

# CHAPTER 1

## Who Are the Affluent?

**G**iven the focus of this book, it is important that we first answer the obvious question: who are the Affluent? For the purpose of this book, we will make distinctions between different types of Affluent Americans. The differences between the groups are based on what makes them affluent, how affluent they are, and how they achieved their level of affluence. In this book, you will regularly see the following Affluent categories.

### **Affluent Categories**

1. The Working Affluent
2. Wealthy Families
3. The Savvy Affluent
4. The Super Affluent

In some instances, a person or family may be categorized as both Working Affluent and a member of a Wealthy Family. That same family may be considered Super Affluent and may or may not be considered part of a group we call the Savvy Affluent. Despite their ability to share members of multiple Affluent categories, these groups can have very significant differences in characteristics, concerns and goals. Whether you are a member of any of these Affluent categories, hope to become a member of the Affluent through lessons in this book, or plan to work with members of these groups as an advisor, you will find the philosophical and practical Keys in this book apply almost universally. Of course, as with any lesson, some of the specific chapters within each of the 10 parts of the book—the

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10 Keys—may be more appropriate for one group than another and will be more or less valuable to different people within each group based on their personal circumstances.

### **The Working Affluent**

For the purposes of *Wealth Secrets*, we define Working Affluent as families that earn more than \$150,000 per year. The strategies and philosophies offered in this book have come from individuals and families that earn \$500,000 to \$5 million per year and can be applied to any household earning \$150,000 or more. By definition, the Working Affluent earn considerably more than the Average American. This will be quantified later in this Key. As a result, the Working Affluent have different financial challenges that require special attention. Generally, these challenges include business planning, tax planning, asset protection, retirement planning, wealth accumulation, and investment and insurance concerns. These topics will be discussed in greater detail within the 10 Keys to Fortune Building and Asset Protection.

### **Wealthy Families**

For the purpose of *Wealth Secrets*, we define Wealthy Families as those families with a current or potential net worth in excess of \$2 million. Here, we are simply calculating net worth as the sum of total assets less the total of liabilities or debts. Many of the authors' experiences have been with families that have a net worth between \$5 million and \$50 million. Wealthy Families may have many similar concerns to those of the Working Affluent. In addition, Wealthy Families are also likely to have estate planning, charitable, and business succession concerns. These unique concerns will be discussed in detail in the Sixth Key. Conversely, the Working Affluent may have more significant asset protection and tax concerns arising from operating a high liability business or professional practice. These concepts are discussed in the Fourth and Fifth Keys, respectively.

### **You Can Be Both—Working Affluent and a Wealthy Family**

We acknowledge that many people will fall into both categories—the Working Affluent and Affluent Families—but that is not always the case. This is why we cannot use only net worth or income as an indicator of

affluence. For example, a first-year neurosurgeon may earn \$400,000 per year (according to [www.mdsalaries.blogspot.com](http://www.mdsalaries.blogspot.com)) but may not pay off all of his educational debt and begin to save money for a number of years. We did not think it accurate to categorize this person as Average; rather we call this professional a member of the Working Affluent as a result of his high income. Similarly, a woman who sold her business for \$5 million and quit working shouldn't be considered Average because she doesn't have a job or a regular income. She would be a member of a Wealthy Family because she has such a high net worth. Clearly, these two people have concerns that are very different from those of the Average American. You can also see how the neurosurgeon may have very different concerns from the young retiree. This is why it is an either-or scenario and why there are solutions in this book that are more appropriate for each group.

## The Super Affluent

The examples of the neurosurgeon and entrepreneur described above help explain why a person or family is considered Affluent. The neurosurgeon is considered Affluent because of significant income. The entrepreneur is considered Affluent through a measure of accumulated assets. Yet, these two Affluent groups have different financial challenges and wealth concerns. As such, the category of affluence is not the only important financial planning factor. The amount of wealth someone has acquired also has an impact on the goals and strategies used to achieve financial success.

For this reason, we introduce another category: the Super Affluent. The Super Affluent can also achieve their Affluent distinction through earnings or accumulation of wealth, albeit at higher levels. We consider the Super Affluent to be members of the Working Affluent who earn more than \$1 million per year or members of Wealthy Families who have accumulated a net worth in excess of \$10 million. You will find that many of the strategies in this book come from people who are members of this category and members of the next category, the Savvy Affluent.

## The Savvy Affluent

The Working Affluent, Wealthy Families, and the Super Affluent designations are based on the amount of income or net worth a person or family has. This category, the Savvy Affluent, is based on what people

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have done with their money. A member of the Super Affluent isn't necessarily someone you want to mimic (see: Hilton, Paris). Inheriting money or winning the lottery are not planning strategies we endorse. Luck should not be part of your long-term financial plan.

The lessons in this book were learned from people and advisors who made great decisions and leveraged every opportunity they had to achieve a greater level of financial success. For example, turning a \$100 investment into a \$300,000 per year business and turning a \$1 million inheritance into a \$50 million fortune are both wonderful success stories worthy of inspection. These stories are those of the Savvy Affluent.

The Savvy Affluent are people who have made the most of their situation by utilizing the lessons in this book to either:

1. Improve their financial situation from Average American to Affluent American.
2. Improve their financial situation from Affluent to Super Affluent.

Throughout the book, we will refer to the Savvy Affluent as the ones who have wisely applied the lessons discussed to achieve greater wealth and peace of mind. Many of the tips in this book have come directly from interactions with thousands of Savvy and Super Affluent Americans who have successfully grown from Average to Affluent and then from Affluent to Super Affluent. The purpose of this book is to teach you what the Savvy Affluent have done to increase their levels of wealth and explain how you may be able to benefit from similar strategies.

If you are interested in improving your financial situation by employing the same techniques that were previously used only by the Super Affluent, you have picked up the right book.

### Important Note

The reason we talk about Average, Affluent, or Super Affluent Americans has nothing to do with inherent differences in Americans' approach to achieving financial success. Many of the philosophies in this book are universal and could be applied in any city, state, province, or country. In fact, many of these lessons have been passed down within Wealthy Families and empires for thousands of years.

However, many of the practical tips in the areas of asset protection and tax and estate planning are based on the laws of the United States that will apply to anyone living in this country. So, if you are not an American citizen but you live in the United States, this book should be very helpful. If you are not an American citizen and you live outside the United States, the strategies in this book should help you, too, but you should work with local advisors to make sure the practical lessons apply in your country.

### **Consider This**

Now that you understand what makes someone Affluent and what the different categories of Affluence are, you are almost ready to begin your practical training and learn the secrets to fortune building and asset protection. But before we tell you the secret of the Affluent, first it is imperative you read the next segments on the Average American and the differences between this group and Affluent Americans. Then you can proceed to the Second Key: Leverage. These discussions will be the cornerstones of the important philosophies throughout this book.