

Secrets of The Modest Millionaire

One of my first clients was a retired auto mechanic for the local city government. “Ron” repaired police cars and snowplows for a living. He never made more than \$20,000 per year over his long career. Ron worked hard, spent less than he earned and consistently invested small sums in stocks and mutual funds. He lived in a modest home and always bought used cars because he could fix them up himself. Ron put two kids through college and by the time I met him was living a comfortable if modest retirement.

When it came time to open an account to purchase his first investment with me – a \$10,000 government agency bond – I gathered all his financial information. Ron had about \$600,000 in a brokerage account. He had another \$200,000 in CDs at the bank. And his home, long paid for, was worth another \$250,000. (This was in 2001. He’d paid about \$12,000 for it the home decades earlier.)

As I built my business I soon realized that there were lots of people like Ron in my town.

- The truck driver who invested consistently and whose only extravagance was a taste for nice mountain bikes.
- The nurse who consistently maxed out her retirement contributions at the hospital.
- The husband-and-wife schoolteachers who lived in a small home but funded their Roth IRAs every year and contributed 10% of their salaries to the school district’s tax-sheltered annuity plan.
- The entrepreneur who failed spectacularly in his first business and applied the lessons learned to become successful in the next one.

Though I was their financial advisor, I learned many lessons from these clients. Here are the common threads:

- Though they are wealthy or well on their way to millionaire status, they do not “act rich.”
- Almost invariably, they drive late-model cars.
- They live in less home than they can afford, and they resist the temptation to constantly trade up.



- They spend less than they earn and carry very little debt except for a home mortgage and perhaps a modest car payment.
- They save and invest consistently. Month after month, year after year, decade after decade.
- They do not attempt to time the stock market. Nor do they call me in a panic when the market drops. They just make their regular investment that month, and the month after that.
- They have no sense of entitlement.
- They are optimistic about the future.
- They are genuinely nice people who care about their communities.

I've worked with a handful of folks who were suddenly wealthy after receiving an inheritance or other financial windfall. Most of these "instant millionaires" were only millionaires for an instant. They lacked the habits and discipline of The Modest Millionaire. They'd never learned to spend less than they earned and to set money aside for a rainy day. They spent too much on cars, homes and fancy vacations.

Personally, I enjoy working with The Modest Millionaires – and those modest people who dedicate themselves to becoming millionaires one month at a time.

If you'd like to learn more about steps you can take to become a Modest Millionaire, please schedule a consultation with us.

Disclosure

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