ROADWAY TO *Prosperity*

A Practical Guide to Wealth Accumulation

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A Practical Guide to Wealth Accumulation
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Preface

Your stature is measured by the way you handle success.

Every book written has two purposes: stated and actual. How refreshing if both are the same, but that asks for too much.

Browsing through purported nonfiction is illuminating. The works normally fall into one of three categories: a desire to educate, a revelation of truth, or a call to action.

Do you recall the book written in the 1980s by the adopted daughter of a well-known deceased actress, depicting her claims of parental abuse? During the promotion tour on the media circuit, she maintained her intent was not to profit from a brutally disparaged reputation but, rather, to shed light on the grim subject of child abuse. With such a high-minded goal, it sold well. At about the same time, the son of a famous singer and actor promoted a book similarly critical of his own late father. When asked bluntly by a Los Angeles radio talk show host why he chose to defame his father, he calmly and frankly replied, "I can use the money."

An author's desire to profit is a strong inducement. This is legitimate—even laudable—though such honesty is rare. Despite intense negotiations with agents and publishers over every financial consequence, the details dare not be revealed. Admitting to a profit motive seems to demean both author and book. The unwritten law: Never admit being in it for the money.

There's a second justification for authorship even more compelling than profit. It's the ego satisfaction from seeing your words in print for the world to admire. Many a wealthy notable, judging from the proliferation of such works, appears in print for no other reason than desire for even greater notoriety. Whether it is actually written by the author or simply "ghosted," the publication serves the purpose. Still, the market remains thin. Hardback copies can be found littering bargain bins a year after the first and only printing, at clearance prices less than two dollars. If you scan some of them, you understand better the term "vast wasteland." The only point many achieve is to demonstrate that making a public fool of oneself is an occupational hazard of being a celebrity.

While far too many of these books are clearly an embarrassment, a few are worthwhile. An author who scarcely needed the money or notoriety wrote one of the finer examples. *How to Be Rich*, by the late J. Paul Getty, is far more than the usual collection of get-rich-quick nostrums filling the shelves of bookstores. In it, Getty gave sound advice to would-be executives on the importance of character traits as well as practical suggestions on effective business practices. In addition, he stressed the responsibilities that go with wealth and success. Though it deserves to be required reading in every school of business, it remains mostly unknown and, unfortunately, unread.

This brings us to the purpose of this book. My aim is to encourage the readers to develop those talents needed to become financially successful and to conduct themselves in ways to stay successful. I firmly believe prosperity is attainable by most people, if only they will adhere to certain sensible life habits. The pages which follow describe these habits, with examples of what happens when things are done right…and also when things are done wrong.

You're now entitled to ask: What brings financial success? Why do some persons rise to the pinnacle while others, who seem equally deserving, wallow in mediocrity? Still vivid in my memory is a line from the 1969 movie, *Goodbye, Columbus*, featuring that venerable actor Jack Klugman, who portrayed a crude and overbearing, but wealthy, plumbing contractor. In one scene which takes place at a family party, his cousin, a disgruntled college teacher, in referring to Klugman's character, blurts out, "I don't understand it. I've got more brains in my little finger than he's got in his whole body. Why is he at the top and I'm at the bottom?"

Perhaps it's natural to equate intelligence with financial success, and one of the more overused put-downs is the perennial question: "If you're so smart, how come you're not rich?" The fact is, however, affluence is not confined to the brilliant, nor are the brightest people necessarily the most prosperous. As a case in point, many members of the international high-IQ organization, Mensa, are of modest means. This is not meant as an endorsement of stupidity, for most certainly dimwittedness does little to promote wealth accumulation. Nonetheless, high intelligence is not the answer. In his 1974 book *The Common Millionaire* Robert Heller points out that, down through the ages, a lot of untalented people managed to make a million dollars.

It's possible that high intelligence actually acts as a bar to financial prosperity. Unlike success in scientific endeavors, which requires profound skills to solve often-complex problems, the routine applications commonly demanded in wealth accumulation requires little but repetition of procedures, with no continual input of brainpower needed. Quite likely a mind capable of absorbing and processing new and stimulating information finds these demands a monotonous exercise offering little satisfaction—except for the obvious benefits of having wealth. If this is so, the link between intelligence and financial success is not the direct correlation we might expect. Beyond some level, is increased intellect actually a *deterrent* in the wealth-generating process? In this connection, I've long suspected financial success is enhanced as the intelligence quotient reaches an optimum of about 115, thereafter declining as IQ increases. If this is the case, we of questionable intellect may take heart; there surely is a fortune waiting for us.

So, the question remains: Exactly what qualities are most helpful in acquiring and retaining wealth? From my observations it appears the necessary ingredients include habits of thrift and moderation, the diligent pursuance of a plan of action, and just plain good luck. Admittedly the second of these requires some aptitude, which eliminates the truly inept from the game. But on the whole the meld of these character traits seems to determine the outcome. And it is my belief that diligence is by far the most important of these characteristics. I don't suppose I need to explain diligence other than to say you simply keep plugging away at a project until you finish it. Winners do this. Losers don't.

There's a fourth characteristic, not planted so firmly in the psyche, which can be learned. The quality is *discernment*, most accurately defined as the ability to distinguish illusion from reality. It's this capability, to a great extent attitudinal, that's the hallmark of the skeptic, and through practice and repetition it can become an established thought process. Thus, when on the evening television news, a DEA official proclaims "another major victory" in the federal government's War on Drugs, while displaying agents posing beside a record cache of narcotics, do you instinctively question the sort of victory won? And for those of you old enough to remember the 1990s, when President Clinton announced the dispatch of American troops to the Yugoslav province of Bosnia in late 1995 to help facilitate the Dayton accord, with an assurance of their withdrawal within one year, did you mentally add 365 days to determine whether the date fell *before* or *after* the scheduled presidential election? And did it not surprise you, following Mr. Clinton's 1996 reelection, the term of the occupation force continued to be extended? In addition, did you somehow anticipate that in 2001, newly elected President Bush would declare the United States presence in the Balkans to be essential? Are you not at all surprised that in 2013, our army's 38th Cavalry Regiment stationed in Kosovo was involved in removing barricades mounted by Serbs so to facilitate access to an area north of Kosovo? And finally, do you suspect, barring some catastrophe, US troops will still be there on New Year's Day in the year 2030? If your answer to all these questions is "yes," you're well on your way to discernment and true understanding.

I mentioned the term *skeptic*; this deserves some elaboration. When you hear the word, what comes to mind? Do you imagine creationism ridiculed? Perhaps you reflect on a television interview debating the sighting of Elvis Presley in a Memphis restaurant. Possibly the term describes you, laughing at the promises by the presidential candidates to lower taxes? Whatever your view, the picture is often one of curled lip and perpetual sneer—of a smirker rejecting anything and everything.

In essence, a skeptic is someone not easily persuaded, suspending judgment while collecting and weighing evidence. Skepticism, the questioning of accepted wisdom, does not deserve its bad rap. Around for a long time, the names associated with it include the likes of Galileo, David Hume, Immanuel Kant, Herbert Spencer, and George Santayana, to mention just a few. Over the centuries these and many lesser-knowns pursued their fields, employing objectivity in the quest for knowledge. Most of these found it an arduous trip, as the tide rarely favors those who question conventional beliefs.

To this day skepticism is viewed unfavorably by society, even among those who consider themselves enlightened. One reason is the public's blurring of the line between the questioning approach of the skeptic and the dismissive attitude of the *cynic*. Admittedly the doctrine of Cynicism as a philosophy dates back to the fourth century BC and to its founder, Diogenes, best remembered as the lampbearer in search of the elusive honest man. However, it never became an important school of thought, with cynics throughout history recognized more by their nonconformity and eccentricity than the force of their logic. Today cynicism is perceived as little more than a distrust of human nature and motives. Nonetheless, there are resemblances between skepticism and cynicism which cannot be shaken.

Irrespective of the similarities, there's a fundamental difference. It is the recognition of one of life's more helpful rules of thumb: *Ninety-five percent of everything is nonsense.* The cynic dismisses everything as nonsense; the skeptic recognizes that some portion may be valid and seeks to find it.

There's a common admonition: Believe nothing you hear and only half of what you see. This is adequate for the cynic, but not the skeptic. Just as a stopped clock is right twice a day, part of what you hear is possibly believable and shouldn't be dismissed out of hand. Conversely, far less than half of what you see, or *think* you see, may be valid and cannot be accepted on faith. And even if half of something is believable, the trick is to figure out which half. This is where skepticism, not cynicism, applies. Being right by accident doesn't help much. You must know *why* you're right.

So much for skepticism's development, where it fits into the world, and how it differs from its chief rival. Its principles apply to every human endeavor and deserve consideration in the situations you confront. As no two persons bring with them the same experiences, their sets of conclusions on an observation will not necessarily match. But what *should* match is a questioning approach and an unwillingness either to believe or disbelieve without persuasive evidence.

Let me sum up the subject of skepticism with the following thought. If, as I contend, ninety-five percent of everything is nonsense, then it suggests you'll do well to restrict your life, as best you're able, to the other five percent. In practice this means you seek to avoid the world's nonsense. And how do you do this specifically? In all sorts of ways. You don't buy lottery tickets, designed to fleece you. You don't breathe into your lungs the smoke from cigarettes, designed to kill you. You don't make monetary contributions to fraudulent organizations, designed to steal from you while they insult you. There are countless other examples, which you'll learn as you read the chapters of this book.

I want to convey another message before you begin to wade into the many topics presented in this book. The thoughts and suggestions presented here are only partly mine. I've borrowed many from others and inserted them at the appropriate places in the text to convey a point or an example. In addition, I admit much of what I've learned over the decades came not as the result of shrewd and calculating introspection, but rather as revelations which, in many cases, were pounded into me involuntarily. It's pretty well acknowledged in military circles that a recruit can learn a lot of valuable things simply by being kicked around the parade grounds for a while. Let me assure you, I've put in a lot of hours being similarly kicked around and have learned many lessons well. I hope I can pass them on effectively.

I'll add a final comment. Perhaps this book will be revised and reissued. I'd appreciate input from the reader. Am I off base on some of my views? Do many of my beliefs meet with approval? Where might my conclusions need rethinking? This sort of feedback can be helpful. In this regard, let me extend an invitation: Feel free to forward any comments to me. Be assured they will be read.

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How to Spend Your Money

The wise use of money is the only advantage to having it.

Anonymous

In an earlier time, under the influence of the traditional Christian ethic, virtue assumed a divine quality. Among these principles was thrift, honored for its own sake. I recall a popular tale about the wife of a man of extremely modest means whose food shopping consisted of selecting the lowest-priced items from numerous markets. Naturally she walked from store to store—or perhaps she trudged, to add a touch of pathos. In any event, the story served its purpose. It illustrated a frugality next to godliness, with no limit to the exaltation experienced in such behavior.

Things are no longer as they were. A recent report reveals more than half the people in a group surveyed refuses to pick up a penny on the ground. Speaking for myself, I'll never pass one by. Perhaps it relates to my recollections as a teenaged bowling alley pin setter earning a dime a line. A penny represents resetting of ten wooden pins and returning two sixteen-pound balls. To this day one cent signifies a reward for services rendered. Are my experiences unique? It's hard to say whether this attitude is generational or personal. Regardless, there's more to the wise use of money than mere bargain hunting. A personal consideration transcends the ordinary analysis of value—I call it *marginal benefits of economy*. Let me explain.

There's a term taught in first year Economics known as *marginal* *utility of money.* The principle is easily illustrated. Consider the case of Bea Reft, annual salary $30,000, who receives a $5,000 increase. Her life is measurably improved. She can now eat out a little more often, join the neighborhood health club and buy that pair of unaffordable black Amalfi pumps. Contrast this with Greta Gotrocks, earning $180,000 per year, who likewise receives a $5,000 pay increase. Compared with her standard of living before, that relatively small additional amount is meaningless. The likelihood is Greta will never notice the difference.

In concept, *marginal benefits of economy* is akin to *marginal utility of money* wherein the perceived benefit from an expenditure relates to financial status. Several factors, foremost among them cash flow and net worth, interact to determine the relative value of parsimony. The more prosperous a person becomes, the less meaningful the benefit from a cost-conscious economic decision. If the nine-month-old car radio of Elizabeth F. Rugle, a housekeeper earning $500 per week, malfunctions, she should invoke her warranty despite the fact she must do without for the four weeks it will take for the radio to be reinstalled. However, if the same misfortune befalls Edward P. Rosperous, a $210,000 per year title company executive, he may ignore the warranty, buy a new car radio for $200 and install it at once. The pleasure of listening to the radio for those four weeks provides a greater marginal benefit to him than the price he pays. Similarly, at the extreme, Michael Bloomberg was fully justified in spending $60 million dollars for the pleasure, as mayor of New York, of telling citizens they may not enjoy a soft drink of more than sixteen ounces. There is probably no way he might have spent discretionary dollars more enjoyably.

Finally, consider another principle running counter to our marginal benefits principle: *diminishing returns*. Although the actual law of diminishing returns formulated in the eighteenth century pertained to a relationship between input and output of productive resources, the concept can be expanded to relate to an individual's personal expenditures. As an illustration, a pair of stereo speakers faithfully reproducing sound over the frequency range 30 to 16,000 hertz (cycles per second) costs $250. By employing the ultimate in design and manufacturing techniques, this expands to the range of the human ear, 20 to 20,000 hertz, but the sales price increases to $2,500. As the difference in listening quality is slight at best, the extra price paid for the more expensive pair is clearly an example of *diminishing returns*.

In short, your conduct as a consumer relates to what you find important in life. With limited resources, but aspirations for the future, base your choices on thrift and discipline. As the years pass and net worth increases, modify your conduct accordingly, but keep in mind that these must be deliberate choices. Don't let advertising pressures or market manipulators preempt these decisions.