, those people whom we define as being wealthy get much more pleasure from owning substantial amounts of appreciable assets than from displaying a high-consumption lifestyle.

THE NOMINAL DEFINITION OF WEALTHY

One way we determine whether someone is wealthy or not is based on net worth--"cattle," not "chattel." Net worth is defined as the current value of one's assets less liabilities (exclude the principle in trust accounts). In this book we define the threshold level of being wealthy as having a net worth of $1 million or more. Based on this definition, only 3.5 million (3.5 percent) of the 100 million households in America are considered wealthy. About 95 percent of millionaires in America have a net worth of between $1 million and $10 million. Much of the discussion in this book centers on this segment of the population. Why the focus on this group? Because this level of wealth can be attained in one generation. It can be attained by many Americans.

HOW WEALTHY SHOWED YOU BE?

Another way of defining whether or not a person, household, or family is wealthy is based on one's expected level of net worth. A person's income and age are strong determinants of how much that person should be worth. In other words, the higher one's income, the higher one's net worth is expected to be (assuming one is working and not retired). Similarly, the longer one is generating income, the more likely one will accumulate more and more wealth. So higher-income people who are older should have accumulated more wealth than lower-income producers who are younger.

For most people in America with annual realized incomes of $50,000 or more and for most people twenty-five to sixty-five years of age, there is a corresponding expected level of wealth. Those who are significantly above this level can be considered wealthy in relation to others in their income/age cohort.

You may ask: How can someone be considered wealthy if, for example, he is worth only $460,000? After all, he's not a millionaire. Charles Bobbins is a forty-one-year-old fireman. His wife is a secretary. They have a combined annual income of $55,000. According to our research findings, Mr. Bobbins should have a net worth of approximately $225,500. But he is worth much more than others in his income/age category. Mr. and Mrs. Bobbins have been able to accumulate an above-average amount of net worth. Thus, they apparently know how to live on a fireman's and secretary's income and still save and invest a good bit. They likely have a low-consumption lifestyle. And given this lifestyle, Mr. Bobbins could sustain himself and his family for ten years without working. Within their income and age categories, the Bobbinses are wealthy.

The Bobbinses are quite different from John J. Ashton, M.D., age fifty-six, who has an annual income of approximately $560,000. How much is Dr. Ashton worth? Is he wealthy? According to one definition, he is, since his net worth is $1.1 million. But he is not wealthy according to our other definition. Given his age and income, he should be worth more than $3 million.

With his high-consumption lifestyle, how long do you think Dr. Ashton could sustain himself and his family if he were no longer employed? Perhaps for two, at most three, years.

HOW TO DETERMINE IF YOU'RE WEALTHY

Whatever your age, whatever your income, how much should you be worth right now? From years of surveying various high-income/high-net worth people, we have developed several multivariate-based wealth equations. A simple rule of thumb, however, is more than adequate in computing one's expected net worth.

> Multiply your age times your realized pretax annual household income from all sources except inheritances. Divide by ten. This, less any inherited wealth, is what your net worth should be.

For example, if Mr. Anthony O. Duncan is forty-one years old, makes $143,000 a year, and has investments that return another $12,000, he would multiply $155,000 by forty-one. That equals $6,355,000. Dividing by ten, his net worth should be $635,500. If Ms. Lucy R. Frankel is sixty-one and has a total annual realized income of $235,000, her net worth should be $1,433,500.

Given your age and income, how does your net worth match up? Where do you stand along the wealth continuum? If you are in the top quartile for wealth accumulation, you are a PAW, or prodigious accumulator of wealth. If you are in the bottom quartile, you are a UAW, or under accumulator of wealth. Are you a PAW, a UAW, or just an AAW (average accumulator of wealth)?

We have developed another simple rule. To be well positioned in the PAW category, you should be worth twice the level of wealth expected. In other words, Mr. Duncan's net worth/wealth should be approximately twice the expected value or more for his income/age cohort, or $635,500 multiplied by two equals $1,271,000. If Mr. Duncan's net worth is approximately $1.27 million or more, he is a prodigious accumulator of wealth. Conversely, what if his level of wealth is one-half or less than expected for all those in his income/age category? Mr. Duncan would be classified as a UAW if his level of wealth were $317,750 or less (or one-half of $635,500).

PAWs versus UAWs

PAWs are builders of wealth--that is, they are the best at building net worth compared to others in their income/age category. PAWs typically have a minimum of four times the wealth accumulated by UAWs. Contrasting the characteristics of PAWs and UAWs is one of the most revealing parts of the research we have conducted over the past twenty years.

A good example of the difference between PAWs and UAWs is revealed in two case studies. Mr. Miller "Bubba" Richards, age fifty, is the proprietor of a mobile-home dealership. His total household income last year was $90,200. Mr. Richards's net worth, as computed via the wealth equation, is expected to be $451,000. But "Bubba" is a PAW. His actual net worth is $1.1 million.

His counterpart is James H. Ford II. Mr. Ford, age fifty-one, is an attorney. His income last year was $92,330, slightly more than Mr. Richards's. What is Mr. Ford's actual net worth? His expected level of wealth? Mr. Ford's actual net worth is $226,511, while his expected level of wealth (again computed from the wealth equation) is $470,883. Mr. Ford, by our definition, is an under accumulator of wealth. Mr. Ford spent seven years in college. How can he possibly have less wealth than a mobile-home dealer? In fact, Mr. Richards has nearly five times the net worth of Mr. Ford. And remember, both are in the same income/age cohort. In trying to answer the above question ask yourself two simpler questions:

* How much money does it take to maintain the upper-middle-class lifestyle of an attorney and his family?

* How much money is required to maintain the middle-class or even blue-collar lifestyle of a mobile-home dealer and his family?

Clearly, Mr. Ford, the attorney, must spend significantly more of his household's income to maintain and display his family's higher upper-middle-class lifestyle. What make of motor vehicle is congruent with the status of an attorney? Foreign luxury, no doubt. Who needs to wear a different high-quality suit to work each day? Who needs to join one or more country clubs? Who needs expensive Tiffany silverware and serving trays?

Mr. Ford, the UAW, has a higher propensity to spend than do the members of the PAW group. UAWs tend to live above their means; they emphasize consumption. And they tend to de-emphasize many of the key factors that underlie wealth building.

YOU OR YOUR ANCESTORS?

Most of America's millionaires are first-generation rich. How is it possible for people from modest backgrounds to become millionaires in one generation? Why is it that so many people with similar socioeconomic backgrounds never accumulate even modest amounts of wealth?

Most people who become millionaires have confidence in their own abilities. They do not spend time worrying about whether or not their parents were wealthy. They do not believe that one must be born wealthy. Conversely, people of modest backgrounds who believe that only the wealthy produce millionaires are predetermined to remain non-affluent. Have you always thought that most millionaires are born with silver spoons in their mouths? If so, consider the following facts that our research uncovered about American millionaires:

* Only 19 percent receive any income or wealth of any kind from a trust fund or an estate.

* Fewer than 20 percent inherited 10 percent or more of their wealth.

* More than half never received as much as $1 in inheritance.

* Fewer than 25 percent ever received "an act of kindness" of $10,000 or more from their parents, grandparents, or other relatives.

* Ninety-one percent never received, as a gift, as much as $1 of the ownership of a family business.

* Nearly half never received any college tuition from their parents or other relatives.

* Fewer than 10 percent believe they will ever receive an inheritance in the future.

America continues to hold great prospects for those who wish to accumulate wealth in one generation. In fact, America has always been a land of opportunity for those who believe in the fluid nature of our nation's social system and economy.

More than one hundred years ago the same was true. In The American Economy, Stanley Lebergott reviews a study conducted in 1892 of the 4,047 American millionaires. He reports that 84 percent "were nouveau riche, having reached the top without the benefit of inherited wealth."

BRITANNIA RULES?

Just before the American Revolution, most of this nation's wealth was held by landowners. More than half the land was owned by people who either were born in England or were born in America of English parents. Is more than half of this nation's wealth now of English origin? No. One of the major myths concerning wealth in this country relates to ethnic origin. Too many people think that America's affluent population is composed predominantly of direct descendants of the Mayflower voyagers.

Let's examine this assumption objectively. What if "country of origin" were the major factor in explaining variation in wealth? We would expect that more than half of America's millionaire population would be of English ancestry. This is not the case (see Table 1-1). In our most recent national survey of millionaires, we asked the respondents to designate their country of origin/ancestry/ethnic origin. The results may surprise you.

Those designating "English" as their ethnic origin accounted for 21.1 percent of the millionaire population. People of English origin account for 10.3 percent of the United States household population in general. Thus, American millionaires of English origin are more prevalent than expected, given their numbers in the entire U.S. population (10.3 percent versus 21.1 percent). In other words, this group has a millionaire concentration ratio of 2.06

(21.1 percent of all millionaire households divided by 10.3 percent of all households headed by persons of English origin), meaning that people of English origin are about twice as likely to head households in the millionaire category than would be expected from their portion of all households in America.

And yet, what percentage of the English ancestry group in America is in the millionaire category? Would you expect the English group to rank first? In fact, it ranks fourth. According to our research, 7.71 percent of all households in the English category have a net worth of $1 million or more. Three other ancestry groups have significantly higher concentrations of millionaires.

How can it be possible that the English ancestry group does not have the highest concentration of millionaire households? After all, they were among the first Europeans to arrive in the New World. They were on the ground floor to take economic advantage in this land of opportunity. In 1790 Colonial America, more than two-thirds of households were headed by a self-employed person. In America, the achievements of the current generation are more a factor in explaining wealth accumulation than what has taken place in the past. Again, most American millionaires today (about 80 percent) are first-generation rich. Typically, the fortunes built by these people will be completely dissipated by the second or third generation. The American economy is a fluid one. There are many people today who are on their way to becoming wealthy. And there are many others who are spending their way out of the affluent category.

WINNING ANCESTRY GROUPS

If the English ancestry group does not have the highest concentration of millionaire households, then which group does? The Russian ancestry group ranks first, the Scottish ranks second, and the Hungarian ranks third. Although the Russian ancestry group accounts for only about 1.1 percent of all households in America, it accounts for 6.4 percent of all millionaire households. We estimate that approximately 22 of every 100 households headed by someone of Russian ancestry has a net worth of $1 million or more. This is in sharp contrast to the English ancestry group, in which only 7.71 in 100 of its members are in the millionaire league. How much wealth does this Russian American millionaire group have in total? We estimate approximately $1.1 trillion, or nearly 5 percent of all the personal wealth in America today!

How can one explain the economic productivity of Russian Americans? In general, most American millionaires are manager-owners of businesses. Russians in disproportionate numbers are manager-owners of businesses. Further, this entrepreneurial spirit seems to translate from one generation of Russians to the next.

The Hungarian ancestry group also is entrepreneurially inclined. This group accounts for only 0.5 percent of all households in this country. Yet it makes up 2 percent of the millionaire households. Contrast this with the German ancestry group, which accounts for nearly one in five households (19.5 percent) in this country. Only 17.3 percent of all millionaire households are headed by persons of German ancestry, and only about 3.3 percent of German households are in the millionaire league.

THRIFTY SCOTS

The Scottish ancestry group makes up only 1.7 percent of all households. But it accounts for 9.3 percent of the millionaire households in America. Thus, in terms of concentration, the Scottish ancestry group is more than five times (5.47) more likely to contain millionaire households than would be expected from its overall portion (1.7 percent) of American households.

The Scottish ancestry group ranks second in terms of the percentage of its clan that are in the millionaire league. Nearly twenty-one (20.8) in 100 of its households are millionaires. What explains the Scottish ancestry group's high ranking? It is true that many Scots were early immigrants to America. But this is not the major reason for their economic productivity. Remember that the English were among the earliest immigrants, yet their concentration numbers are far lower than those of the Scots. Also consider that the Scots did not enjoy the same solid economic status that the English enjoyed during the years the nation was in its infancy. Given these facts, one would think that the English ancestry group would account for a higher concentration of millionaire households than those in the Scottish group. But just the opposite is the case. Again, the Scottish ancestry group has a concentration level nearly three times that of the English group (5.47 versus 2.06). What then makes the Scottish ancestry group unique?

If an ancestry group has a high concentration of millionaires, what would we expect the income characteristics of that group to be? The expectation is that the group would have an equally high concentration of high-income producers. Income is highly correlated with net worth; more than two-thirds of the millionaires in America have annual household incomes of $100,000 or more. In fact, this correlation exists for all major ancestry groups but one: the Scottish. This group has a much higher number of high-net worth households than can be explained by the presence of high-income-producing households alone. High-income-producing Scottish-ancestry households account for less than 2 percent of all high-income households in America. But remember that the Scottish ancestry group accounts for 9.3 percent of the millionaire households in America today. More than 60 percent of Scottish-ancestry millionaires have annual household incomes of less than $100,000. No other ancestry group has such a high concentration of millionaires from such a small concentration of high-income-producing households.

If income does not come near in explaining the affluence of the Scottish ancestry group in America, what factors do shed light on this phenomenon? There are several fundamental factors.

First, Scottish Americans tend to be frugal. Given a household's income, there is a corresponding mathematical expectation of level of consumption. Members of this group do not fit such expectations. On average, they live well below the norm for people in various income categories. They often live in self-designed environments of relative scarcity. A household of Scottish ancestry with an annual income of $100,000 will often consume at a level typical for an American household with an annual income of $85,000. Being frugal allows them to save more and invest more than others in similar income groups. Thus the same $100,000 income-producing household of Scottish descent saves and invests at a level comparable to the typical American household that annually earns nearly $150,000.

In the chapters that follow, we reveal the highest prices typical millionaires reported paying for suits, shoes, watches, and motor vehicles. A significantly greater number of millionaires with Scottish ancestry reported paying less for each item than the norm for all millionaires in the sample. For example, more than two-thirds (67.3 percent) of Scottish millionaires paid less for their most expensive motor vehicle than the norm for all millionaires surveyed.

Because they accumulate wealth, the Scottish-ancestry affluent have wealth to pass on to their offspring. Our research reveals that Scottish offspring typically become economically and emotionally independent even as young adults. Thus, they tend not to drain their parents' wealth.

Members of the Scottish-ancestry group have been able to instill their values of thrift, discipline, economic achievement, and financial independence in successive generations. These values are also typical traits among most self-made millionaires.

SMALL POPULATIONS

Often small-population groups are underrepresented in studies of the affluent. Yet many contain high concentrations of wealthy households. What small groups in particular? We estimate that all of the fifteen small-population ancestry groups shown in Table 1-2 have at least twice the proportion of millionaires than the proportion for all U.S. households. Only about 3.5 percent of all U.S. households are in the million-dollar net worth league. All the groups listed in Table 1-2 are estimated to contain at least twice this proportion. (In total, all fifteen account for less than 1 percent of all affluent households.) In fact, there is compelling evidence of an inverse relationship between the size of an ancestry group and the proportion of its members that are wealthy. In other words, larger ancestry groups contain smaller proportions of millionaires on average than smaller groups.

What about the number of years that an average member of an ancestry group has been in America? The longer the time here, the less likely it will produce a disproportionately large percentage of millionaires. Why is this the case? Because we are a consumption-based society. In general, the longer the average member of an ancestry group has been in America, the more likely he or she will become fully socialized to our high-consumption lifestyle. There is another reason. First-generation Americans tend to be self-employed. Self-employment is a major positive correlate of wealth.

This is not to suggest that self-employment and/or being first-generation American ensures membership among the ranks of millionaires. Most self-employed Americans will never accumulate even modest levels of wealth. The same is true for most first-generation Americans. But twenty-three million people in this country today were born elsewhere. That is a large gene pool. Note also that 12 percent of INC. magazine's top five hundred business entrepreneurs are first-generation American.

One might expect that the sons, daughters, grandsons, and granddaughters of these people would automatically become even more successful economically than they. Not really. We will discuss intergenerational transfers in more detail in Chapters 5 and 6, but allow us at this juncture to explain why the "next generation" is often less productive economically than the last.

VICTOR AND HIS CHILDREN

Take the case of Victor, a successful entrepreneur who is first-generation American. Entrepreneurs like him have typically been characterized by their thrift, low status, discipline, low consumption, risk, and very hard work. But after these genetic wonders become financial successes, then what? What do they teach their children? Do they encourage them to follow Dad's lead? Do their children also become roofing contractors, excavation contractors, scrap metal dealers, and so on? The chances are they don't. Fewer than one in five do.

No, Victor wants his children to have a better life. He encourages them to spend many years in college. Victor wants his children to become physicians, lawyers, accountants, executives, and so on. But in so encouraging them, Victor essentially discourages his children from becoming entrepreneurs. He unknowingly encourages them to postpone their entry into the labor market. And, of course, he encourages them to reject his lifestyle of thrift and a self-imposed environment of scarcity.

Victor wants his children to have a better life. But what exactly does Victor mean when he says that? He means that his children should be well educated and have a much higher occupational status than he did. Also, "better" means better artifacts: fine homes, new luxury automobiles, quality clothing, club membership. But Victor has neglected to include in this definition of better many of the elements that were the foundation stones of his success. He does not realize that being well educated has certain economic drawbacks.

Victor's well-educated adult children have learned that a high level of consumption is expected of people who spend many years in college and professional schools. Today his children are under accumulators of wealth. They are the opposite of their father, the blue-collar, successful business owner. His children have become Americanized. They are part of the high-consuming, employment-postponing generation.

How many generations does it take for an ancestry group that today contains thousands of Victors to become Americanized? Only a few. Most move into the "American normal" range within one or two generations. This is why America needs a constant flow of immigrants with the courage and tenacity of Victor. These immigrants and their immediate offspring are constantly needed to replace the Victors of America.

THE AUTHORS AND TODDY AND ALEX

Several years ago we were asked to conduct a study of the affluent in America. We were hired by Toddy, a corporate vice president of a subsidiary of a large corporation. Toddy's ancestors were English. His forefathers were in America before the Revolutionary War. More recently, they owned steel mills in Pennsylvania. Toddy, their direct descendant, attended an exclusive prep school in New England. Later he graduated from Princeton University. While in college, he played varsity football.

Toddy, like many people in this country, had always believed that wealthy people inherited their fortunes. Toddy also believed that most wealthy people had English roots. So what happened to Toddy's long-held opinions after he joined us out in the survey field, meeting America's millionaires? Most of the millionaire respondents Toddy met were first-generation affluent. And most were not of English origin. Most of them attended public schools; they drove American-made automobiles; they preferred club sandwiches to caviar. And, unlike Toddy, most were frugal.

Toddy's education was enhanced by another event. During the course of our assignment, an entrepreneur named Alex approached Toddy and the other senior officers of the corporation. Alex wanted to buy the firm that employed Toddy. Who was this Alex fellow, anyway? His father had immigrated to this country from Russia before Alex was born. His dad was a small business owner. Alex had graduated from a state university. "How could it be possible," Toddy asked, "that this fellow wants to, and has the resources to, buy the company?" Alex's dad answered the question quite succinctly:

Russians--they are the best horse traders.

Alex is a self-made multimillionaire. His is the prototypical American success story. Conversely, Toddy and others like him are an endangered species. Someday, they may even be extinct. This is especially true for those who spend a lot of time reminiscing about how their late ancestors founded steel mills, railroads, and pony express services long, long ago.

FNT[(*) Our profile of the typical millionaire is based on studies of millionaire households, not individuals. It is, therefore, impossible in most cases to say with certainly whether our typical millionaire is a he or a she. Nevertheless, because 95 percent of millionaire households are composed of married couples, and because in 70 percent of these cases the male head of the household contributes at least 80 percent of the income, we will usually refer to the typical American millionaire as "he" in this book.]FNT