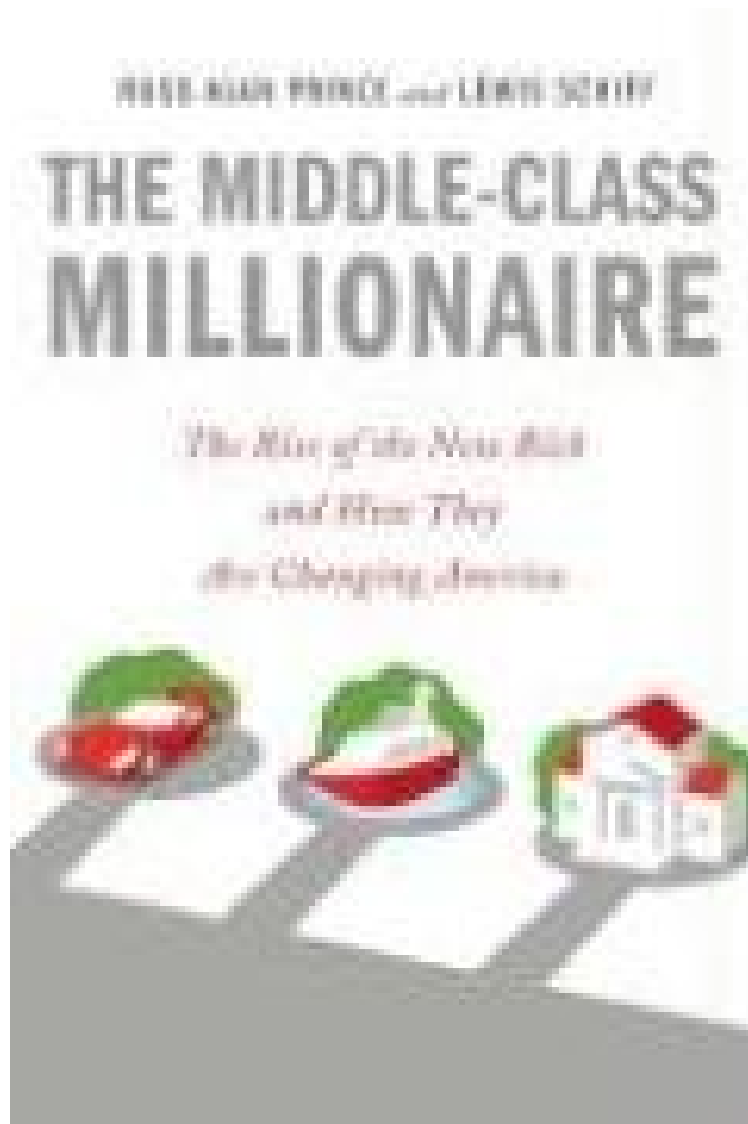


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The Influence of Affluence: How the New Rich Are Changing America

Russ Alan Prince, Lewis Schiff

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not rich in content and its stories were not all that interesting. I would not recommend it. 0 of 0 people found the following review helpful. Not very original
By A reader
The latest installments in the "Millionaire" franchise are disappointing and raise some unanswered questions. The profile of the "Middle Class Millionaire" clashes with the attributes of the "Millionaire Next Door" we were first introduced to several years ago. The latter were notable primarily for their frugality. The demographic now appears to be the same: households with net worth of 1-10 Million. But these "new" millionaires seem to be conspicuous consumers of all manner of expensive services. The authors fail to address this apparent divergence in values and behaviors that have seemingly developed over the last decade. The more telling criticism is the lack of originality of the current work. The "middle-class millionaire" is nothing more than the classical American entrepreneur, whose psychology and behaviors had been well documented more than a decade ago. The difference is that the older profiles appeared in academic research and were disseminated only in entrepreneurship classes in MBA school. The authors succeed in dressing up these drier descriptions in some nicely illustrative anecdotes and presenting it to a broader "lay" audience. In this regard, they succeed.

A compelling look at a new class of the affluent - the middle-class millionaires; whose attitudes and values are influencing and reshaping American life
In this groundbreaking book, Russ Alan Prince and Lewis Schiff examine the far-reaching impact of the middle class millionaires; people who enjoy a net worth ranging from one million to ten million dollars and have earned rather than inherited their wealth. Comprising 8.4 million households and growing in number, the attitudes and behaviors of these working rich are exerting a powerful influence over our society. So who are these people? They believe in the benefits of hard work. They believe in investing in themselves, and in self improvement. They are more likely to focus on drawing financial gain from their work, and less inclined to be discouraged by failure. And they don't spend money on the extravagances indulged in by the very rich; instead, they wield their affluence according to middle-class values and ideals. From home security systems to health care, technology to travel, their spending choices are affecting us all; from the products we buy, to the communities in which we live, to the aspirations and values of the broader middle class and American population as a whole. In the bestselling tradition of *Bobos in Paradise* and *The Millionaire Next Door*, **THE MIDDLE-CLASS MILLIONAIRE** is a captivating narrative; part sociology, and part aspirational journey into the lives, attitudes, and values of the middle-class millionaires. Based on extensive surveys and research into more than 3,600 middle-class millionaire households around the country, this book will reshape our understanding of what it takes to be successful; and how all of us can achieve similar success.

Praise for **THE MIDDLE-CLASS MILLIONAIRE**
"Most non-fiction books consist of slightly incremental new takes on the same old reality. Occasionally, though, a book emerges that establishes a new reality. That strikes me as the case with "The Middle-Class Millionaire." -The San Francisco Chronicle
"The Middle-Class Millionaire opened my eyes to a new force driving the American economy. Russ Prince and Lewis Schiff show us exactly what you need to look for to make the most of this enormous opportunity, whether you are just getting started on the path to being a millionaire or there already!" -Jim Cramer, CNBC's *Mad Money* and Co-Founder, *TheStreet.com*
"Impressively thorough." -Newsweek
"Russ Prince's and Lewis Schiff's insightful book can help you understand and capitalize on significant business opportunities within the emerging affluent middle class." -Tom Bradley, President, TD AMERITRADE Institutional
"Prince and Schiff have identified a new breed of millionaire who is transforming the American lifestyle. Read how to join this elite club and follow them to the American dream." -Consuelo Mack, Anchor Managing Editor, *Consuelo Mack WealthTrack*
"A must read for anyone seeking to understand the emerging affluent market. The authors' extensive research identifies key characteristics of today's 'working rich' and provides insights as to how to successfully reach this lucrative segment." -Grant Skeens, President, KeyBank Recreation Luxury Yacht Lending
From the Hardcover edition.
About the Author
RUSS ALAN PRINCE is president of the market research and consulting firm Prince Associates, Inc. (russalanprince.com) and a founder of *Private Wealth* magazine. He is a columnist for *Elite Traveler* and the author or coauthor of more than forty professional development books. He lives in Redding, Connecticut.
LEWIS SCHIFF leads a team of private wealth experts specializing in the needs of high-net-worth clients for Advanced Planning Group (advancedplanning.org). He is a regular contributor to *TheStreet.com*, a columnist for *Investment Advisor* magazine and the author of *The Armchair Millionaire* (2001). Schiff lives in New York City.
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CHAPTER ONE
THE INFLUENCE OF AFFLUENCE
In 2004, the sales department at *Elite Traveler* magazine asked Russ Alan Prince to conduct a marketing survey of its readership. *Elite Traveler* is likely the most exclusive consumer magazine in the world. The magazine is distributed primarily on private jets, and it covers subjects such as how to book your own private island. Its reader demographics, with an average household income in the seven figures, eclipse those of its nearest competitor by more than sixfold. Russ's job, in part, was to measure how much influence the buying habits of these very affluent readers exert on others around them. In the field of luxury marketing, purchasing decisions of high-net-worth individuals are assumed to exert a "downline influence" on people of the same or lesser means. *Elite Traveler* wanted to know if Russ could document a similar relationship between the purchasing decisions of the people

who read *Elite Traveler* and other people who associate with them. Russ has been studying the spending and investing habits of high-net-worth individuals for more than twenty years. He knew that carrying out a methodologically sound survey of very wealthy individuals would be a difficult and time-consuming task. To find 203 respondents willing to answer a long series of personal questions posed by a researcher in personal interviews, Prince had to network his way through lists of financial advisors and private jet services who served as go-betweens. Most of the survey subjects either accepted a \$500 payment for their cooperation or directed that sum to one of their pet charities. The survey results provided *Elite Traveler* with an unwelcome surprise. According to the survey, the buying decisions of very-high-net-worth individuals—those with wealth in excess of \$10 million—exert very little influence on the people around them. Except for certain celebrities, wealthy people who are influential by almost every other measure don't serve as role models when they purchase goods and services. They are not "referentially influential." If they buy something for their home or office, they tend not to talk about it very much. In the case of more easily observable purchases, such as clothes, watches, and jewelry, they seldom interact with enough people on a day-to-day basis to exert any significant influence. And when it comes to providers of personal services—life coaches, personal trainers, financial advisors—the very rich can be very secretive. Express too much praise for your coach or trainer, after all, and he or she might get poached by someone else. Russ had managed to measure in a meaningful way, perhaps for the first time, the profound insularity of the very wealthy. They don't have a very big impact on the rest of us. This conclusion was not terribly helpful to *Elite Traveler*, but Russ found himself intrigued by one small set of details buried in the data. The sample was too small for him to draw any concrete conclusions, but it seemed to him that a handful of the least affluent in this particular sample group reported behavior patterns that set them apart from the rest. They enjoyed making their opinions known, and they actively solicited opinions from others. They talked with a lot of people each day. Here was a subset of the multimillionaire cohort who didn't act like multimillionaires. In a subsequent readership survey done for *The New Yorker* and *Registered Rep* magazines, Russ's researchers interviewed 1,417 people who declared a net worth between \$1 million and \$10 million, including the equity they hold in their primary residence. It was here that he discovered, as a sociological phenomenon, the Middle-Class Millionaire. Most are baby boomers, but some were born after the boom's end in 1964. They made, rather than inherited, their money, often through technology, real estate, entrepreneurship, or a mix of all three. And while Middle-Class Millionaires are found in just about every kind of community, they tend to congregate on the East and West Coasts. Months later Russ compared survey responses from these self-identified working millionaires with a pilot study of ordinary middleclass individuals. Here he found measurable differences in areas closely related to financial success. The attitudes and beliefs of the Middle-Class Millionaires were significantly different from those of the broader middle class. Some behaviors were valued more highly than others or were practiced more rigorously. Knowing what those behaviors were might help others achieve similar success. For example, Middle-Class Millionaires worked much longer hours. They were more likely to focus on drawing financial gain from their work. They were less inclined to be discouraged by failure. Above all, Russ found that the millionaires in his middle-class sample were measurably more influential than people who had not achieved millionaire status. Middle-Class Millionaires are networkers by nature. They reported seeking the advice of others—and offering advice—far more frequently than the other survey respondents. And they believe that the advice they offer is much more likely to be followed by others. In other words, as a group, Middle-Class Millionaires aren't merely talented professionals who happen to make a lot of money. Instead, their distinctive temperament and behavioral tendencies seem to be significant factors in the achievement of their wealth. What was most interesting to Russ as a market researcher was how their knack for networking—for talking to people, for trading information—gives Middle-Class Millionaires an oversized impact on the middle class's aspirations, attitudes, and spending habits. Middle-Class Millionaires exert that strong "downline influencer" that Russ could not detect among the ultra-rich. They are natural apostles for whatever products and services they find most useful, products and services that often make their way downstream over time and become available to a much broader population. Taking into account also the natural desire of middle-class people to emulate those more affluent than themselves, Russ could see how the working rich have begun to lead a transformation of middle-class life in America. From the Ultra-Rich to the Middle-Class Millionaire John Hutchins is one of the many entrepreneurs who more or less accidentally discovered the Middle-Class Millionaire over the last ten years. He began with a business plan designed to satisfy the needs of the ultra-wealthy. But eventually it led him to the birth of a company that depends upon a completely different clientele—one that has far more in common with the middle class than with the super-rich. Hutchins is a veteran hospital administrator who moved overseas in the late 1970s to run the then-new Al Hada hospital in Taif, Saudi Arabia. That job, which sometimes required him to settle disputes over which Saudi prince had the larger hospital room, also helped Hutchins familiarize himself with Europe and Asia's network of top medical specialists. In 1985, when the world-renowned Cleveland Clinic was looking for a director to open its new International Center, Hutchins was picked for the position. The center represented a first for American hospitals, a unit within a hospital devoted solely to the highly profitable recruitment and care of rich and powerful overseas patients. With a staff of a hundred, Hutchins set about catering to the Cleveland Clinic's VIP patients and their guests from the moment

they were met at the airport and whisked into waiting limousines. A sheikh from the United Arab Emirates might arrive for two weeks of cardiology tests and bring with him an entourage of a hundred or more family members and personal attendants. Hutchins and his staff needed to tackle such logistical headaches as arranging for lavish lamb dinners, booking enough rooms at the Ritz-Carlton, and finding reliable translators. As many as sixty royal Arab family groups and their entourages would come through town in a single summer, but as Hutchins, now sixty-five, remembers it, only a few of these patients suffered from any ailments serious enough to require the Cleveland Clinic's high standard of care. "In the Middle East, when it's a hundred and thirty degrees in the summer," he says, "if someone has an ingrown toenail, the whole family likes to bail out." Hutchins eventually moved to Baltimore to launch a similar program at Johns Hopkins. Under Hutchins's direction, Johns Hopkins spent millions renovating the exclusive Marburg Pavilion, a secluded unit of fifteen hospital rooms and suites designed to provide patients with all the comforts they might expect from a five-star hotel. Each room is furnished with Chippendale guest chairs, hardwood floors, and Oriental area rugs. Hutchins contracted with the Walt Disney Company for the staff's customer service training, and the Ritz-Carlton developed the program's management protocols. Each day, staff were required to familiarize themselves with an updated log of every VIP patient's personal likes and dislikes. For all the pampering that Hutchins offered his patients at Johns Hopkins, however, he was not always happy about how their actual medical treatment was handled. For one thing, slotting appointments with the best doctors in certain specialties was extremely difficult. The hospital's culture seemed resistant to accommodating what he calls "large volumes of difficult patients." The second issue was this: Although Johns Hopkins regards itself as the best hospital on earth, Hutchins knew that not all of its departments were equally distinguished. When it comes to cardiac surgery, for instance, the Cleveland Clinic, which does a far greater volume of heart operations than Johns Hopkins, might be preferable. But while he was working fo...