

COLUMNS

## Do not ignore the millionaire next door

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By **Ron Kurtz**

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Today, the wealthiest 10 percent of United States households consists of 12 million households with a net worth of \$1 million or more. This is more than twice as many households, with more than twice as much wealth as in 2002.

At that time, when we began surveying the wealthiest 10 percent of U.S. households, there were approximately 10 million households with a net worth of \$500,000 or more, about half of which had a net worth of \$1 million or more. This was based on the most current data from the Federal Reserve Board's Survey of Consumer Finances, the best source of data on the distribution of wealth in the U.S.

The rich, we presume?

With over 30 years of research, starting in 1973, Dr. Thomas Stanley first showed in his 1995 book, "The Millionaire Next Door," that 90 percent of the true affluent, i.e. those with a net worth of \$1 to \$5 million, are careful spenders and aggressive savers. They are not conspicuous or pretentious consumers, as shown again in his 2009 book "Stop Acting Rich ... and Start Living Like a Real Millionaire."

If you have not recently read these two books of Dr. Stanley, you risk not understanding the values and interests of the real market of affluent consumers.

In the 1970s when Dr. Stanley began his research, today's affluent baby boomers and Gen-X were in their 20s and 30s or younger a similar age to today's millennials. The late 1960s to early 80s was a period of big changes in social and cultural values. It was a time of "free love hippies," anti-war "peaceniks" and experimentation with various drugs.

Given the changes influencing the younger generations, who would have predicted these two generational groups would have matured to be the so-called "materialistic" consumers that they have been perceived to be.

Perhaps as people mature and become affluent, they become more like their predecessors and their parents. This seems to be demonstrated by Dr. Stanley's 35 years of research and our 13 years of research, both of which show that the affluent are primarily people who live within their means.

Our surveys have shown that only about 10 percent of the most affluent are familiar with the true luxury brands and their price points. The favorite retail stores of the affluent are The Home Depot, Costco, Target, and Bed Bath and Beyond.

Throwing the book

Consultants and researchers, often with media encouragement, seem to paint a misleading and confusing picture

of the affluent with their emphasis on the "glittering rich" (the true luxury consumers), the aspirational affluent (who will go into debt to buy an occasional luxury), and the \$100,000-plus income millennials who are supposedly the next wave of luxury consumers if they can ever make up the damage to their career caused by the recession and its aftermath.

It seems these "pundits" are constantly identifying new consumer segments, trends and problem areas that marketers must recognize or be at risk of losing their job. That is a shame, because most often the "news" turns out to be much ado about nothing, or simply a ploy to attract media attention and hopefully new clients.

If you want to understand the true affluent, the millionaires next door, you should re-read Dr. Stanley's books.

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