

# AHWATUKEE FOOTHILLS NEWS

## Three Ways to Become a Millionaire



*September 2, 2020 by Dr. Harold Wong*

Many Americans say they want to be a millionaire, but it's just a dream for most. Credit-Suisse reports that in 2020 there were 18.6 million individuals (representing 11.8 million households) that had a net worth of at least \$1 million or more. This is 3% of the U.S. population.

According to Investopedia and Thomas Stanley (Author of "The Millionaire Next Door" series), 80% of all millionaires are first generation, self-made millionaires. According to Spectrem, the average age of a millionaire is 62 and about 38% are over 65 years of age. Research by Thomas Stanley shows that there are three ways to become a millionaire. The first is to earn such a high income that even if one doesn't save, one is worth at least \$1 million. There are many cases of very highly-paid athletes or entertainers, whether it be Mike Tyson the boxer, or Willy Nelson the country singer, who went broke. In 1990, Willy Nelson filed bankruptcy because he owed \$16 million to the IRS. If they lose their money, they will live a very meager lifestyle. However, if they are able to keep their house, and it's free and clear, they can still have a net worth of \$5 million or more because they live in expensive homes. However, you can't pay your bills with house equity.

The second path to becoming a millionaire is to start a small business. This is what many immigrants have done in the past, especially when normal employment options were closed off by discrimination. In New York City, there was

historic discrimination against the Irish, Italians, Asians, Puerto Ricans, Jews, and every new immigrant group. Many in these groups started small businesses and became millionaires.

Even without the typically high incomes of doctors, dentists, and highly-paid officers of major companies, they prospered with a very tough formula. Start a small business; work 10-16 hours per day, 6-7 days per week, for decades; and live like poor immigrants. I know of Asian immigrants who never netted more than \$75,000 profit in their small business, but died with \$2 million because of their high savings rate. Often, both spouses worked full-time in the business and the kids helped out, such as at the corner grocery or convenience store.

Example: Net Profit from the small business is \$75,000, but the owner saves 40% or \$30,000 annually. If he can average a 6% annual return for 30 years, that becomes a \$2,514,050. In addition, the family home would be free and clear and they could sell the business.

However, this formula will not work for most Americans, who want weekends off; an 8-hour work day; and spend almost all their income. According to an August 6, 2020 article by Jennifer Rudden in Statista.com, the 2019 personal savings rate in America was 7.6% of disposable (after-tax) income, compared to 11% in 1960.

The third way to becoming a millionaire is to invest in real estate. There's a

famous quote by Andrew Carnegie, founder of U.S. Steel and one of the original "Robber Barons" in U.S. economic history. "Ninety percent of all millionaires became so through owning real estate. More money has been made in real estate than in all industrial investments combined. The wise young man or wage earner of today invests his money in real estate." There are many real estate formulas, whether it be single family homes, apartment buildings, or hotels. All require skill as there can also be great risk.

Conclusion: America is a country that offers economic freedom. If your goal is to become a millionaire, your vision and hard work give you the opportunity.

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