

# Chapter 1

## The Epiphany

**I**t was a convection-oven July day in Manhattan, the kind of sizzler when the sidewalks are like beds of smoldering coals, sending blasts of heat all the way to your brain. Even the office towers were nearly steamy inside, as if the massive commercial air-conditioning systems were unable to compete with the solar barrage. And then another fire, of sorts, ignited around me.

I was working with former Treasury Secretary Bill Simon. Born in Paterson, New Jersey, in 1927, the son of an insurance executive, Simon attended Lafayette College in Easton, Pennsylvania. He launched his career with Union Securities in 1952 and served as a vice president of Weeden & Co. before moving on to even greater success on Wall Street, culminating in his appointment as senior partner in charge of the government and municipal bond departments at Salomon Brothers. Then came the capstone of his career: President Richard Nixon appointed Simon as the 63rd Secretary of the

Treasury in May 1974. Simon was reappointed by President Gerald Ford and served until 1977. His years of experience in Washington, D.C., changed both Simon's view of himself and his stature in the world.

At first, it was a shock to his system.

"When I took a seat at my first cabinet meeting, I thought I was a pretty damn well accomplished fellow," Simon recalls. "And then I'm suddenly sitting there surrounded by men of such vast knowledge of global politics and economics—Henry Kissinger, George Schultz, Eliot Richardson—that I felt small and inconsequential by comparison.

"At the end of my first week of service, I realized how truly naive I was. I asked Nixon's secretary, Rose Mary Woods, if I could see the President before heading home for the weekend, and she made room in his schedule. When I entered the Oval Office to bid good-bye, Nixon snapped me right into place: 'Home for the weekend! Bill, you are Secretary of the Treasury of the United States of America. You don't go home for the weekend. You are home!'"

After his years with the Treasury Simon cofounded, with Raymond Chambers, CPA, a leveraged buyout (LBO) firm called Wesray Corporation. Among Simon's home runs was an investment in Gibson Greetings in the early 1980s, which quickly grew from \$330,000 to \$66 million.

Throughout Simon's life, he had the Midas touch. **Throughout his life he was a member of a select group of people who use money as an instrument of independence, confidence, and enduring value, instead of merely indulging in the temporal rewards of luxury and lavish goods.**

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On that boiling July day when we were locked in his Manhattan office, brainstorming a new business strategy, the man who had virtually invented the LBO business and become one of the richest men in America, took a call from his daughter, who was on her way to the Simon summer home in Southampton, Long Island.

The conversation began with predictable pleasantries between father and daughter. Suddenly, in a surprising turn of events, the discourse rushed headlong into a screaming match. Mr. Secretary, a brilliant thinker who dressed impeccably in a 1950s Brooks Brothers' vision of quiet capitalism and who, in an odd juxtaposition of habits, dined daily on cream cheese and jelly sandwiches, had just discovered that his offspring was taking a taxi from Manhattan to Southampton rather than choosing the far cheaper option of a Hampton jitney. Simon exploded, charging his daughter with "fiscal irresponsibility of scandalous proportions." It was as if she had charged every single item in Bergdorf Goodman's department store on his American Express card and then tossed in a new Bentley Continental Flying Spur to transport all the goodies home.

How can we explain this volcanic response to the expense of a cab fare from one of the wealthiest men in America? How can we understand how a mogul can become livid over the news that a loved one would spend an extra \$200 on transportation?

Further, this outraged response came from the same man who would bequeath his entire fortune of \$350 million to charity (including AIDS hospices and low-income education groups) two years before his death on June 3, 2000. How was the once-middle-class Simon able to perceive and connect with

the timeless code of wealth, to have his own independent view of the value of money and how it is to be used?

The answer is both complex and simple: **He joined the religion of the rich.** Simon's actions at the nexus of money and life provide us with exceptional and enlightening insights into what makes the members of this religion tick, and how they preserve their wealth.

Those who subscribe to the orthodoxy of this religion are not simply *any* rich people. This group doesn't

include lottery winners or dream-come-true geeks who start a social networking website and get bought out by Google before they graduate from MIT. No, I am referring to a class of financially independent people (most of whom live happily in complete obscurity) who manage to build and preserve wealth without the theatrics or the stroke of luck so often associated with this achievement. In fact, they often accomplish their goal of wealth quietly, deliberately, and even mystically.

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What do I mean by the religion of the rich? Am I referring to people who worship money? Or are they simply people who abide by a certain belief system?

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Before we can answer this, let's step back and put this into perspective. In the process, we will discover a better way to grow and manage money and to live a fulfilling life. Money matters a great deal, but ultimately it's your life that matters most. The religion of the rich always gives equal importance to both money and life. The vast majority of people think about money in only two ways: making it and spending it. In this narrow and myopic view, money is like sand moving through an hourglass: In it comes, out it goes. It does not have intrinsic value. Its only worth is measured by what it can purchase at the time . . . in the moment . . . now!

This means that money is not really the substance upon which wealth, of any size or scope, is based. It is simply a form of currency, or of barter, as were the beads, cloth, and hatchets used by Dutch settlers to buy Manhattan Island from the Shinnecock Indians, or the spices used as trading commodities by the early explorers and traders, such as Marco Polo and Magellan.

You may think, at first blush, that this all-too-common perception, this traditional way of viewing money, is correct. After all, it is only money—dollars and cents, hard cold cash. But before you put a lock and key on this belief, let me ask you, is a prayer just a string of words?

Technically, yes. Consider any prayer you have uttered during your life. Can you recognize this one?

**“The . . . is . . . shepherd . . . my . . . Lord . . . want . . . not . . . I . . . shall . . .”**

Is this a prayer or just a string of words? Let's look at the same words in a different order:

**“The Lord is my shepherd, I shall not want.”**

Now, is it just a string of words or part of something powerful and profound? Something to build a life's philosophy on, and to provide a source of courage in a time of fear?

Clearly, the latter is true. And the same is true with money. If you see money solely as stuff that enables you to acquire other stuff, it will never amount to a value greater than the sum of its parts. Nor will it ever amass to a sum greater than the sum you earn on your job or by running your own business. **Simply put, if you continue to view money as merely dollars and cents, you will always be locked into the earn-it, spend-it, build-nothing-of-great-value treadmill.** Only if you view money as far more than simple fodder for consumption will it acquire exponential value.

To gain this perspective, you must treat the accumulation, spending, saving, and investment of money as a form of *religion*.

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Now, don't worry: I am not talking about some kind of holy wisdom or seeking to lay gospel upon you. By the religion of the rich, I do not mean worshipping a god or engaging in prayer or holy rituals. Instead, I am referring to a view of money that vests it with far more substance than a simple trading commodity. **It is a way of thinking about money that has greater connectivity to what most of us place at the top of life's hierarchy of values: family, friends, fulfillment, enrichment, and independence.**

This is the underpinning of the philosophy of the religion of the rich. To become a member, you must look at

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money from a fresh perspective and see it in an entirely different light. As you do, you will begin to understand and accept a set of more powerful core values, an orthodoxy, a means of thinking and behaving in a way that actually facilitates the accumulation and preservation of wealth and the fulfillment of life.

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Voltaire said, “When it comes to money, everybody is of the same religion.” But that is not true. Yes, everyone earns money. Everyone spends it. But in between these goalposts of earning and spending is the place where wealth is created, or where it is not. This is also the place where a way of living, a full and wealthy life, is established, or it is not.

The big difference lies in the great expanse of gray area that lies between spending and earning. Here we find two basic categories of people:

1. The vast majority who have absolutely no philosophy about how to manage their money.
2. A distinct and immensely important minority who are the members of the religion of the rich.

It is the latter we must learn from. It is the latter who turn simple currency into the currency of rich, full, and independent lives. It is the latter who progress far beyond the confines of a paycheck-to-paycheck existence. It is the latter who are the masters of their own fate.

The religion of the rich is a state of mind. Interestingly, much of its philosophy springs from the eddies of the great religions, Puritanism and Baptist in particular, but it is not focused on traditional religious orthodoxy. It is not

about heaven and hell. It is not about prayer. It is not about morality.

**It is, first and foremost, about recognizing that there is something about money that is uniquely valuable to your life (beyond the number of zeroes in your bank account) if it is managed—that is, accumulated and protected—appropriately, with discipline and dignity and a sense of fiduciary responsibility.**

Some people are born to the religion—not through the accident of birth or level of wealth, but through a way of thinking that comes naturally to them, such as intellectual curiosity or a strong appreciation for and sense of family.

Others can convert to the religion. They see its wisdom, they learn from their mistakes or the failings of others, and they come to understand what money is and what it is not. They shed the behavior that would prevent them from leading truly wealthy lives and proceed to achieve this goal by joining the religion.

It is up to you. And only you. You can join at any time that you have the vision and the discipline to do so.

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The great seventeenth-century philosopher John Locke wrote that man is born with a mind like a blank slate: a *tabula rasa*. How and what he comes to think is imposed on him by parents, teachers, and others: what is seen or heard, what is taught, what is read. All these influences shape the person and his assumptions about the right way to manage (or fail to manage) money.

Although Locke never would have thought it at the time, his idea has powerful implications for the religion of the rich.



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As an adult, your mind is no longer a blank slate. Your mind is composed of the various ideas and opinions imposed upon you by others—and in the case of your finances, by the financial media and financial advisers. The religion of the rich challenges you to rethink all of your assumptions about

how to build a life of wealth, regardless of the value of (or lack of it) in your net worth statement. In other words, it breaks down the overly complex hieroglyphics of popularized wealth-building strategies that have influenced you over time and provides you with new methods to achieve, protect, and enjoy wealth.

A case in point: All of the standard personal financial plans available, and there are thousands of them, are based on *counting*. On numbers. On calculating yields and percentages. They are forms of simple math glorified by brand names given to them by financial services companies.

The profound difference between these cookie-cutter plans and the religion of the rich is that the latter is based on *thinking before counting*. Thinking beyond and apart from numbers to such intangibles as:

- The limitations as well as the possibilities afforded by money.
- The life values that are truly dear to you and that enable you to sleep contentedly at night.

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- The role of personal pride in your life . . . and from what source that pride is derived.
- What you will do with your wealth, now or when you acquire it, to ensure that you are financially independent for life.

Thinking through these issues enables you to wipe away the words and concepts that have been written on your blank slate and to rethink your personal financial strategy—all with a focus on the timeless concepts embedded in the religion of the rich.

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At the bedrock of this religion is the understanding that the conventional wisdom on wealth creation and protection is off-base, narrow-minded, wrong, and, most important, useless for all who want to join the ranks of the rich. You will have to recognize that without a true philosophy to guide your personal financial life, you will continue along the standard path, which is formulaic, based on mathematical projections that are often erroneous, and designed to serve a salesman's drive to enrich himself at the expense of the client . . . at your expense.

The art of living easy as to money is to pitch your scale of living one degree below your means.

—Sir Henry Taylor

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Think of it this way: Millions of otherwise intelligent men and women have allowed themselves to enter the august stages of their lives without sufficient wealth to retire. Even if they want to continue working forever, there is a major difference between *wanting to* and *having to*. And the major reason they *have to* is because they have never been taught to think of rich as a religion. Instead, they think of it as numbers, charts, and projections. This is superficial and misleading. The numbers on a mutual fund's performance graphic can provide a mathematical snapshot of how a basket of stocks and/or bonds have performed in a given time frame, but so what? They can't predict a single thing about the future. And, more important, they cannot change behavior. They cannot motivate people to truly change the way they view money. They cannot reveal the powerful truths that lie beneath the charts. The religion of the rich can and will change the way you handle and think about money. More importantly, it will facilitate the accumulation and preservation of wealth.

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In order to perceive the timeless code to wealth and begin embracing the religion of the rich, there are eight tenets that

will be revealed and discussed throughout this book. The Eight Tenets of the Religion of the Rich are:

1. Money is not simply currency; it is the currency of life.
2. Wealth is a private matter.
3. Always live *below* your means.
4. You can always live very well but being highly leveraged is never living well.
5. The most important money you have is the money no one sees.
6. Rich people are those who can write out a check when they or their loved ones need the money.
7. Buying depreciable assets is spending; acquiring appreciable assets is investing.
8. The most rewarding achievement in life is to be content.