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The Millionaire Next Door Questions

1. Explain the following concepts addressed in The Millionaire Next Door

“Big Hat, No Cattle”- This saying came from a middle age Texas man. This means that people act like they have money but really they don’t. They spend money on wishful thinking that they will make that money.

“Go to Hell Fund”- This means that someone has enough money to live without working for ten or more years just fine.

PAW- PAW means the prodigious accumulator of wealth. This is determined by a person’s net worth if he/she is a PAW, UAW or AAW. Being a PAW means that a person’s net worth is at or above 25% of wealth all together. These people bring in the most net worth.

UAW- UAW means under accumulator of wealth. This is determined by a person’s net worth if he/she is a PAW, UAW, or AAW. Being a UAW means that a person’s net worth is below 25% of wealth all together. These people bring in the least amount of net worth of money. They have money but spend any that they have.

1. In the example of Theodore “Teddy” J. Friend provide three reasons why Teddy is considered a UAW. What was the message Teddy’s parents sent him about consumer behavior?

**Reason #1**-His net worth is less than one fourth the expected figure that is should be.

**Reason #2**- He spends all the money he makes, he has no savings to show for the money he makes.

**Reason #3**- His mentality is wrong. He has the “significant others” mentality. He is waiting for his significant other to save the money but that other person is not real. He does not want to change. He wants to just make more to have more possessions to show for it.

**Parents Message**- The message his parents told him was to have a high paying job to buy the finer things in life. They never had a savings account. It was all about what you could show with your money. They always went all out with anything they did.

1. In the example of Mr. W. W. Allan, a self-made multimillionaire: He never extended credit to people who exhibited the “Big Hat, No Cattle” philosophy. Why? Why did he decline the gift of a Rolls-Royce?

**Philosophy**- Mr. Allan never gave money to people who exhibited the “Big Hat, No Cattle” philosophies because he knew he would never see that money again. Those types of people spend the money that they have “hoping” to make it.

**Rolls-Royce**- Mr. Allan declined the Rolls-Royce because it was not him. He claimed that he couldn’t throw his bloody fish in the back of the Rolls. It was not his lifestyle to have one. He didn’t want to change himself just for a present.

1. Regarding Economic Outpatient Care (EOC): Define EOC. List three reasons EOC can be harmful to the recipient?

**Define EOC**- EOC means economic outpatient care. This means that parent give their adult children a lump sum of money. The parents feel obligated that they still need to provide for their kids.

**Reason #1-** It can be harmful because it is easier to spend others money than yours. These families are not learning how to save money. They are not even learning how to take care of themselves.

**Reason #2-** The private schools medical, dental and homes are rising in prices. Those are the things most EOC money is going towards. Which means debt is going to rise.

**Reason #3-** The parents that are giving this money away are not very wealthy themselves. When they retire they are not having money to live off of. The kids are not able to support them either because they were too busy spending the money rather than saving it.

1. Now that you have finished reading The Millionaire Next Door, give your thoughts. What are the two concepts you found most useful? How will you apply them into your life? In your own words, give your thoughts.

The first concept that I really found most useful for me was to find out what wealth category I was in. I found that I was a UAW. This was not very surprising for me because I am just a poor college student. I have a lot of bills to pay for plus paying tuition is an extra amount. What was more surprising to me was the realization I came to when I was reading the book I just kept thinking how I just spend any money I have. I don’t have a lot but I make it look like I do. I just reminded myself a lot like Teddy Friend and his parents.

The second concept that I learned from this book was how much money I should be saving. I need to stop spending my money on pointless items. This book has really helped me understand I have a problem that I need to fix. Before I read this book I also thought that investing my money into things was a waste. I didn’t know that it was safe and that it could actually make me money. I need to realize for myself that saving money for my future and children is more important than throwing my money on useless items for show.

I will apply both of these concepts into my life. With the first concept knowing where I am with wealth compared to other people gives me an idea of what I need to work on. It gives me motivation to get up to a PAW instead of UAW. The two concepts I learned really go hand in hand with each other. I want to get to the point in my life where I can save money and not live pay check to pay check. I also want to have money saved for myself for retirement and for my family when I pass away. My pan as of right now is to start putting $200 away into my savings from each pay check. I am also going to start putting money into a CD account. For the final thing I am greatly to cut back on expenses. I am going to only buy things that are a real necessity.

**Reflective Writing-** Reading the Millionaire Next Door was a great learning experience. It opened my eyes a lot to different financial circumstances. It also opened up my eyes to what financial circumstance I am in. Through reading The Millionaire Next Door it helped me achieve two SLCC learning outcomes. The first is it made me think critically. The second is it made me acquire substantive knowledge.

The book really helped me think critically about my life. It made me realize that I have a lot financially to work on. It really made me take a step back to look at my own life. A lot of the stories I could relate to. It showed me where I was in the wealth category, which was very low. It gave me different ideas on how I can overcome this and save my money. So after reading it I had to think of hat changes in my personal life I could make.

The second learning outcome I achieved was that I acquired substantive knowledge. From this book I gained the knowledge of what wealth really is. In the book it talks about how wealth is not the same as income. If someone makes a good income and spends it all they don’t get wealthier. Wealth is what you save and accumulate it’s not what you spend. I never thought about wealth this way. I always said I was wealthy because I do make a lot. I just can’t seem to save it. This book said some really profound things that brought me a lot of knowledge on finances.