

## The Millionaire Next Door!



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This is the title of a book published in 1996 by Thomas Stanley and William Danko, both Ph.D.s. The subtitle is **"The surprising secrets of America's wealthy."**

Even though the book is now 16 years old, I assure you that the content of the book is not outdated. In fact, it is still very relevant today and, in some ways, more so than it was 16 years ago. The book is the result of 20 years' worth of interviews with millionaires. Here is a little summary of what they discovered.

The first not-so-surprising secret was that most millionaires were self-employed business owners. That makes perfect sense. Business owners take on incredible risks when they start a business from scratch or buy an existing business. And, of course, if the business is run successfully, then the rewards can be remarkable.

Now guess what occupation was #2 after business owners as the most successful investors who became millionaires. Schoolteachers! Surprised? I know I was.

I can hear the naysayers already. "Well that's because they get great benefits and pensions." But that is not the case. Remember, this book was published in 1996 after 20 years of research. That means that these were findings from approximately 1976-1996. Back in those days, teachers did not have the benefits and pensions that they have today.

What the authors found was that teachers tend to be very conservative and very, very disciplined and consistent with their financial management. They save. They keep their expenses low. They live in the same homes for 30-40 years. They drive the same cars for 10-15 years. And then they buy a 1- or 2-year-old car and drive that for another 10-15 years.

In fact, let me share with you what I consider to be the most-surprising secret that the authors discovered after 20 years of research. This will shock you.

The **single** biggest determining factor that prevents more people from retiring financially independent is how they purchase their cars over their lifetimes. That's right—how you purchase cars in your life. Do you buy or lease a new car every 3-4 years (which means you always have a monthly payment) or do you buy a 1- or 2-year-old car and then drive it for 10-12-15 years? If you did that, you could be without a car payment for 6 or 7 years out of every 10. If you were disciplined, as the authors of the book discovered the teachers were, and you took that monthly car payment for 6 or 7 years and invested it into your 401(k) or an IRA, your financial situation would probably be dramatically different when retirement day comes around.

The majority of my clients are either very close to retiring or already retired. Their homes are paid off. The kids are gone. They have accumulated their little pot of gold at the end of their rainbow. That generation was very frugal. They lived in the same homes for 30-40 years. They drove the same cars for 10-15 years. They are "The Millionaires Next Door."

Now, many of my clients have advised their children to meet with me and plan their financial future. And over the years I've noticed an alarming trend. These younger husbands and wives both have car payments of \$300, \$400, or even \$500 month. And they do this every 3-4 years. The credit card balances are in the thousands. There was a couple in my office a few years

ago who had \$70,000 of debt on their credit cards...and they did not think anything was wrong with that! In fact, they were planning on fixing up their kitchen and paying for it with the credit cards.

This is not my attempt to change your car-buying or spending habits. It would be futile to do so. And I know that there are many other factors contributing to the difficult financial times that many people are experiencing right now. But here is what I am trying to accomplish.

When I meet with people in their 20s, 30s, or 40s who want to plan their futures, they are always looking for the "secret". What's the best stock to invest in? What's the best "new product" to buy? And so on.

You want the secret?  
Here it is.

**Spend less than you make.**

That's it. That's the secret to success. If you have a \$100 unpaid balance on your credit card, that means that you've spent \$100 more than you've

made. And if you continue to do that, you run the risk of falling into the trap that the couple above fell into.

Nations have spent more than they've earned for the past 20-30 years, and now the entire world is in a very dangerous economic situation as a result of overspending. This is a reality that so few people are willing to accept and fewer are willing to change.

Adopt the financial habits of your 1<sup>st</sup> grade teacher, and someday you may end up as "The Millionaire Next Door"!

If you are interested in a complimentary consultation to discuss and plan your financial future, please feel free to call my office at 215-489-3876.

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Michael Pultro has been helping investors to create and protect their assets and invest wisely since 1987. Michael is a well-known financial educator and respected author. Michael has lectured widely on financial and retirement planning topics such as *Financial Strategies for Successful Retirement*, *Lifelong Financial Security*, and *Mistakes Retirees Make With Their Finances*.



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Michael believes that trust is at the heart of all relationships. He treats each client on an individual basis, providing wisdom, insight and education, all of which empower families and individuals to connect their wealth with their goals and purpose. The process involves client meetings to assess goals; review various investment alternatives; implementation; and finally, ongoing monitoring of the process.

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