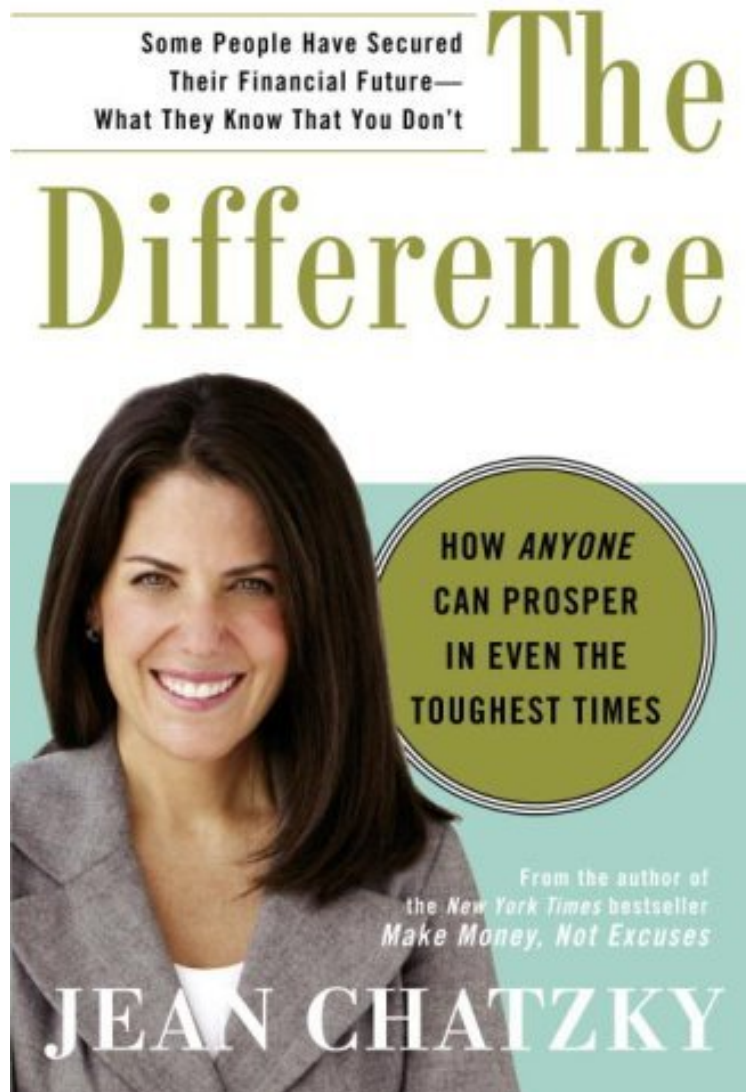


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The Difference: How Anyone Can Prosper in Even The Toughest Times

Jean Chatzky

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Jean Chatzky : The Difference: How Anyone Can Prosper in Even The Toughest Times before purchasing it in order to gage whether or not it would be worth my time, and all praised The Difference: How Anyone Can Prosper in Even The Toughest Times:

0 of 0 people found the following review helpful. Still relevant after all these yearsBy PATTYJean Chatzky is an easy read for non-MBA types like me who are still interested in making sound investments and being financially

responsible. Though this book is a little dated (e.g. references to using blackberries) it contains wisdom and inspiration that anyone can use. One way I judge a good non-fiction book is whether its advice still flies a decade later. This one does, so I sent it to my daughter. It approaches life-long financial habits from the perspective of the recession. Our kids began their careers in the midst of all that, so I hope Chatzky's advice will be ring true to them. 1 of 1 people found the following review helpful. A Valuable Resource By The Simply Luxurious Life A financial resource that is a statistical reminder of how wise money management makes a significant difference in the direction, quality and security of our lives. I give this book as a gift to all graduating high school seniors who send me an invitation (I'm a teacher). 1 of 1 people found the following review helpful. Insightful By Dave C. Very insightful, full of great info on how to stretch the mighty dollar so that it could work for you.

Can you really start from nothing and become truly secure financially? What's the difference between you and Warren Buffett? Between you and your boss? Or between you and your successful neighbor? What do the financially comfortable have that you don't? It's not that those people were born into money, caught a lucky break, or have an Ivy League education. It's not even that they are smarter than you or make more money than you do each year. So what do they have that you don't . . . at least not yet? What's the Difference? Trusted financial coach Jean Chatzky shares the secrets her groundbreaking research of the self-made wealthy has uncovered so that anyone can break through the barriers that stand between them and true financial freedom. Find out why it's important to:

- Get happy, but not too happy
- Do what you love, but don't quit your day job
- Read every day
- Remember that failure is not an option
- Harness your intuition to take risks that make sense
- Practice the Kevin Bacon Principle
- Say thank you
- Make your money work as hard as you do

Through candid interviews and a study of more than five thousand people, Jean reveals the traits and habits of those who have moved from the lowest economic strata to the highest. The Difference helps you take a look at where you are now and offers simple strategies for going where you want to go. The Difference, you'll see, is within you: You have the power to determine your financial future and achieve the next level of wealth. From the Hardcover edition.

About the Author Jean Chatzky, award-winning journalist, bestselling author, and sought-after motivational speaker, has created a global platform that is making significant strides in helping millions of men and women battle an epidemic with devastating impact—debt. Jean is the financial editor for NBC's Today show, a contributing editor for More Magazine, a columnist for the New York Daily News, and a contributor to The Oprah Winfrey Show. She also hosts a daily show on the Oprah Friends channel, exclusively on Sirius XM Radio. She is the author of numerous books, including Pay It Down!: From Debt to Wealth on \$10 a Day, a New York Times and BusinessWeek bestseller. Her previous book, Make Money, Not Excuses, was a Wall Street Journal and New York Times bestseller. Excerpt. copy; Reprinted by permission. All rights reserved. Chapter one Meet the Neighbors The New Rich List Back in the early 1990s, I was—for a short while—a reporter/researcher for Forbes magazine. During my tenure there, I got a few plum assignments, including spending one weekend fact-checking the first interview Michael Milken had granted from prison and fact-checking another on the businessman who would eventually become New York's mayor, Michael Bloomberg. I suppose I did well enough because I was soon tapped to do a little legwork on Forbes's lists of billionaires and richest celebrities. The preeminent Forbes rich list, of course, is the Forbes 400: the list of the country's four hundred wealthiest Americans. It has been around since 1982, when just three families made up 13 percent of the list. There were eleven members of the Hunt family, fourteen Rockefellers, and twenty-eight du Ponts. In 2007, on the list's twenty-fifth anniversary, these dynastic numbers had dwindled to almost nothing. There was one Rockefeller (David Rockefeller, Sr.), one Hunt (Ray Hunt), and no du Ponts. Fifty people fell off the list completely. Forty-five were newcomers—nearly half of whom had made their money in hedge funds and private equity (like Pete Peterson of Blackstone and David Rubenstein of the Carlyle Group); the others were a mixed bag, including Frank and Lorenzo Fertitta of the Ultimate Fighting Championship, a pay-per-view fight fest. The point, notes Columbia University researcher Wojciech Kopczuk, is not just that wealth is less concentrated (the share of wealth in the hands of the top 1 percent of Americans has fallen by half over the last eighty years). The real point is that it has moved into a whole new set of hands. Over the past twenty-five years, as these families have lost their historical positions, a whole new set of people has gotten rich. Some are entrepreneurs that have made a splash. Others are high earners on Wall Street, in corporate America, at law firms or consulting companies. Still others bought the right stocks (or were handed the right stock options) at particularly opportune times. This is an incredibly optimistic sign—and it's not just coming from the pages of Forbes. According to the Harrison Group, a research firm in Connecticut, three-quarters of the wealthy families in this country—and nearly all of those who qualify as upper middle class—didn't start out wealthy. Eighty-three percent came from the middle class. They've accumulated wealth over fifteen years on average, which means that some of them got there in significantly less time than that. And here's a bonus: When you look at the wealth of the pentamillionaires (the folks with \$5 million or more), only one-tenth of their money came from passive investments.

They made the rest of it themselves. Survey after survey I pored over while researching this book shows that a shrinking percentage of today's wealth came through a bequest. Research from the Spectrem Group, based in Chicago, found that only 2 to 4 percent of today's millionaires became rich that most old-fashioned way. This means you no longer have to be born into wealth. Despite the hurdles presented by the markets in 2008, the American dream is alive and thriving—and you have the ability to achieve it. Where Are Women in This Mix? The tide for women is turning a bit more slowly—but it is turning, nonetheless. Remember, there are two ways for people to become wealthy: They can inherit money or they can earn it. (Some people might argue that marriage is a third proven way to get wealthy. I don't put it on the list because it can also take your financial life in the opposite direction. Nine percent of our survey respondents blamed divorce for a negative turn in their fortunes; 8 percent blamed marriage itself.) Interestingly, the fact that the ranks of the wealthy are more dominated these days by earned wealth rather than inherited wealth works against women. How? Think about the wealthy American families of yesteryear, the Rockefellers, Vanderbilts, Hearsts, and so on. They had children and their children had children—and on average—those children were likely to be 50 percent male and 50 percent female. So as the money passed from generation to generation, it created as many female millionaires as male ones. When it comes to earning money, however, men still hold the advantage. Women are making strides. Some 30 to 40 percent of women outearn their spouses. More women than men are entering college and graduate-degree programs. Some researchers predict that the average woman will outearn the average man by the year 2030. But for now, women still lag. In 2007, the number of cents a woman earned for each dollar a man earned jumped from 77—where it had been stuck for as long as I can remember—to 81. Progress, yes, but still not an even playing field. In terms of wealth and who has it, the number of women inheritors falling out of the ranks of the upper-wealthy is—for now—greater than the number of women earners climbing into them. As Columbiar's Kopczuk puts it: "Old wealth is split equally. New wealth is not. But as time goes on, we expect to see a more equal split in wealth as well as in income. The tremendous strides women have made in income already indicates we will." How Do You Get There? This all brings up the questions that are at the heart of this book: Where do you fit in now? And how do you rise to the top? I suppose that's fitting, as this entire book unfolded as the result of asking—and attempting to answer—one very large question: Why do some people seem to move relatively easily from a paycheck-to-paycheck existence into comfort or wealth, while others get stuck or—worse—fall back? I set out to answer that question by reading volumes of research—academic and otherwise—on the subject. Or I should say subjects: wealth, education, success, entrepreneurship, risk taking, and the bigger worlds of behavioral finance and positive psychology, which danced in, out, and around the question I was trying to frame. Many professors walked me through their work, explaining their theories and answering my questions. In the end, though, it wasn't enough. I wanted specifics of which behaviors, attitudes, goals, and personality traits mattered most. I needed to know how these elements combined to make The Difference. How many of these behaviors, attitudes, goals, and traits did you need to boost you from one category to another? What, if anything, held you back? That was when I joined forces with Merrill Lynch and Harris Interactive to develop our own survey instrument that would look—specifically—at these questions. For months, a team of eight to ten of us met regularly. We used the preexisting research as the foundation for our a twenty-minute questionnaire. Then we rewrote those questions, and rewrote them again. Finally, several months later, we administered the poll to more than five thousand individuals. The Research The study, formally known as the 2008 Merrill Lynch New Retirement Study, delved specifically into four loosely constructed categories: nonfinancial behaviors, financial attitudes and behaviors, goals (both financial and life), and personality. We asked hundreds of questions about topics including—but not limited to—the following: financial attitudes and behaviors: Are you where you want to be financially? Why or why not? What has been the most important factor in reaching your financial status? Under what circumstances were you able to establish financial comfort? How do you handle your credit cards? Do you or do you not budget? Do you look up to people with more money than you have? Have you worked with a financial adviser? How do you feel about stocks? Bonds? Do you feel entitled to a good standard of living? goals: What financial goals have been absolutely essential for you as an adult? Save more? Reduce debt? Which goals have you been able to accomplish as an adult? Can you envision a day where you won't have to work to meet your financial needs? Do you envision a retirement where you will work part-time? Start your own business? personality: Are you satisfied with your family life? Religious life? Sex life? Financial life? Are you driven to make a lot of money? Are you hardworking? A multitasker? Grateful? Confident? Happy? Optimistic? Stubborn? Creative? Street smart? Outgoing? Competitive? A leader? Ambitious? Popular? A risk taker? Do you have the ability to overcome a bad situation? Are you passionate about your work? Do you finish what you start? Can you easily read other people? Do you feel it is okay to break some rules? Have you compromised your personal principles to succeed professionally? nonfinancial behaviors: How many times have you changed occupations as an adult? Do you work more than others? From home? On vacation? How often do you vote? How much television do you watch? How much time do you spend online? How often do you exercise? How often do you read books? Newspapers? Do you participate in extreme sports? Or meditate? How much sleep do you need? How often do you socialize and with whom—friends, family, neighbors, colleagues? People you enjoy? People who could advance your career? Have

you made personal sacrifices to climb the ladder of success? Do you give back to your community? Often? As often as you can? It was a huge undertaking. And that was not all. We asked about political affiliation, left and right handedness, birth order, and whether participants were the children of parents who read to them at night. If we had an inkling that something might be important, we tried to find some way to add it to the soup. And as you'd expect, some of the issues raised by these questions turned out to matter a lot, others not so much, some not at all. We got the results back in early 2008. But anyone who has ever conducted a large-scale survey knows that the initial data run was just the beginning. For the next half year, the data was processed, cut, interpreted, and reinterpreted. I continued to ask questions. Harris continued to look for the answers. Along the way, David Robinson, associate professor of finance at Duke University— an expert in the field of behavioral finance— volunteered to weigh in. He was insightful and tireless, and with his help, the story in the data revealed itself even more. The Top Twenty As noted in the introduction, the research revealed four distinct groups of people: the wealthy, the financially comfortable, the paycheck-to-paychecks, and the further-in-debtors. Unfortunately, the breakdown below reveals that most Americans are still struggling. The Difference In America Percentage of Population The wealthy (W): 3 percent The financially comfortable (FC): 27 percent The paycheck-to-paychecks (PTPs): 54 percent The further-in-debtors (FIDs): 15 percent What Makes The Difference? The individuals that fall into these groups vary, of course, in terms of their income and their assets. But these discrepancies in income and assets aren't driving the bus. They're not leading the charge. The individuals in these groups are fundamentally different. As I said, we tested for hundreds of factors. Yet in the end there were twenty factors that rose to the top as key elements. These twenty— literally— make The Difference. Those who "have it" share the following: Financial Attitudes and Behaviors • They feel stocks are worth the risk. • They devote money to personal savings or a 401(k) each month. • They save regularly for emergencies. • They have invested for retirement. • They have reduced outstanding debt. Goals • They want to be financially comfortable during their working years. • They aim to retire comfortably. • They always knew what they wanted to do (for a career). • They made it a goal to accumulate \$1 million. • They want to own a home. Personality • They are confident. • They are happy. • They are optimistic. • They are competitive. • They are leaders. Nonfinancial Behaviors • They have a college degree. • They socialize with friends at least once a week. • They exercise at least two to three times a week. • They read newspapers regularly. • They are married. The good news is that you don't need to have all of these factors. The Ws have more of these factors than the FC, who have more than the PTPs, who have more than the FIDs. It's a continuum. But you do need, on average, ten factors (your choice) to make your way into financial comfort— and twelve to make your way to wealth. In contrast, only half of the PTPs and FIDs have more than three of these factors. The Movers Finally, working with David Robinson, I analyzed the data in another way. Of the five thousand individuals in the sample, there was a significant group who were at one time falling deeper into debt but who have since climbed up into the top two categories. I call these 620 individuals the "movers." From this analysis, we were able to confirm the importance of the Top Twenty. For example, we saw that individuals who said the word "confident" described them at least "slightly" were significantly more likely to move into comfort or wealth than those who said it did not describe them at all. But we also saw, using this analysis, the emergence of several other important characteristics: gratitude, popularity (connectedness), and the willingness to work hard and take appropriate risks. We also— quite importantly— learned that several things can hold you back. You won't be surprised to hear that stubbornness is on this list. But how about creativity? Robinson and I spent many hours mulling that one and came away believing it's a particular type of creativity that is the problem. It is not conceiving ideas and following through. People who can do that are likely to have said the word "creative" described them "slightly" or "well," and you'll see it helps rather than hurts them. But believing oneself too creative to play in the world of the mundane— these are the people likely to have said "creative" describes them "very well" or "completely"— that is problematic. "If your stubbornness or creativity consumes you," Robinson noted, "those traits become a detriment." Which leads me to a word on moderation. As you read through these facts and figures, you will no doubt notice that whether we're talking about being happy, hardworking, grateful, or creative, their presence in your makeup is beneficial . . . to a point. If they describe you "slightly," you get a small bump. "Well," a bigger bump. "Very well," the biggest bump. But "completely"? You fall back a bit. In moderation, all of these attributes are positive and lead to wealth. In full, perhaps not so much. Consider happiness. You'll read more about this in chapter 5, but research has shown that the most blissful individuals don't have enough drive to go for the big job, the big paycheck, the brass ring. They're too satiated, too complacent. That same pattern is mirrored throughout. As you read through The Difference, in particular the profiles of individuals who embody The Difference traits, you'll see that they are— by and large— a balanced group. They are not consumed by one attribute or another but pay attention to many aspects of their lives. They are happy. They are socially connected. They vote. They exercise. They are glowing examples of moderation. I enjoyed spending time with them— and

hope you will as well.From the Hardcover edition.