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5 money-building secrets of millionaires

By [Matt Alderton](#)




April 23, 2015




When she got divorced at age 37, Ilene Davis had \$100,000. By age 50, she'd saved \$1 million. By 60, she had over \$2 million. Now 65, the Cocoa, Florida-based financial adviser says the secret to her wealth lies not in how much she makes, but in how much she spends.


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"Anyone with a willingness to make changes in their life can accumulate wealth, in my opinion," Davis says. "It's not what you make; it's what you keep that really matters."

Because wealth can be a function of behavior just as often as it is a function of finance, the first step toward becoming a millionaire is acting like one. Not by spending your money on champagne and sports cars, mind you, but by earnestly growing your money, one penny at a time.

Start by nurturing these five traits shared by many millionaires:

1. Anticipation

CPA Jeff Cutter has noticed that his wealthiest clients have something in common: They don't procrastinate; they anticipate. "The wealthy start saving early," observes Cutter, owner of Cutter Financial Group. "I have a client who's an electrician. He never made over \$55,000 a year, but he always saved consistently. Every single month he paid himself first. He retired with about \$2.1 million because he started saving early."

Indeed, the sooner you start saving your money, the longer it has to grow. "Start thinking about your last day of work on your first day," Cutter advises. "I recommend my clients put away at least 10 percent of their income into long-term savings."

2. Patience

Hand in hand with anticipation comes patience. Few millionaires earned their wealth overnight. Most waited years for it, investing their money and then allowing time and compound interest to build their fortunes for them.

"What they say is true: It's time in the market, not timing of the market, that makes you wealthy," says Davis, whose impatience early in life caused her to gamble away several chances to make more money sooner. "I bought Microsoft in 1986 and sold it after I made a 10 percent gain. If I'd kept it, it would probably be worth \$2 million today... What I learned is: Pay yourself first. Whenever you have extra money, put it somewhere and forget about it being there. That's what all my clients who've become millionaires did."

3. Restraint

Being patient means waiting not only for profits, but also for pleasure. "[Millionaires] look beyond instant gratification to potential future gratification," Davis says. "That sounds really simple, but it's true. If someone bought a used car instead of a new car throughout their 40 years or so of working, they would save, say, \$1,000 a year on car payments. If that money were invested and earned a 6 percent return, which is below the historic market norm, it would be worth \$164,000 [at retirement]. That's one-seventh of the way to \$1 million just with that one change."

"I made my money with a single income that until recent years was never really that high," Davis says. "I've enjoyed life, but I buy used cars, I buy used clothing and I don't stay in expensive hotels when I go on vacation. It's simple mathematics, really. By not spending today you can have wealth for tomorrow."

Living below your means can get you even closer. "The average household in the U.S. spends 103 percent of what it takes home," says financial planner Chris Hardy, owner of Atlanta-based Paramount Investment Advisors. "What people who become millionaires have realized is that if they make \$10, they have to spend less than \$10 in order to grow their wealth."

"Millionaires put on their pants the exact same way that you do. The majority of them are just regular folks who have a very disciplined approach to the way they live their lives."
—Jeff Cutter, Cutter Financial Group

4. Judgment

Millionaires aren't afraid of debt or spending, but they know the difference between the good kind and the bad, Cutter points out. Student loan debt, for instance, is good debt, he says, because it increases one's future earning potential. Mortgage debt, likewise, is good debt because mortgage interest can be written off on one's taxes. Credit card debt, on the other hand, is bad debt because it costs money without making or saving any.

5. Knowledge

You don't have to be a tax lawyer to be a millionaire, but having some basic knowledge about taxes certainly helps. "The overwhelming majority of people do not understand the game that we call taxes," Hardy says. "If you don't know the rules of the game, it's very hard to play it."

Reading a rudimentary tax book or enrolling in an introductory tax course can teach you strategies to minimize your tax burden, like turning your hobby into a business. "Even Bill Gates has attributed his financial success to 'a working knowledge of the tax code,'" Hardy says.

Concludes Cutter: "Millionaires put on their pants the exact same way that you do. The majority of them are just regular folks who have a very disciplined approach to the way they live their lives. Anyone who has that same discipline can develop wealth."

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